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The Productive Network Project

FY08 Semi-Annual Report: October 1, 2007 – March 31, 2008

April 4, 2008

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the IRIS Center and CARANA Corporation and do not necessarily reflect the views of USAID or the United States Government.

List of Acronyms

ACUDIR – Agencia Cuenca para el Desarrollo e Integración Regional
ADET – Agencias de Desarrollo Económico Territorial
ADPM – Agencia de Desarrollo Provincial de Manabí
APRI – Agencia de Promoción Regional de Inversiones
APROGRASEG --Association of Fats and Oils Producers
BCE -- Central Bank (BCE for its Spanish acronym)
CAF– Corporación Andina De Fomento
CAPEIPI -- Chamber of Small Industry of Pichincha
CEDET – Comité Ecuatoriano de Desarrollo Económico Territorial
CEMDES –Consejo Empresarial para el Desarrollo Sustentable del Ecuador
CNPIC – Consejo Nacional para la Reactivación de la Producción y Competitividad
CODECOB – Corporación De Desarrollo Económico Y Competitivo De Bolívar
CODERIOS –Corporación de Desarrollo de Los Ríos
CONCOPE - Consorcio de Consejos Provinciales del Ecuador
CORPEI – Corporación de Promoción de Exportaciones e Inversiones
CRECER – Corporación Regional Económica Empresarial
DCA – Development Credit Authority
FDI – Foreign Direct Investment
FDIC – Federal Deposit Insurance Corporation
GDA – Global Development Alliances
GOE – Government of Ecuador
GTZ – Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
IDB – Inter-American Development Bank
IEDC – International Economic Development Council
IEPI – Instituto Ecuatoriano de la Propiedad Intelectual
ILE - Industria Lojana de Especerías
IPR – Intellectual property rights
MIC – Ministerio de Industrias y Competitividad del Ecuador (formerly MICIP)
MOU – Memorandum of Understanding
MSME – Micro, small, and medium-sized enterprise(s)
NGO – Non-Governmental Organization
OCE – Observatorio de Comercio Exterior
REDET –Red Nacional de Gestores
SBS -- Superintendence of Banks (SBS for its Spanish acronym)
TA – Technical assistance
UNDP – United Nations Development Programme
USAID– United States Agency for International Development

I. Executive Summary and Strategy

Over the last six months the Productive Network project has continued to meet all its project objectives while having significant impact on Ecuador's economic development infrastructure. Some of the most important project achievements include:

- The conformation of the CEDET (Comité Ecuatoriano para el Desarrollo Económico y Territorial), which was nationally launched in front of 500 leaders from throughout Ecuador, and which now has a new Executive Director and support staff, a functioning office, an operational strategy, and the recognition of the government and other key stakeholders as an essential representative of regional economic interests.
- Creating two new regional investment attraction agencies in Azuay and Manabí, and a new national institute for investment attraction -- ProEcuador.
- Working directly with President Correa to identify the ten sub-sectors that will guide the country's industry development and attraction efforts.
- Making a number of significant recommendations that are helping to improve the re-organization and regulation of Ecuador's financial sector operating environment.
- Working with 38 production chain groups and identifying and supporting 12 anchor-MSME development projects all over the country with more than \$900,000 in counterpart funding.
- Having 79 significant appearances in newspapers, magazines, television and radio all over the country during which the general Ecuadorian population sees real-life successful examples of how Ecuador can successfully participate in a globalized economy.

Beyond meeting all project indicators, the Productive Network Project is proving to be a fundamental link between the US government and Ecuadorian stakeholders at all levels, including important mayors, prefects, national level ministers, coordinating ministers, and the President himself. The project's involvement is helping to set pragmatic and effective options for economic development programming and policy-making. The way in which these achievements are being accomplished has been important as well. All activities include significant cost-share from beneficiaries and stakeholders¹, ensuring buy-in, efficiency and sustainability.

II. Component 1: Support to Private-Civil Society Council

In its first months as a formal organization, CEDET has formalized its organizational structure, contributed to the institutional strengthening of its member ADETs, and continued positioning itself as a representative of the ADETs in the national economic development discourse. CEDET, representing 180 member organizations with its six founding members— Agencia Cuenca para el Desarrollo e Integración Regional (ACUDIR), Corpoambato, Corporación De Desarrollo Económico y Competitivo De Bolívar (CODECOB), Agencia de Desarrollo Provincial de Manabí (ADPM), Quito-Pichincha (Council of Chambers), and ProImbabura—became an official legal entity in Ecuador on February 7, 2008 via Ministerial Decree No. 08 035. The ADETs in Loja and Chimborazo (the Corporación Regional Económica Empresarial - CRECER) participated as advisors and the ADETs in Los Rios and Guayas provided support although they were still under legal formation. As a result, Productive Network, was able to award to CEDET a “seed” grant that will fund the organization in its first 15 months.

Major Accomplishments: Support to Private-Civil Society Council

- CEDET invited on two presidential trade missions
- CEDET legalized, staff hired, office operational
- Launched two Agencies for Regional Investment Promotion

¹ For each dollar that the project has spent thru February 2008, it has leveraged \$1.17 in counterpart funding.

Institutionalization of CEDET

During the past six months, Productive Network worked closely with the ADETs to formalize CEDET legally and structurally. Mr. Fernando Navia, specialist in design and development of systems that organize small exporters, and author of the Economic Development Agenda for Portoviejo, was named Executive Director after a comprehensive recruitment process that began with 60 candidates. The interim board was also replaced by the first permanent board through an official open election by the members. CEDET also secured office space and an administrative assistant, thereby meeting one of the FY08 expected results for Component 1. As agreed to in the Grant Agreement, the new Board, in collaboration with the membership, will revise CEDET's work plan by May in order to receive its next disbursement.

CEDET's long-term sustainability has been considered from the early stages. The grant to CEDET requires that the organization submit a draft sustainability plan as part of its fourth milestone (around October 2008). In the Agreement, CEDET's members agree to contribute over \$44,000 in counterpart funds including monthly membership fees. The Executive Director and the Productive Network Component manager have already initiated meetings with the Corporación Andina de Fomento (CAF), the Inter-american Development Bank (IDB), the German Technical Cooperation (GTZ), and national actors such as the Consejo Nacional para la Reactivación de la Producción y Competitividad (CNPC) and the Ministry of Industry and Commerce (MIC), who have the potential to become allies and provide funding for CEDET. The CEDET grant also provides a pool of funds for technical assistance. The purpose of these funds is for CEDET to gain experience in the management and/or delivery of technical assistance. CEDET also plans to propose value chain development projects to CAF and others, for which it could receive project management fees. Project management experience will allow CEDET to better market themselves to potential funders including regional governments and donors. Through fundraising and the ADETs' membership fees, CEDET and Productive Network will seek to meet the FY08 goal of deriving 50% of CEDET's operational costs from non-USAID sources.

In addition, CEDET through the Productive Network, co-sponsored the *I Congreso Nacional de Gestores del Desarrollo Económico*, in Quito, on October 17th-18th, 2007. The Productive Network supported the participation of Mr. Julio César Puentes of Bogotá Invest and of the ADETs from Loja, Azuay, Bolivar, Chimborazo, Los Rios and Pichincha. The ADETs made presentations in each of the four roundtables. Three roundtables committed to continue working together to strengthen the current ADETs and help create new ones where they do not currently exist. As a result of the event, a Red Nacional de Gestores (REDET) was created for which the Consorcio de Consejos Provinciales del Ecuador (CONCOPE) serves as the technical secretary and a CEDET representative is part of the board of directors.

Strengthening of ADETs

Ultimately CEDET's sustainability is directly linked to the relevance and significance of the ADETs as promoters of regional economic development. The technical assistance from Productive

CEDET's national launch took place on February 13th with the participation of about 500 guests including the U.S. and other foreign ambassadors, GOE ministers, mayors, prefects, representatives from NGOs, private sector, and academia, international aid agencies, and civil society groups interested in regional economic development. In attendance were also over 50 media outlets, resulting in 25 appearances in newspapers, magazines, television, and radio.



At the event: Rafael Vega, CEDET President, Paco Moncayo, Mayor of Quito, Veronica Sion, Minister of Tourism, Linda Jewell, US Ambassador, Maria Lorena Correa, USAID officer, Galo Vasconez, former CEDET interim President.

Network and the creation of CEDET have, in a short time, significantly impacted the consolidation of ADETs as formal regional actors. Productive Network's two main channels of support to the ADETs are through the provision of technical assistance and grants.

Prior to being selected as Executive Director of CEDET, Fernando Navia conducted a three-week long study analyzing the strengths and weaknesses of the ADETs' organizational capabilities, financial solvency, regional influence and leadership, and strategic vision, and other factors. Through qualitative analysis, the assessment demonstrates how each ADET measures against the key functions of a regional economic development agency and how their performance compares against each other. Rather than highlight underperformers, this study will encourage the ADETs to share best practices with each other. In addition, it will allow the ADETs to focus their own efforts at self-improvement. These inputs are foundational to the future activities and sustainability of the ADETs. Productive Network, in turn, will use these inputs to better target future technical assistance. A limited amount of technical assistance targeting institutional strengthening (in financial management or communications) is forthcoming for the remainder of FY08.

Mr. Navia's technical assistance served to assess the ADETs' capabilities with the goal of identifying areas where CEDET could be most effective at strengthening the ADETs and representing their needs. His analysis confirmed that CEDET's primary line of action is in the *meso-economic sphere*. In other words, CEDET and the ADETs will focus their actions on policies at the meso-economic level (between the macro and the micro) to improve regional and sector competitiveness. Mr. Navia's recommendations will drive discussion and serve as a roadmap for the relationship between CEDET and the ADETs as well as CEDET's lines of action going forward. In the coming months we expect CEDET's relationship-building and self-initiated activities to accelerate.

Table 1: Organizational Solvency of the ADETs

Agencia	Capacidad pago costo fijo	Fundraising proyectos	Convocatoria regional	Neutralidad percibida	Representatividad	Grado de reconocimiento	Años ininterrumpidos
ACUDIR							8
QUITO-PICHINCHA							3
ADELOJA							7
CRECER							4
ADPM							2
CORPOAM-BATO							9
CODECOB							4
PRO IMBABURA							0
CODERIOS							0
GUAYAQUIL							0

Simbología			
Optimo		Bueno	
Regular		Precario	
Malo			

A study tour to Colombia to visit regional development programs there significantly contributed to the ADETs perception of their potential. Nine ADETs participated in the two-part trip. Over two days, the ADETs met with the Bogotá-Cundinamarca Agro-industrial Development Project, the Regional Investment Promotion Agency Invest in Bogotá, and the High Commissioner for Colombian Competitiveness, to learn and observe projects that support entrepreneurship, competitiveness, and productive value chains. Afterward, the ADETs had a working meeting with the Regional Development Agencies of Colombia to exchange experiences. The latter was

sponsored by the United Nations Development Programme (UNDP) Art Gold program. There, the ADETs had the opportunity to share their experience in creating CEDET. The Ecuadorian and Colombian ADETs signed Memorandum of Understanding (MOUs) committing to continue their exchange of experiences, know-how, and private sector networks. UNDP agreed to sponsor subsequent future exchanges. Altogether, this trip consolidated for the ADETs the value of public-private partnerships and highlighted their and CEDET's potential to affect economic development.

The Productive Network Project as made available to each ADET a \$20,000 grant in order to increase their profile in their regions by funding events, activities, and materials for their target regional audiences. The shared objective of all the grants is to increase the ADETs' regional influence and relevance. Strengthening the ADETs' regional networks ensures that CEDET is truly representing the interests of regional actors and particularly underrepresented actors. Thus far, grants have been awarded to ADE Loja, CODECOB, the Corporación de Desarrollo de Los Ríos (CODERIOS), ADPM, the Consejo Empresarial para el Desarrollo Sustentable del Ecuador (CEMDES), the Consejo de Cámaras (Pichincha), and CRECER. Of these, five have submitted work plans and implementation schedules. The table below details the expected deliverables and progress to date for each grant. ADPM and CODECOB are furthest along in implementation. With the successful inclusion of representatives from both the private sector and civil society on its Board of Directors, ADPM has become a regional example of a public-private partnership working on behalf of regional development. CODECOB has increased its visibility and is aiming to become a catalyst for regional economic development; it has successfully convened key actors from across sectors to strategize on regional economic development in over 20 meetings.

Table 2: Summary of ADET grants

Grantee	Province	Deliverables	Progress to date
1. ADE Loja	Loja	<ul style="list-style-type: none"> • Publication & distribution among private sector of ADE Loja's memoirs and One-Stop-Shop Manual • Training program for ADE Loja's technical team on community participation, productive clusters, and rural development. • Creation of 10 productive associations and incubation of three firms 	<ul style="list-style-type: none"> • Work plan and implementation schedule prepared • In process of preparing the memoir on the One-Stop Shop process
2. CODECOB	Bolívar	<ul style="list-style-type: none"> • Marketing and information plan for CODECOB's services to the community • 8 strategic meetings with public-private actors & 4 business roundtables w/ regional producers & national investors • Creation of a webpage • Training program & seminars for local private sector on various themes, incl. SME Start-up; Customer Service; Tourism & Environment; land, Tech Tools to Improve Market Access 	<ul style="list-style-type: none"> • Work plan and implementation schedule prepared • Over 20 strategic meetings and business roundtables held
3. CODERIOS	Los Ríos		Canceled ²
4. ADPM	Manabí	<ul style="list-style-type: none"> • Strategic Plan for ADPM • Incorporation of private sector in agency's Board of Directors. • Plan for investment and export promotion of regional products 	<ul style="list-style-type: none"> • Work plan and implementation schedule prepared • Private sector included in ADPM's Board
5. CEMDES	Guayas	<ul style="list-style-type: none"> • Awareness campaign and workshops targeting local MSMEs & stakeholders • Study tours to more experienced Development Agencies 	<ul style="list-style-type: none"> • Work plan and implementation schedule prepared

² In the past quarter, CODERIOS was absorbed by the provincial government of Los Ríos. As a public entity, it cannot receive grant funding from Productive Network and therefore its grant request, initially approved, was canceled.

		<ul style="list-style-type: none"> • Formation of the Guayas-Guayaquil Economic Development and Territorial Competitiveness Agency 	
6. Consejo de Cámaras	Pichincha	<ul style="list-style-type: none"> • Communication and Promotion Plan • Communication tools & strategy for utilization • Public presentation of progress of <i>Quito-Pichincha Work Plan</i> incl. advances in tourism, agro-industrial, and investment attraction projects 	<ul style="list-style-type: none"> • Signed Grant Agreement
7. CRECER	Chimborazo	<ul style="list-style-type: none"> • Start-up of Business Leadership Program • Support to the Entrepreneurship contest • Web page launch plan & identification of economic, politic and academic actors • Meetings and round tables w/ local entrepreneurs, local & national investors • Investment & Export Promotion Plan 	<ul style="list-style-type: none"> • Signed Grant Agreement

The ADETs have benefited from additional Productive Network support including a full-day media seminar that trained ADET directors on how best to convey their message and utilize the media to meet their goals. ADETs have also received talks from Productive Network's productive sector team on identification and monitoring of value chain projects (the impact of this training is further discussed under Component 3 below). Lastly, the ADETs also attended a meeting with entrepreneurs and private sector representatives from their regions and the *Comité Empresarial Ecuatoriano*; leading to improved linkages with the private sector and visibility for the ADETs.

The legalization of CEDET was itself a driver for improved institutionalization of its members. In order to legalize CEDET, all of the ADETs had to become certified. ADE Loja and Guayas could not participate as founding members because they still had pending legal matters for their legalization. For ADE Loja, its interest in participating in CEDET continues to drive it to complete its legalization procedures. These were elaborate processes that took up to three months, but as formal entities, the ADETs can now partner with other organizations, submit proposals, and implement activities with increased ease, transparency, and confidence. The regular CEDET meetings (7 between October and March) provided a platform for the ADETs to share experiences and unify their vision for regional economic development.

Positioning CEDET at the National Level

The ADETs and Productive Network have worked concurrently to position CEDET as the interlocutor for the network of organizations and the regions that it represents. Continuous meetings with national and regional actors have resulted in early successes in positioning CEDET and developing its agenda.

Recognition from important national organizations and decision makers is key to increasing CEDET's profile as a national player. During this reporting period, CEDET raised its profile through:

- Participation, by invitation of the President, on a trade mission to China. The President invited CEDET following a presentation made by CEDET's interim President, where CEDET was presented as an alternative voice representing the small business sector.
- Signing of MOUs with the Ministry of Coordination of Production and the Ministry of Coordination for Social Development for CEDET to serve as a communications channel between the Ministries and the provinces. Ultimately, the goal is for this relationship to develop so that the ADETs can serve as implementers of ministry-funded projects in their regions.
- Participation, by invitation of the Ministry of Foreign Relations and Trade, in an official delegation to Chile to sign an economic cooperation agreement. CEDET participated as part of a group of private sector representatives intended to create ties between Chilean businesses and their Ecuadorean counterparts. A significant result of this trip was

Fernando Navia's opportunity to speak further with the President and inform him of CEDET's progress.

Throughout this period, a local communications firm contracted by Productive Network supported CEDET in its initial marketing needs including the creation of a CEDET brand, a press kit for the organization and each of its individual members, and a marketing video that was premiered during CEDET's national launch (see textbox on page 4). These inputs will be used by CEDET, its members, and their network of organizations to ensure that the CEDET brand becomes nationally recognized. The logo and marketing materials will accompany press releases and other materials related to the work of the ADETs. The strong presence of representatives from regional media at the CEDET launch was the foundation for an evolving relationship between the ADETs and the media outlets in their regions. As the ADET activities increase, the media's understanding and connection to their work and goals will contribute to positive coverage and visibility in their regions.

Changing the National Perception of Investment Attraction

During the initial project work planning, one area of concern that came to light was that ADETs often lacked a clear vision for their principal role and how to move their regional economies into a path of sustainable growth. Based on the US experience, and the sentiment of ACUDIR President Rafael Vega, it became apparent that ADETs needed to start organizing their strategies and activities around the need to foster private investment in their territories. Concurrently, it became evident that ADETs, and the country as a whole, were unaware of the basic techniques of investment attraction, an economic development tool that over the years has proven to be the most effective and economically impacting type of programming for transforming and improving regional and national economies.

Productive Network's initial goal in this area was to introduce the concept of investment attraction so that at the very least ADETs could be organizing their current activities around this theme. To do this, the project organized a visit by the International Economic Development Council (IEDC, the association of US ADETs) to conduct an initial assessment of the situation and to organize an investment attraction symposium. Two consultants from the IEDC, along with international Investment Attraction Specialist, Jorge Gottret, provided an international perspective, recommendations for creating a capacity building program, and presented a summary of the IEDC's training and certification programs for regional economic development associations. Most importantly, their report presented a comprehensive investment attraction plan. It consisted of a three pronged strategy to (1) Help ADETs do basic investment attraction initiatives effectively (such as prepare investment attraction plans, identify opportunities, and create websites geared towards investors); (2) Help integrate ADETs with CORPEI's on-going initiatives underway; and (3) Create 2-3 regional pilot initiatives to train an investment attraction team with substantial amounts of cost sharing from CORPEI and the ADETs.

Together, the three consultants held an investment attraction symposium in Quito during which they shared relevant investment attraction experiences from Latin America and the United States and basic tools needed to start up investment attraction initiatives. The symposium was attended by 48 ADET representatives including members of local governments, chambers of commerce, and universities. Members of the Consorcio de Consejos Provinciales (CONCOPE) and the Corporación de Promoción de Inversiones (CORPEI) also participated. Subsequently, the project organized a visit to the Bogota-Cundinamarca investment attraction agency in Colombia – Bogota Invest--, where Ecuatorian ADET leaders, along with representatives from CNPC and some private sector associations, saw first-hand an investment attraction unit. A further visit from a Bogota Invest representative to Ecuador, during which he spoke at a 400-person economic development conference of the REDET and met with key individuals such as the Consejo de Camaras President Patricio Donoso, helped to continue to introduce the topic into Ecuatorian economic development circles.

By December of 2007 a fair amount of interest was demonstrated by certain ADETs to make significant investments in proactive investment attraction initiatives. During this quarter the Productive Network has been supporting three interested ADETs with the implementation of regional investment promotion agencies (APRIs) modeled on the Bogota Invest model contextualized to the resources and prospects in these Ecuadorian regions. Two driving assumptions behind these efforts have been the need for a strong financial commitment from the interested regions, and the need to develop operational and financial models that could be as inexpensive and sustainable as possible. The table below details estimated budgets for these new organizations. In essence, the regions commit to fund personnel and most operational costs, while the Productive Network Project commits to fund the personnel training, the development of an initial strategy for each agency, and some operational costs related to travel.

Table 3: Estimated 18 month Budget per Regional Investment Promotion Agency (APRI)

Inputs / Activities	Cost	Funding Source
Office equipment, maintenance, & supplies	\$56,310 \$10,000	APRI counterpart Productive Network
Software	\$20,000	Productive Network
Personnel	\$154,305	APRI counterpart
Training program	\$163,862	Productive Network
Promotional materials	\$37,500	CORPEI
International travel budget	\$10,000 \$50,000	APRI counterpart Productive Network
Total	\$220,615 \$37,500 \$243,862	APRI counterpart CORPEI Productive Network

The organizing efforts culminated in two public events, one in Azuay, and one in Manabí, where MOUs were signed by Productive Network with respective regional representatives, including the mayors, prefects and Presidents of productive sector chambers. The US Ambassador attended each event and gave the keynote address, which took place February 21st in Cuenca, and February 27th in Portoviejo. These events received extensive media coverage regionally and nationally. At this moment the Azuay APRI is being championed by the Azuay Chamber of Commerce while in Manabí efforts are being led by the provincial prefect. A third APRI is currently being organized in Pichincha, championed by CORPAQ, the Quito municipal free zone, though efforts there have not yet to conclude in an official agreement.

The demonstration effect of the formation of the two new APRIs, coupled with a change in leadership in the Coordinating Ministry of Production, opened the possibility for Ecuador to create a new national-level investment attraction agency that would complement the work of the APRIs. This was an important development since for more than ten years the country's investment attraction efforts were meekly led by CORPEI, an organization much less interested in investment promotion than in export development. The project contracted the services of an international investment attraction expert, Luis Soto, to provide the Ministry with some basic lessons learned on investment attraction institutions, which complemented with the project's APRI-focused work. This effort moved important governmental stakeholders to decide on the need to create a new investment institution. This analytical and awareness-raising work culminated in early March, when Minister Susana Cabeza de Vaca and Vice-Minister Cornelio Delgado presented to President Rafael Correa our project's recommendations and the President committed itself to create ProEcuador, a new proactive investment attraction institute with a \$1 million annual budget. The Productive Network Project continues to provide strategic advice on the formation of this new agency and will train the new personnel along with that of the new APRIs.

Related to these efforts, Productive Network is currently engaged in a seminal study to identify target sub-sectors for national and regional development and promotion. At the request and with the support of the CNPC and the Coordinating Ministry of the Production, the project is providing

technical assistance to identify sub-sectors where Ecuador can be competitive in attracting investment, which includes an analysis of foreign direct investment trends, an assessment of Ecuador's needs and investment potential, a characterization of the country's regions, and benchmarking studies of ten selected sub-sectors for development and promotion. The analysis will directly feed into the selection of target sub-sectors for the APRIs.

This study has provided the project an opportunity to meet with all relevant ministers and highest-level government officials as well as private sector representatives, and through this process we have had an opportunity to help shape how the government and the country thinks about industrial policy generally, and how it should apply international good practices at this particular moment in time. On April 3rd the Productive Network team held a two-hour working session with President Correa, during which time the President announced that he would set his entire government's private sector development plans around the ten sub-sectors selected at that meeting. The project will now provide guidance on basic success factors for Ecuador to effectively compete in these ten sub-sectors. We believe this is a significant achievement for the project and the country.

III. Component 2: Policy Reform

Despite the limited efforts in the policy arena proposed by the FY08 Work Plan, Productive Network has made significant contributions in the area of financial sector reform and restructuring. Our key consultant, Mr. Jacques Trigo, international expert on public financial sector management, has become an integral resource for the Central Bank and Superintendence of Banks of Ecuador as they propose new laws, regulations, and systems to the Constituent Assembly. Additionally, Productive Network reported positive results in responding to targeted policy-related needs and in generating commitment among a hotel cluster for a certification that will increase their market access.

Major Accomplishments: Policy Reform

- Mitigated adverse impacts of technically unsound modifications to the financial system
- On-site supervision of five financial institutions in compliance with international best practices

Increasing Transparency and Strengthening of the Public Financial Sector

The evaluation of the public financial sector—its laws and regulations—at the hands of the Constituent Assembly offers an opportunity to improve the current structure. The GOE, the Central Bank (BCE for its Spanish acronym), and the Superintendence of Banks (SBS for its Spanish acronym) are in the process of preparing and submitting bills to the Constituent Assembly that restructure the regulatory and supervisory systems. The technical assistance provided by Productive Network has aimed to increase the degree to which these proposals abide by international best practices and improve transparency in the financial system. Below is a summary of the technical assistance provided to date and its potential impact:

- *Merger of the BCE and SBS.* Provided technical guidance including an implementation plan and inputs to the draft law of how to best complete a merger of functions between the two entities. Conducted a study tour to the Federal Deposit Insurance Corporation (FDIC) and the Deposit Guarantee Institute of El Salvador with advisors to the Board of the BCE (now the General Manager and the Deputy General Manager of the Central Bank), a representative of the Association of Private Banks (also the Treasurer of the largest bank, Pichincha), a representative of the savings and loan cooperatives, and the Deputy Superintendent of the SBS. The study tours highlighted best practices in deposit insurance (U.S.) and the importance of independence between the Central Bank and the Superintendence (El Salvador). In early 2008 the GOE tabled the merger proposal.

- However, the idea still receives some support and the deliverables from the consultancy will help ensure that adequate supervisory functions remain intact if the merger occurs.
- *25 principles of Basil I.* At the request of the SBS, evaluated Ecuador's compliance with the 25 principles of effective bank supervision. The consultancy found that Ecuador meets totally or partially only 30% of the principles and made recommendations for the design or implementation of the necessary norms to meet prudent regulatory functions. The technical assistance was key in informing the new executive authorities at the SBS of the importance of these principles that represent worldwide accepted practices.
 - *On-site supervision.* First, evaluated SBS' on-site supervision process and determined it to be weak overall, lacking in uniformity, and insufficient in supervising the areas of policy, governance, and control systems. Following this evaluation, the SBS requested a consultant team to conduct inspections of two of the largest banks in Ecuador and several smaller banks representative of Ecuador's various financial institutions. These inspections, currently ongoing, will set a precedent for the process of on-site supervision, creating protocols and processes that will contribute significantly to increased transparency in bank supervision and thereby strengthening the banking system.
 - *Autonomy for the SBS.* Prepared a report on the requirements for a Superintendence of Banks to achieve the autonomy and independence sufficient for it to undertake its functions. Given the recent, politically-motivated ouster of the head of the SBS, this consultancy creates protocols that minimize the potential for political interference in the process of bank supervision and in the selection (and removal) process for a Superintendent. If these protocols are adopted, the potential for positive impact is immense, as in the past, the supervision of banks has been heavily politicized, contributing to instability in the banking sector.
 - *Draft Financial Safety Net Law.* A draft law proposes the creation of a Liquidity Fund that includes public funds, a restructuring of the Deposit Guarantee Agency, and a restructuring of Ecuador's bank resolution scheme. The consultancy provided comments and recommendations to the draft law and prepared the terms of reference for the consultants that the SBS will hire to prepare the manuals, norms, and processes related to each of the entities and scheme mentioned above. Of the 14 key recommendations made, nine are included in the current draft of the new law. All of the recommendations aim at optimizing the functioning of the proposed system.
 - *General Law for Institutions of the Financial System.* Proposed a modification to the existing law that allows the SBS (or any other supervisory agency created) to act on a financial institution when it first begins to show signs of decline. Without this modification the law will be insufficient at preventing bank collapse and even banking crises. Its inclusion increases the trust of deposit holders in Ecuador's banking system thereby strengthening it.
 - *Human Resources.* Designed a human resources strategy for the SBS to support its recruiting process. The strategy emphasizes the need for a professional and relevant labor force that is continually evaluated and trained. Establishing clear human resources protocols also diminishes the risk of nepotism in the hiring process. The parameters above; along with a recommendation for a competitive wage scheme, should help generate a strong pool of candidates and employees.
 - *Off-shore branches.* The GOE decided to eliminate off-shore entities and requested a report supporting this decision. The previous justification for off-shore entities—to reduce exchange rate risk—was eliminated with the dollarization of the economy yet these entities have continued to exist despite the negative effects they have on the local economy (reduced local savings deposits, under-supervised financial transactions, etc). The report eliminates off-shore entities, bringing Ecuador step closer toward best practices.
 - *Credit Rating Agency.* Provided arguments in favor of Ecuador's credit rating agency following a call for its elimination by the GOE. The consultancy gathered research and empirical data that credit rating agencies allow for a proper segmentation of credit applicants, reduce credit risk, minimize moral hazard in the placing of credit, improve credit access for micro and small businesses, and contribute to the stability of the

- financial system. These arguments are being reviewed and if the inputs of the consultancy contribute to the case in favor of the agency, then their impact will be momentous.
- *SBS Annual Work Plan.* Made recommendations for the Work Plan including modifications in favor of legal protection for bank supervisors and the creation of a rapid response mechanism for banks in decline. The recommendations are pending review by the SBS.
 - *Other strategic TA.* The SBS requested and received technical guidance in several additional areas including norms related to Classification and Grading of Portfolios, a draft law on support to the populations affected by the floods, a draft law for the Restructuring of Credit, and an assessment prepared by the Superintendence's Legal Advisor on the minimum capital requirements for financial institutions.

Responding to Public and Private Sector Needs

The shifting policy arena dictated by the Constituent Assembly process has produced information and training needs among the public and private sectors. Productive Network had the opportunity to provide demand-driven assistance related to tax reform, intellectual property rights (IPR), and negotiation techniques.

- Recent reforms related to tax policy caused great debate and misinformation among the private sector. Productive Network funded four workshops in Ambato, Cuenca, Riobamba, and Ibarra, hosted by the respective ADETs and attended by approximately 140 MSMEs and others. These workshops contribute to compliance with the country's newly implemented tax policies and to the perception by regional stakeholders that the ADETs are service providers and responsive to local needs.
- Intellectual property rights were perceived as an obstacle by MSMEs outside of Quito and Guayaquil. In response to a request from the ADETs and the MSMEs in their regions, Productive Network funded a workshop on IPR attended by 150 MSMEs, producers, and others in Ambato. The workshop, led by officers from the Instituto Ecuatoriano de la Propiedad Intelectual (IEPI), provided information, answered specific queries, and presented IPR as an opportunity for small producers to brand and protect their products and innovations. Following the workshop, the IEPI trained personnel from CorpoAmbato to advise MSMEs on IPR applications and thereby expand the accessibility of IEPI's services to regional MSMEs. CorpoAmbato reports that since the time of the workshop, their newly trained advisors have assisted 15 MSMEs to successfully submit applications for intellectual property rights (IPR).
- Productive Network has worked to foster positive relations with the GOE and generate government support for its programmatic activities. In addition, Productive Network had the opportunity to support good relations between USG and the GOE by responding to an official request made to USAID by the Ministry of Foreign Affairs and Trade for a training on negotiation techniques. Through a five-day seminar of theory and role-playing at the Diplomatic Academy, Productive Network contributed to the development of 29 members of Ecuador's diplomatic corps.

In addition, Malcolm Russel-Einhorn, an international legal and regulatory reform specialist, documented best practices to further business climate research. He met with representatives from the CNPC regarding municipal regulatory reform and gave a presentation to USAID counterparts on putting business registration reform in perspective. In perspective, showing that while business registration reform alone may be of greatest interest to certain small and medium firms that have been considering formalization for some time, its greatest overall benefit is as a spur to broader municipal regulatory simplification efforts and the development of a stronger customer service focus.

Laying the Groundwork for Private Sector Commitment to International Standards

The Productive Network FY08 Work Plan proposed assistance to firms to adopt international standards that would grant them access to new markets. While numerous sectors expressed interest, including the Association of Fats and Oils Producers (APROGRASEG) and the Chamber

of Small Industry of Pichincha (CAPEIPI), ultimately, the hotel sector in Esmeraldas province demonstrated the most commitment. Through a series of five meetings with 20 to 30 hotels from the area, 21 hotels agreed to co-finance an 8-month training program that would culminate with a Smart Voyager certification. Smart Voyager is a domestic certification program that guarantees the highest standards in conservation of the environment and wildlife. A Smart Voyager certification makes a hotel more marketable to tour operators and tourists alike and increases the potential of attracting higher-end-market tourists.

Productive Network funded a baseline diagnostic of the hotels and their services and leveraged significant resources for this activity from other parties—the hotels agreed to co-finance \$70,000 while the consulting firm which was to provide the training agreed to contribute \$10,000 toward a marketing campaign for the hotels following their certification. However, due to budgetary constraints, and in coordination with USAID, the project was eliminated from Productive Network’s Work Plan. Positive efforts have been made to transfer the remaining phases of the project to USAID’s Andean Regional program as there continues to be great interest in this activity from all of the parties involved. The table below shows the counterpart commitment to this initiative.

Inputs / Activities	Cost	Funding Source
Baseline diagnostic of hotels	\$28,728	Productive Network
Training materials	\$12,195	Productive Network
Lodging for trainers	\$10,220	Hotels
Conference facilities & coffee breaks	\$16,225	Hotels
Training	\$163,392	<i>Possibly USAID Andean Regional Program</i>
Certification	\$44,000	Hotels
Marketing campaign	\$10,000	ADS – training firm
Total Productive Network contribution		\$40,923
Total leveraged		\$243,837

IV. Component 3: Support to the Productive Sector

Over the past six months, Productive Network focused its resources on consolidating the Global Development Alliances (GDAs) that were identified in the initial stages of the project as candidates for cluster projects. Component 3, Support to the Productive Sector, consists of providing co-financed technical assistance to MSMEs in the supply chain of an established anchor firm in order to increase employment and sales for all the firms participating in the project. These public-private partnerships require a 50% contribution toward the funding of the project by the beneficiaries which ensures commitment to the process and to the project’s goals. The nine projects currently approved, including the two pilot projects from FY07, total \$783,969 in USAID-funded assistance, and leverage a total of \$1,655,175 from the beneficiary firms.

<p>Major Accomplishments: Productive Sector Support</p> <ul style="list-style-type: none"> ➤ TA to the dairy clusters led to a 13% increase in the purchase price of milk. ➤ Improved project design and financial planning for 38 cluster projects.

Technical Assistance to Clusters throughout Ecuador

All the anchor firms and MSMEs that demonstrated interest in presenting a cluster project received technical assistance in project design and financial planning that improved their understanding of their supply chains and their productive processes. The identification of seven

cluster projects during this reporting period was the end result of technical assistance provided to a total of 38 clusters of anchor firms and MSMEs throughout Ecuador (see Table 4 for a complete list). To formulate project proposals, the clusters were required to analyze their administrative, productive, and marketing systems. The Productive Network team, and on two occasions short-term consultants, worked with the interested clusters for an average of 8 to 12 weeks in this internal assessment, which led to the identification of constraints to quality and output and opportunities for improved quality, growth, and access to new markets. Beyond the possibility of a subcontract with Productive Network, this assessment and the improved capacity for analysis by the anchor firms and the MSMEs allows them to make better-informed capital investments. In at least two cases, the “pre-packaging” conducted for Productive Network’s application process has enabled the clusters to apply for assistance from another USAID project and the visibility of the work to date has drawn interest in the anchor-cluster methodology from various funding entities including the local governments in Imbabura and Carchi (site of the dairy clusters), Plan Ecuador, the Provincial Council of Pichincha, the Ministry of Coordination for Social Development, the Ministry for Coordination of Production, the Ministry of Industry, the CNPC, and the IDB.

Table 4: Clusters that Received Technical Assistance in Project Design

Date TA began	Name of project and/or anchor firm	Scope of Project Design	Province	Date TA began	Name of project and/or anchor firm	Scope of Project Design	Province
July-07	Dairy cluster - Industria Lechera Carchi S.A.	Increase production; new production line; improved quality & sales volume	Carchi	September-07	Palmito cluster in northeast	Market expansion	Pichincha
	Dairy cluster - Industria Lechera Floralp	Increase volume & improved quality of cheese for export	Imbabura		Bamboo cluster	Reorientation of processing toward food and wood production	Pichincha, Esmeraldas, El Oro
	Leather cluster - Cuerotex S.A.	Improve quality for increased exports	Azuay		Dairy cluster - COMPROLACSA	Increase production thru improvements in supply stock	Loja, Zamora
	Paja Toquilla cluster	Improve quality; improved incomes; increased exports	Azuay		Coffee cluster - Corecaf, Coremanaba, Corecafé S.A.	Incremento de producción en base a eliminar restricciones en la producción	Nacional
August-07	Aromatic Herbs cluster - Industria Lojana de Especerías (ILE)	Increased production of herbs & plants	Loja		Coffee cluster – Fapecafés	Incremento de producción en base a eliminar restricciones en la producción	Loja
	African Palm cluster - Industrias Ales	Increased productivity	Esmeraldas		Textiles cluster - Andelas CIA. LTDA.	Market expansion for t-shirts	Tungurahua
	Competitiveness of Community Tourism-FEPPTCE	Improve quality of management	Nacional	October-07	Handicrafts cluster	Identification of mkts; improve quality & supply chain mgmt	Otavalo
	Broccoli cluster	Improved quality for exports	Imbabura		Ecotourism cluster	Value chain development	Guayas
	Shoe cluster - PLASTICAUCHO	Improved production techniques; increased exports	Tungurahua		Textiles cluster - Grupo Salinas, TEXAL	Increase volume	Bolívar
	Sugar cluster - Ingenio Azucarero del Norte S.A.	Market expansion	Imbabura		Mushroom cluster - Grupo Salinas	Increase production	Bolívar
	Cocoa cluster – ACDI/VOCA	Local & int'l marketing; improve collection and productivity	Guayas	Textiles cluster - Grupo Salinas	Increase production	Bolívar	

Date TA began	Name of project and/or anchor firm	Scope of Project Design	Province	Date TA began	Name of project and/or anchor firm	Scope of Project Design	Province
	Textile cluster – COSER	Local mkt development; training of operators	Chimborazo		Textiles cluster – PRODUTEXI	Increase production in response to mkt trends	Tungurahua
October-07	Tourism cluster – Grupo Salinas	Increase community tourism	Bolívar	December-07	Hot pepper cluster – PROAJI	BPA and Logistics	Santo Domingo
	Aromatic herbs cluster – Kuen S.A.	Identification of markets	Cuenca, Amazonia, Chimborazo		Furniture manufacture cluster - MUEPRAMODUL	Training for carpenters & installers	Nacional
November-07	Broccoli cluster	Increase exports	Imbabura		Broccoli cluster - ECUAFROST	Exports	Cotopaxi
	Flower cluster - Latinflor	Increase number of certified suppliers	Pichincha		Food suply chain cluster for Galápagos	Improve supply chain	Galápagos
	<i>Uvillas</i> cluster – SKS, Sumak Mikuy	Exports to the U.S.	Imbabura	January-08	Reforestation	Reforestation	Cotopaxi
Asparagus cluster - Green Agro and Zapotal Community	Exports to the U.S.	Zapotal, Santa Elena	Tourism cluster		Develop value chain	Imbabura a, Guayas	
December-07	Ceramic tile installation cluster – GRAIMAN	Certification of installers	Azuay		Cocoa cluster - CONFITECA	Improve supply chain	Los Rios, Guayas

Early Successes and Commitments from 10 Clusters

The seven cluster projects approved for implementation in November and January represent a total investment of \$468,374 by Productive Network and \$923,840 by the firms that will benefit from the technical assistance.³ The ten projects currently underway aim to create 1,603 new jobs (on full-time equivalents), increase sales by up to 50 percent per project, train producers, strengthen the relationship between MSMEs and larger firms and consumer markets, improve product design and quality, improve production processes, mitigate environmental impact and improve environmental management, strengthen financial and administrative management, and improve marketing and access to market channels (see the *Project at a Glance* textboxes for snapshots of each of the approved projects). In addition to their co-financing commitment, we expect that as the anchor firms and MSMEs experience enterprise growth, they will make additional investments to maximize the benefits of the technical assistance received.

The selected clusters have received further technical assistance from Productive Network to develop detailed work plans, implementation timelines, technical specifications for deliverables, and projects designed to facilitate monitoring and evaluation of indicators. Together, these processes have built local capacity to develop, manage, and measure the impact of value chain products. Additionally, the opportunities for improved management of the natural resources

³ The Project Selection Committee approved 10 projects but due to budgetary constraints we did not proceed with a community tourism cluster, a hot pepper cluster, and a dairy cluster. Additionally, one project withdrew its proposal after it had been approved. The ten clusters that will receive TA consist of 7 cluster subprojects and 2 pilot projects (selected in the early stages of the Productive Network project) that include three clusters.

surrounding the productive process identified by USAID-mandated environmental reviews provide the clusters with targeted activities or behavioral modifications that can contribute to their long-term sustainability and improved environmental and livelihood conditions for all stakeholders involved. One such example is the leather cluster, which aims to increase sales by 19% through improved marketing and production. Since the project does not involve an increase in the use of raw leather, leather tanneries are not stakeholders in the project. However, to enter European markets, environmentally sound practices may be required. Therefore, the environmental review

recommended that the beneficiaries consider an environmental audit of the tanneries and implementation of a cleaner production process with the medium-term objective of acquiring ISO 14001 certification. This and other recommendations may be applied by the beneficiaries as they begin to finance further technical assistance following the initial results of the current projects.

While the Component's primary impact to date has been on the ability of firms to analyze their own capacities

DAIRY CLUSTERS AT A GLANCE

Key Stakeholders: 2 anchor firms, 190+ MSMEs and producers
Expected job creation: 300 *Expected sales increase:* 7%/10%
USAID support: \$165,650 *Provinces:* Imbabura, Carchi

Goals:

- Train producers to produce higher quality milk & increase supply to 2 anchor firms
- Organization of producers into associations



and competitive strengths and weaknesses the two projects under implementation demonstrate that the clusters are in line to meet their projected goals.


- Dairy clusters – The project began implementation in October 2007 with the participation of two anchor firms, Industria Lechera Floralp S.A. and Industria Lechera Carchi S.A. (ILCSA), 4 small producer associations, and 190 micro and small dairy producers. Since then, 252 producers were trained in pasture and cattle management, cattle nutrition, and most importantly, cold chain management, resulting in a **13% improvement in the purchase price** per liter of milk from a baseline of \$0.28 in October to \$0.31 in March. The four associations were also strengthened by the training, which encouraged them to formalize their structures, and they have increased their membership by 90 producers. To date, **the project has leveraged funds far beyond the anchor firms' contribution of approximately \$30,000**, with current commitments from the provincial government of Carchi, SNV, and the Inter-American Development Bank to further support dairy associations and pilot projects in the region. As the project continues implementation, it will count on the support of the National Council on Mastitis and Cornell University to develop training materials for cattle and herd

LEATHER CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 4 MSMEs and producers
Expected job creation: 208
Expected sales increase: 50%
USAID support: \$149,945 *Province:* Azuay

Goals:

- Increase leather exports to North American, European, and Asian markets.



management and provide further technical assistance. The relationship with these two partners was facilitated by the consulting firm selected to implement the project.

- Aromatic herbs cluster – The project began implementation in January 2008 with the participation of one anchor firm, Kuen S.A., multiple small producer associations and independent MSMEs in the production of aromatic and medicinal plants, seed growers, artisanal jewelry makers, and the University of Azuay. The project kicked-off with technical assistance in redesign of product packaging and remodeling of the jewelry workshop, participation in the Holistic Fair in Toronto and the Jewelry Fair in New York, and the purchase of new equipment for jewelry manufacture, all of which was financed by the anchor firm. Activities to date resulted in the creation of 5 and a half new (full-time equivalent) jobs at the anchor firm and the incorporation of 5 new families into the firm's supply chain.

The remaining projects are in varying stages of the subcontracting process including five that have identified the consulting firms that will deliver technical assistance. With the support of Productive Network, all of the projects have developed detailed Work Plans and budgets and we expect that by April, all of the subcontracts will be in execution.

Strengthening of local service providers

Concurrent to the development and execution of the cluster projects, Productive Network has contributed to the institutional strengthening and capacity to deliver business development services of the consulting firms implementing projects and the ADETs responsible for monitoring of the projects (ACUDIR, ADPM, CODECOB and soon CorpoAmbato). The requirements of the Productive Network application process in terms of project scope, methodology, and chronology,

have caused the selected consulting firms to improve their project design toolkits and ability to deliver consulting services related to productive processes. This impact will benefit the private sector clients of these firms on an ongoing basis. The ADETs received training on monitoring and evaluation and receive ongoing support from Productive Network. The ADETs are also relying on the manuals, forms, and surveys specifically developed for their use. Developing this capacity within the ADETs will have significant long-term benefits as they improve their understanding of the productive capacities of their regions, increase their visibility and relevance within their regions, and develop skillsets that will allow them to market themselves as project monitors and possibly implementers in the future.

AROMATIC HERBS CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 650 MSMEs and producers

Expected job creation: 31

Expected sales increase: 20%

USAID support: \$43,375

Provinces: Azuay, Bolivar, Sucumbios, Esmeraldas

Goals:

- Increase exports of essential oils & jewelry produced by small artisans producers



Implementation and Potential of the DCA

Productive Network worked closely with Banco del Pichincha and ProCredit Bank to accelerate their use of the Development Credit Authority.⁴ During the first six months of the project, two experts in credit product development conducted a rapid assessment of MSME credit needs and the financial offerings and capabilities of the three DCA banks. Over the last six months, the consultants tailored the banks' existing products into factoring and leasing

products that were suitable to the credit needs of MSMEs in the DCA target sectors—agroindustry, ecotourism, agriculture, and industry. The consultants also worked hand-in-hand with bank officers to make recommendations for how to best adjust bank policies and organizational structure to optimize the use of the DCA. The latter remains a challenge for Pichincha as its size and rigid organizational structure complicate any policy and operational changes.

HOT PEPPER CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 7 MSMEs and producers
Expected job creation: 238 *Expected sales increase:* 270%
USAID support: \$80,310 *Provinces:* Santo Domingo, Manabí, Los Ríos

Goals:

- Implementation of best practices by the anchor & MSME suppliers
- Improvement of the tech inputs for MSMEs




HEART OF PALM CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 8 MSMEs and producers
Expected job creation: 135
Expected sales increase: 50%
USAID support: \$57,200
Province: Pichincha, Esmeraldas, Santo Domingo

Goals:

- Increase heart of palm export sales by increasing production and quality
- Obtain ISO 22000 Certification



The consultants culminated their technical assistance with training sessions to 178 credit officers from ProCredit and Pichincha consisting of one day of methodology on how to assess clusters and their credit needs and how to structure financing for MSMEs, and a field day of visits to MSMEs from the approved cluster projects. The trainings involved credit officers from Ambato, Latacunga, Riobamba, Ibarra, Otavalo, Cayambe, San Gabriel, Tulcan, Esmeraldas, Atacames, Quinindé, Quevedo, Babahoyo, Buena Fé, Guayaquil, and Cuenca. At the request of Pichincha Bank, the consultants also conducted a training in Quito for mid-management officers to better understand the methodology and the back office implications of implementing the DCA.

Both banks continue to apply the recommendations of the technical

⁴ Due to a change in management at FINCA, the third DCA holder, their use of the DCA has been placed on hold indefinitely.

assistance to develop a system for the solicitation and processing of DCA credits. In February, their first month of DCA use, ProCredit reported 14 DCA clients totaling \$25,600 in MSME credits. The potential for optimization of the DCA is significant as the consultants and bank credit officers identified over \$3.623 million in MSME credit needs during the field portion of the training.

As roll-out of the DCA continues and the cluster projects expand their number of MSME beneficiaries, the Productive Network productive sector team will meet with regional bank offices and host additional field days to introduce credit officers to the value chains that the project is supporting and ensure that the credit needs of the MSMEs are considered.

SHOE CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 3 MSMEs and 1 organization of disabled

Expected job creation: 25 *Expected sales increase:* 2-6%

Total value of project: \$32,800 *Province:* Tungurahua

Goals:

- Streamlining of the supply chain to improve supply volume for anchor firm
- Improvement of working conditions

CERAMIC TILE INSTALLATION CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 303 MSMEs and producers

Expected job creation: 230 *Expected sales increase:* 12% (distributors)

USAID support: \$53,287 *Province:* Manabí, Zamora, Chinchipe & others

Goals:

- Train vendors & installers in higher quality & more comprehensive service to increase sales
- Install inventory control systems in 5 pilot distribution centers

PAJA TOQUILLA CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 200 MSMEs and producers

Expected job creation: 200 *Expected sales increase:* 11%

USAID support: \$70,000 *Province:* Azuay, Canar

Goals:

- Improvement of working conditions and remuneration of weavers
- Increasing production and marketing

MUSHROOM CLUSTER AT A GLANCE

Key Stakeholders: 1 anchor firm, 240 mushroom collectors

Expected job creation: 236 *Expected sales increase:* 33%

USAID support: \$51,712 *Province:* Bolivar

Goals:

- Integrate more community members into the collection of mushrooms to increase volume
- Train collectors to improve mushroom quality

V. Component 4: Communications

The FY08 Work Plan presented an approach to communications that went beyond information dissemination. During the reporting period, Productive Network began using communications as a tool to impact public opinion as well as to inform on programmatic activities.

Major Accomplishments: Communications

- 79 media appearances including newspapers, magazines, television, & radio
- Created CEDET and Productive Network websites
- Trained ADET Directors on how best to communicate their messages through the media

This reporting period showed a significant increase in media coverage from the past period. Productive Network and/or its activities appeared in the media 79 times including newspapers, magazines, television and radio (see Annex 6 for a complete list of media appearances). The majority of the appearances were in regional media outlets with 29 percent in national media. The coverage focused on the main events sponsored by Productive Network over the past six months: the launches of CEDET (34 media appearances) and the APRIs in Azuay (13 media appearances) and Manabí (14 media appearances). The work with clusters also received regional attention, particularly the dairy clusters. Regular press releases for launches, training events, and cluster project signing ceremonies helped ensure media attention.

Sending clear messages that garner support for our activities is the goal of Productive Network, the ADETs, and CEDET. As mentioned above, the directors of the ADETs received a full-day of training led by journalists and communications experts (from television and radio) to learn how to address the media and deliver the intended message. The training involved mock filmed interviews that allowed for critical self-analysis by all of the participants. The directors praised the training, which they put to use immediately with the large media presence at the CEDET launch. Productive Network also sponsored a trip for national and regional media to visit a project being implemented by the Consejo de Cámaras (the ADET for Pichincha) followed by a luncheon seminar where they saw presentations on USAID's and Productive Network's work throughout Ecuador. Past experience shows that media that have a better understanding of the technical topics that they cover are more likely to present these in a transparent way. The training and sessions with the media, combined with the press kits containing background information on CEDET, its members, their strategies and activities, contributes to not only a better understanding by the media, but also support, as they feel more integrated into our work. Going forward, Productive Network will increase the number of interviews by our technical consultants to inform the public and gather support for our activities. This strategy began implementation in March when one interview was conducted, and more scheduled, to affect public opinion on the importance of proactive investment attraction.

Productive Network, through a subcontract to a local media firm, also remained committed to producing informative material for a variety of audiences. We produced videos on the work with the heart of palm and dairy clusters as well as a promotional video for CEDET. As they document current efforts and highlight future potential, these videos can serve as fundraising tools with local governments and other donors. The structure for the web pages for CEDET and Productive Network was developed and they are now in the process of being updated. Table 5 below highlights the deliverables from the communications firm that led most of our communications efforts.

Table 5: IMAGCOM Deliverables

<ul style="list-style-type: none">✓ Communications Work Plan✓ Communications Strategy for CEDET✓ Brainstorming and communications concepts for Productive Network & CEDET✓ Public Relations Strategy✓ Design of conceptual materials for Productive Network & CEDET✓ Design of a graphic image for CEDET✓ Analysis of target audience✓ CEDET & the ADETs: Briefings for press kit, informative bulletins, graphic panels, and photography✓ Promotional video for CEDET✓ Media & communications support for the signing of Dairy Cluster project✓ Success stories: Dairy Cluster, heart of palm cluster, paja toquilla cluster, leather cluster¹✓ Event planning for CEDET launch including invitations, catering, set-up & decoration, graphic materials, etc.)✓ Media workshop for ADET Directors✓ Webpage design for Productive Network & CEDET

VI. FY08 Work Plan Revisions and Renewed Strategy

The Productive Network Project has maintained a very high volume of activities and accomplishments despite a significantly reduced FY08 monthly budget compared to what was originally set in the FY08 Work Plan. A significant amount of work has been invested by the project staff and the CTO team in re-sizing project activities to the currently expected USAID funding plan. This has unfortunately required the elimination of a number of planned activities.

Annexes 1 and 2 detail the priorities that will direct project expenditures in the next six months. These tables have been developed under the guidance of the USAID economic growth team and generally reflect an interest in:

- Strengthening the institutionalization of CEDET
- Strengthening ADETs so that they play an important economic role in economic strategy and representation in their regions
- Supporting investment attraction efforts at national and regional levels
- Tracking the performance of the DCA program
- Achieving employment generation and improved anchor-MSME linkages through 9 cluster development projects

It is possible that the natural evolution of the program will require a re-setting of project indicator targets, although at this point we believe that the project is well underway to meeting all program targets. The principal factor behind any possible PMP changes will be funding levels.

Related to project strategy and indicators, we believe that in the future it may be useful to move all activities related to investment attraction from Component 1 to Component 2. While an argument could be made for placement in either component, we believe that given the country's current policy environment and the project's implied strategy, most of our policy achievements will likely be programmatic in nature. For this reason, the creation of two APRIs and of the national investment attraction institute should count toward Component 2 indicators.

VII. Annexes

Annex 1: Draft Budget Tracking Tool

Annex 2: Summary Table of Activity Implementation Status and Changes to the FY08 Work Plan

Annex 3: Draft PMP Progress Report and Indicators Spreadsheet (2 documents)

Annex 4: Quarterly financial report

Annex 5: Summary of consultant subcontractor deliverables submitted to date

Annex 6: Summary of CEDET and Productive Network appearances in the media

Annex 7: Press clippings on Productive Network events and activities

Annex 8: Summary of subcontractor deliverables submitted to date

Annex 9: Funds Leveraged FY08 and FY09