

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Ecuador
2. **Project Number:** EC-S1021
3. **Project Name:** Preparation and Marketing of fine Aroma Cocoa Products
4. **Executing Agency:** Maquita Cuschunchic Foundation “Marketing together”
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$365,000	US\$875,000	US\$1,240,000
Technical Cooperation:	US\$325,000	US\$143,000	US\$468,300
Total:	US\$690,000	US\$1,018,000	US\$1,708,000

7. **Goal and Purpose:**

The general objective of the project is to help boost the socioeconomic status of small scale cocoa growers and workers in Ecuador. The purpose is to integrate cocoa-growing communities into the manufactured goods market with organic and fine aroma cocoa.

8. **Description:**

To achieve these objectives, the project is divided into two components: one for the amount of US\$1,240,000 in reimbursable financing (IDB US\$365,000; MCCH US\$875,000), and the other in the amount of US\$468,000 in nonreimbursable technical cooperation (IDB US\$325,000; MCCH US\$143,000).

- ***Reimbursable financing component***

This component will support the start-up of a cocoa production plant that will produce cocoa liquor or mass and chocolate, with a capacity of 2,200 tons per year, specifically related to three basic aspects of its operation: (i) working capital for purchasing raw material from farmers, through the collection centers; (ii) the adaptations needed for plant operations; and (iii) supplementary equipment so the plant can operate at 100% capacity. The investments in these three categories will enable the MCCH to: (i) ensure the supply of raw material for the plant, especially organic and fine aroma cocoa, so it can respond to domestic and international demand for semimanufactured and prepared cocoa, while at the same time injecting resources into the rural economy through its purchases of cocoa; (ii) have the capital it needs to operate the plant until it achieves the breakeven point; and (iii) have financing to make the adaptations needed to bring the plant into line with good manufacturing practices (GMP), and purchase additional equipment needed for the plant. Funds will be disbursed to the MCCH for the exclusive use of the project.

- ***Non-reimbursable Technical Cooperation component***

Technical cooperation resources will be used for: (i) the advisory services needed to start up the plant and to develop and implement GMP, Hazard Analysis Critical Control Point (HACCP) standards, standard operating procedures (SOP), standard operating production procedures (SOPP), production quality, planning, and control system; (ii) consulting services to develop the brand, create advertising tools, and identify differentiated markets; (iii) consulting services to develop the formulas for cocoa liquor and gourmet chocolate to generate value added for price differentiation in international markets; and (iv) strengthening the cocoa production and associative chain, especially related to technical assistance for growers, promoting the development and use of organic inputs, rehabilitating and increasing the amount of land with organic and/or RainForest certification, improving post-harvest processes, establishing traceability systems, and strengthening socioorganizational management through training and assistance to participating organizations. The technical cooperation resources will also cofinance the hiring of a project coordinator and an accounting-financial assistant, and the establishment of a baseline that includes tools to measure project indicators, as well as two evaluations (midterm and final). During project execution, the indicators will be monitored, broken down by gender, and it will be analyzed whether there are any specific gaps that could be addressed with the technical cooperation resources.. Fundación La Caixa intends to commit up to 237,500 euros to this project, which is equivalent to some US\$325,000 at an exchange rate of 1.3685 dollars to the euro. The exchange rate at 26 November 2013 was 1.3600 dollars to the euro. The final dollar amount will depend on the exchange rate at the time the Bank receives the funds from the donor and converts them to dollars. If there is a considerable negative variation in the exchange rate that reduces the dollar amount of Fundación La Caixa' contribution to this budget, and if the difference cannot be covered by contingency funds, project activities will be reduced and the project team will adjust the budget accordingly.

9. Beneficiaries:

The project's direct beneficiaries will be 16,133 small-scale cocoa growers, more than 40% of whom are women, associated with 147 grassroots organizations and communities in Esmeraldas, Manabí, Guayas, Los Ríos, El Oro, and Bolívar. Their incomes are expected to rise through their sales of quality cocoa to the cocoa processing plant for the preparation of cocoa products. The families of the direct beneficiaries, approximately 24,000 people (women, young people, children, and the elderly), will benefit indirectly from the project. Since the participating cocoa farms that work with the MCCH measure no more than two hectares, the project will include activities to boost farm productivity through crop diversification, especially with citrus crops. These families' monthly agricultural incomes range from US\$120 to US\$350, often the result of a combination of cocoa income supplemented by other agricultural products, small animals, and unskilled temporary, seasonal, or part-time employment. That translates into a basic wage of US\$318 for these families, which is less than the family food basket (US\$596).

10. Expected results and benefits:

The direct benefit of the Bank's resources will be captured by at least four types of beneficiaries: (i) some 16,133 low-income cocoa growing families in poor rural areas of the country, who will earn at least an additional US\$38 million from cocoa sales over the next eight years, thanks to the implementation of the plant with project support, and the MCCH's

greater purchasing power (additional to its current purchases of cocoa beans for export); (ii) around 22 cocoa collection centers will be strengthened and generate additional funds, as a result of the MCCH' additional purchases over the next eight years; and (iii) the MCCH itself, which will have a sustainable cocoa processing plant that expands its range of services to growers and strengthens its sustainability.