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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
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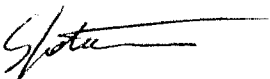
INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

Date: 15 November 2010

To: The Chairperson
Screening and Technical Review Committee (STC)

Through: Mohamed-Lamine Dhaoui, Director, PTC/BIT 

From: Gerardo Pataconi, Unit Chief, PTC/BIT/CBL 

Subject: ECUADOR – Traceability programme for the agro-industrial sector

With reference to the PAC decision on 7 May 2010, we submit the Service Summary Sheet (SSS) and proposal for Preparatory Assistance for the development of a “Traceability programme for the agro-industrial sector” in Ecuador for approval to the Screening and Technical Review Committee (STC).

Following the initial request of the Ecuadorian Minister of Agriculture, the Embassy of Ecuador has continuously requested UNIDO’s assistance with the design and implementation of a Traceability Programme for the agro-industrial sector. UNIDO intervention would enable the Ecuadorian agro-industrial sector to develop its full potential for contributing to the economic and social development of the country via promoted exports to international markets. A pre-condition for access to those markets is the traceability of agro-industrial products.

Please find attached the SSS which was submitted on 7 May to the PAC, the STC presentation, as well as the pdf-document of the initial request for assistance of the Ecuadorian Minister of Agriculture, dated 24 December 2008, for consideration and approval of the Committee.

Thank you in advance for your approval.

4 Ecuador XX/ECU/09/X01 (42969: SSS) XX/ECU/09/X02 (42990: PA) "Traceability Programme for the Agro-Industrial Sector" Mr. G. Pataccconi, PTC/TCB/QSC Mr. G. Appelgren, RSF/RFO/LAC (IOM from Mr. Hinojosa-Barragan dt. 19 April 2010)	€ 50,000 for PA Estimated budget for main project is not available at this time.	RE-SUBMISSION: • Service Summary Sheet for approval; • Funding request of € 50,000 from UNIDO resources for Preparatory Assistance (increased from previously estimated amount of € 45,000 to € 50,000 due to the increase of the field visit to Egypt by the Ecuadorian counterparts). PAC on 1 December 2009: Decision postponed. The PAC found that the information provided by PTC/TCB/PQE had not fully addressed its request for clarification, with particular regard to: (a) the tentative outline of the proposed project, with concrete evidence of PTC/AGR involvement in the development of the SSS. The cost of the field visit to Egypt of 8 Ecuadorean counterparts for one week needs also to be clarified, since this is currently budgeted at just € 8,000. PAC on 7 October 2009: Re-submission of revised SSS requested. The observations made by the QAG on 11 September 2009 should be fully addressed, with particular regard to the description of a concept and the structure of the main project, including its estimated budget as well as the evidence of funding commitment. The validity of the official Government request should also be reconfirmed. With respect to the Preparatory Assistance: (a) a more detailed justification should be provided on the actual need for the PA with reference to the size of the project and its overall budget; (b) a possibility for co-financing from the donor (<i>the Italian funds approved in July 2009 for the ETRACE project in Egypt</i>) should be explored to cover the study tour planned within the framework of the PA.	UNIDO: € 50,000 for PA For PA: Other expenditures related to Ecuadorian counterpart visit to Egypt will be co-shared with ongoing ETRACE project. Donors for main phase: • SF/CEPA (counterpart organization): approx. half of funds needed; • Spain, Italy and Belgium; • Ecuadorian/Spanish 30 M \$ debt swap programme.	Decision postponed. The proposal should be cleared by the PTC peer-review mechanism and resubmitted to the PAC Chairman before the end of May. With a view to ensuring compliance with UN Editorial Guidelines and the UN spelling list, as recommended by ODG/PMO, the project title should be as follows: "Traceability programme for the agro-industrial sector".
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Service Summary Sheet

Programme/project/ research title: Traceability Programme for the Agro-industrial Sector

Country: Ecuador

Date proposal received by UNIDO: 21 January 2009

Origin of proposal: Ministry of Agriculture, Livestock, Aquaculture and Fishery. Letter from the Minister to the Director-General, dated 24 December 2008.

Problem/research issue to be addressed:

Agro-industry is, except for the petroleum industry, the most important component of the Ecuadorian economy. In order for that sector to develop its full potential for contributing to the economic and social development of the country, exports to international markets need to be promoted. However, a pre-condition for access to such markets is the traceability of agro-industrial products. Therefore, the Government of Ecuador has turned to UNIDO for assistance with the design and implementation of a Traceability Programme for the Agro-industrial Sector.

Expected target beneficiaries:

The direct end beneficiaries of the proposed assistance to the Ministry are agribusinesses and agro-industrial producers of all sizes throughout the country. Having traceability functioning in the country will permit exports to attractive markets and thus the generation of added revenue, which in turn makes possible the growth of the sector. The resulting employment generation clearly contributes to the improvement of living conditions, in particular for women who are abundantly represented in the target sector. In addition, local producers will also benefit from improved quality and safety of products.

Counterpart organizations (for technical cooperation only):

The direct counterpart for the proposed service would be the Centre for Studies and Policy for the Agro Sector (Centro de Estudios y Políticas para el Agro – CEPA) of the Ministry of Agriculture, Livestock, Aquaculture and Fishery, which is the institution charged with regulatory functions for the agro and agro-industrial sectors.

Programme/project/research purpose:

UNIDO has been requested to assist with the design and implementation of a traceability system for the agro-industrial sector of Ecuador (see attached letter from the Minister of Agriculture – Ref. 1676 CEPA/MAGAP dated 24.12.2008). Such assistance will enable Ecuador to export traceable products to markets such as Europe, the United States of America and Japan, while ensuring compliance with international standards and conformity assessment requirements.

The project will be based on the traceability model (see attached for reference) and the centre established by UNIDO in Egypt since 2004 (ETRACE) which will play a knowledge-based function also in view of the €600,000 project approved by the Italian Government in July 2009 which specifically propose the use of the ETRACE to assist other countries in TCB focusing on traceability.

UNIDO's "developing a traceability system and agro-industrial technology center model" focuses in general on:

1. Traceability;
2. Value chain upgrading;
3. Supplier development and compliance programmes;

4. Human resource qualification and competency development;
5. Collection and dissemination of information and knowledge;
6. Policy advice;
7. Food hygiene and safety in the hotel, restaurant and catering sector;
8. South-south cooperation;

The tentative outline for the proposed project is:

- Raising awareness of traceability issues and international market requirements throughout the public and private sectors
- Identification of priority food sectors, markets and potential buyers
- Analysis and identification of strengths and weaknesses in the value chain
- Assessment of preparedness for traceability implementation
- Examination of various technical options
- Gap analysis for individual producers and packing houses
- Implementation of traceability systems
- Preparation of manuals and other technical tools and instruments
- Providing integrated technical and financial assistance to all value chain actors, including small-scale farmers, processors and packing houses
- Promoting, supporting and implementing human resource qualification and competency development in all areas relevant to traceability

International development goals:

The proposed assistance would address the concerns manifested in MDGs 1 (poverty and hunger), 3 (gender equality and empowerment of women) and 8 (global partnerships for development)

RBM code (see Annex 17) and thematic area code¹: CD18 and TCB

Immediate objectives and expected outcomes and outputs:

(Provide a short description of the results UNIDO services will yield, including performance indicators at the output and outcome level, and indicate the relevance of outcomes to national development objectives and priorities)

Objective: To build Ecuador trade capacity by setting up a traceability system to foster compliance with international standards and technical regulations thereby facilitating access of Ecuadorian food products to export markets.

Outcome: Ecuadorian food products, with focus on Cocoa, traceable according to international standards and regulations.

Output 1: Up to 8 Ecuadorian counterparts from the private and public sector acquainted with state-of-the-art and practical solutions to traceability for fresh food, processed food and on the requirements for a national traceability system

Output 2: Traceability Programme designed, in cooperation with the Centre for Studies and Policy for the Agro Sector (CEPA), including a fund mobilization plan for matching resources provided by the Government.

Proposed cross-organizational linkages and service required:

SM 3 – Industrial competitiveness and Trade. The service will be provided by the Quality, Standards and Conformity Unit of the Trade Capacity Building Division.

Country-level coherence (for technical cooperation only):

The identified need for a traceability programme in Ecuador is not being met through any other international or national cooperation programme.

Estimated budget:

(Indicate as far as possible the inputs required and the amounts involved by budget line.)

¹ The theme codes are: EAE, PRP and TCB

Expected source of funding: (Insert "X" in the applicable box below)

UNIDO Programmable Funds:	X	(for preparatory assistance)
IDF/TF:		
SF:	X	
UNDP:		
Other (Spain, Italy or Belgium):	X	
Not known:		

Strategy envisaged for mobilizing funds:

The governmental counterpart organization (CEPA) has counterpart funding earmarked for the proposed programme. Based on previous experience, this would probably be approximately half of the funds needed.

It is envisaged to involve donors, such as Spain, Italy and Belgium already during the formulation phase in order to secure the remainder of the required funds.

In addition, the possibility should be explored to tap the Ecuadorian/Spanish 30-million-U.S.-dollar debt swap program. Signed in June 2009 which is the second stage of the program since both countries agreed in 2005 to use the debt of 30 million dollars "for development actions."

Are funds required for developing and formulating the project? (For technical cooperation only)

Yes

Please refer to the attached Request for funding of preparatory assistance, Annex 3

Name of proposed project manager:

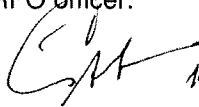
Gerardo Pataconi, Chief, PTC/TCB/QSC



Name and signature of submitting RSF/RFO officer:

Date:

Goeran Appelgren, RSF/RFO/LAC



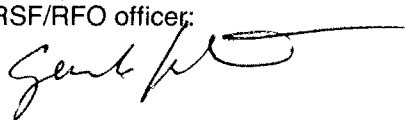
19.04.2010

14 April 2010

Name and signature of PTC Branch, or RSF/RFO officer:

Date:

Gerardo Pataconi, PTC/TCB/QSC



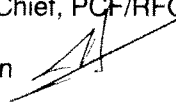
14 April 2010

I certify herewith that the above request for services has been positively assessed against all the relevant UNIDO criteria, and that, when further developed, it stands a good chance of being successfully funded and implemented by UNIDO.

Name and signature of Chief, PCF/RFO/LAC

Date:

Victor Hinojosa-Barragán



19.04.10

Name and signature of Director, PTC/TCB

Lalith Goonatillake



cc. Managing Director, PTC
Managing Director, PCF

**REQUEST FOR FUNDING OF PREPARATORY ASSISTANCE RELATED TO
PROJECT DEVELOPMENT AND FORMULATION**

RECEIVED
20 APR 2010
PCF / RQA

Description of activities

Activity	Responsibility	Estimated completion date
1. Field visit to Egypt (1 week) for up to 8 Ecuadorian counterparts from the private and public sector to learn practical solutions to traceability for fresh food, food manufacturers and the national traceability system.	Mr. Patacconi	2 nd quarter of 2010
2. Follow-up to the field visit through a technical mission to Ecuador to design, in cooperation with the Centre for Studies and Policy for the Agro Sector (CEPA), the Traceability Programme and draw up the details of the mobilization of the funds that are needed to complement the resources provided by the Government.	Mr. Patacconi	3 rd quarter of 2010

Expected outputs

1. Key Ecuadorian counterparts trained in the application of traceability system and related standards, with acquired knowledge of technical solutions at farm, enterprise and governmental levels.
2. A fully formulated Traceability Programme for the agro-industrial sector in Ecuador and an outline of a funding strategy to cover the balance of the funds needed for the implementation of the programme.

Proposed budget

1. International staff	€ 18,000
2. National staff	€ 6,000
3. Staff travel	€ 10,000
4. Study tour - Egypt	€ 15,000
5. Miscellaneous	€ 1,000
6. Total	€ 50,000

TOR for mission

The S/M together with a group of international / national experts would carry out a gap analysis of the traceability requirements of the private sector, mainly those involved with the production of cocoa. Additionally, the assessment would look as well at the role of the government in the implementation of the system, discussing at the same time funding opportunities.

Outline of job description(s):

The international experts on ETRACE methodologies and software applications, the UNIDO staff and the local expert(s) will:

1. Carry out a gap analysis of the traceability requirements for the private sector involved with the production of cocoa;
2. Determine the Government's role in implementing and establishing the traceability system;
3. Meet donors and counterparts for fund mobilization;
4. Prepare a fully-fledged programme/project document including a fund mobilization strategy.

The national expert(s) will:

1. Collect data and prepare relevant information in support of the GAP analysis;
2. Accompany the team in field visits (study tour) and support their mission;
3. Contribute and support the preparation of the fully-fledged programme/project document including a fund mobilization strategy

Prepared by:

Name and signature of RSF/RFO officer:

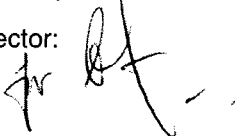
Date: 14 April 2010

Goeran Appelgren, RSF/RFO/LAC



Name and signature of RSF/RFO Director:

Date: 20 April 2010



Developing a Traceability System and Agro-industrial Technology Center: Model Outline

BACKGROUND:

Recurrent global crises continue to highlight the vulnerability of developing country populations to fluctuations in food prices and supplies. In response to the serious challenges involved and in view of the urgency of finding solutions to problems surrounding food and agriculture in the developing world, UNIDO is increasing its efforts towards helping developing countries and countries with economies in transition to strengthen agribusiness value chains, expand food supplies and increase access to markets, technology and investment. UNIDO works together with bilateral institutions, other UN agencies and with the private sector to support governments in their efforts to achieve these goals.

The problems that constrain agribusiness development, productivity, safety, quality and sustainability in developing countries are complex. One major problem area is compliance with international standards and regulations to enable local producers to access international markets. In order to overcome these problems, it is imperative for developing countries and countries with economies in transition to access knowledge and expertise on how these problems have been successfully addressed in other countries. UNIDO has longstanding experience in providing technical support in agro-industrial related areas, following an approach based on an integrated set of solutions. This approach has been demonstrated successfully in the development of the ETRACE Agriculture and Agro-industrial Technology Center in Egypt during 2004-2009.

The model presented here will be used to assist developing countries and countries with economies in transition in the development of a traceability system and agro-industrial technology center similar to the ETRACE Center. The ETRACE project was initiated in response to the European food law 178/2002 requiring that all food and feeds circulating in the EU must be traceable. The original technical scope has been widened significantly with the aim of increasing the developmental impact of the Center's activities. While the design and implementation of such a project must be adapted to the individual requirements of each country, it is useful to have a model as a frame of reference.

The model will include the following elements:

- Goal and objectives
- Institutional framework
- Services to be provided
- Mechanisms for service delivery and financing

The model will also describe the major steps involved in developing and implementing such a project.

GOAL AND OBJECTIVES:

The goal is the establishment of an agro-industrial technology center that will be a widely recognized center of excellence providing services, information and advice to support the sustainable development of agro-industries and trade on a national, regional and international basis.

The objectives of the center are:

- Improving food safety, quality and traceability and enhancing compliance with TBT/SPS and other international food safety, quality and sustainability standards;
- "Pro-poor" development – enabling small farmers and producers to participate competitively in agro-value chains;
- Reducing post-harvest losses to increase food availability for domestic consumption and export;
- Increasing access for local suppliers, particularly small scale farmers and SMEs, to local, regional and international markets by enabling them to comply with international standards, traceability and other market requirements;
- Upgrading value chains through complementary development of both SMEs and major exporters to enhance competitiveness and productivity in response to local and international market demand;
- Promoting public-private partnerships (PPP) in the agro-industrial sector;

- Improving conditions for workers and businesses, thus achieving safer jobs and safer products;
- Generating and equitably distributing increased income along the agro-value chains.

INSTITUTIONAL FRAMEWORK:

The institutional framework for promoting and regulating agro-industries and trade in each country is unique. The project development process must begin with an analysis of this framework, including both the public sector, e.g. ministries of agriculture, health, industry and trade; standards and regulatory bodies, etc. and the private sector, e.g. associations of producers (farmers, growers, packers, etc.) of fresh produce, exporters, agro-industries, etc.

Consideration should be given to the future organizational form and legal status of the center that will be established by the project. The ETRACE Center began as a project with the Egyptian Ministry of Industry and Trade as the counterpart. In 2009, it was formally established as the "Agriculture and Agro-Industrial Technology Center", which is autonomous in financial, administrative and technical aspects and affiliated with the Technology Development Sector of the Ministry of Trade and Industry.

SERVICES TO BE PROVIDED:

The center to be established will provide services to a wide range of actors in agro-value chains as well as other clients. It is conceptually useful to categorize the different services to be provided according to service modules. These modules correspond to the different functions of the center and group together the services to be provided to particular target groups. The same individual services can be included under different modules. The modules given below include the major services provided by ETRACE. These modules should be considered as an indicative rather than exhaustive list of services. A newly established center will not necessarily provide all of them, and as the center develops it can expand the range of services it provides.

TRACEABILITY

- Raising awareness of traceability issues and international market requirements throughout the public and private sectors
- Identification of priority food sectors, markets and potential buyers
- Analysis and identification of strengths and weaknesses in the value chain
- Assessment of preparedness for traceability implementation
- Examination of various technical options
- Gap analysis for individual producers and packing houses
- Implementation of traceability systems
- Preparation of manuals and other technical tools and instruments
- Providing integrated technical and financial assistance to all value chain actors, including small-scale farmers, processors and packing houses
- Promoting, supporting and implementing human resource qualification and competency development in all areas relevant to traceability

VALUE CHAIN UPGRADING

- Analysis and identification of strengths and weaknesses in the value chain
- Providing technical and financial assistance to chain actors
- Improving product quality and safety
- Reducing post-harvest losses
- Upgrading producers and enabling them to comply with TBT/SPS and other market requirements
- Increasing quantity; improving regularity and continuity of production
- Creating and strengthening linkages throughout the value chain
- Linking producers to local, regional and international markets
- Human resource qualification and competency development
- Improving transport logistics
- Improving cost-efficiency

SUPPLIER DEVELOPMENT AND COMPLIANCE PROGRAMMES

- Identifying priority sectors, markets and potential buyers
- Determining buyers' requirements
- Assessing suppliers capabilities
- Implementing Global Food Safety Initiative (GFSI) standards
- Providing technical and financial assistance and mentoring to suppliers to upgrade their capabilities and achieve compliance
- Establishing linkages between suppliers and retailers
- Supporting the formation of farmers' groups and cooperatives
- Promoting the development of export consortia

HUMAN RESOURCE QUALIFICATION AND COMPETENCY DEVELOPMENT

- Developing curricula and training materials adapted to local requirements
- Developing and disseminating e-learning tools and materials
- Setting training standards, accrediting courses and qualifications and overseeing examinations
- Registering and licensing trainers

COLLECTION AND DISSEMINATION OF INFORMATION AND KNOWLEDGE

- Establishing and maintaining databases, e.g. on pesticides and other agricultural chemicals
- Establishing and maintaining a Trade and Agribusiness Solutions Platform
- Promoting and facilitating continuous sharing of information and the replication of identified solutions
- Matchmaking between potential partners to promote transfer of know-how, technology, investments, both South-South and North-South

POLICY ADVICE

- Providing information and policy advice to national and local government authorities on food safety, quality and sustainability standards, regulations, markets, agro-industrial and agribusiness development, etc.
- Advising associations of producers, exporters, etc. on raising awareness and promotion of compliance with public and private safety, quality and sustainability standards

FOOD HYGIENE AND SAFETY IN THE HOTEL, RESTAURANT AND CATERING SECTOR

- Raising awareness in the public and private sectors about the importance of food hygiene and safety and enlisting the support of stakeholders
- Promoting a high and credible level of food hygiene in the hotel, restaurant and catering sector to protect the life and health of local clients and tourists
- Transferring information and know-how about international best practices and compliance with standards such as HACCP and ISO 22000
- Designing a national program such as "Scores on the Doors" including standard requirements, an assessment model and operational protocols
- Assessment of current capabilities
- Building national capacities in safety standards and best practices
- Providing technical assistance and mentoring to upgrade capabilities
- Assessment of improvement

SOUTH/SOUTH COOPERATION

- Raising awareness and providing advice and assistance on traceability as well as food safety and quality standards to public and private sector actors in other countries through study tours and technical missions
- Transferring information, know-how, technology and lessons learned to other countries on traceability, food safety and quality and other agribusiness development solutions

- Assisting other countries to achieve compliance with technical regulations, standards, codes of good practice, conformity assessment procedures and traceability required by local, regional and international markets.
- Supporting capacity building by developing and disseminating manuals, training materials, e-learning tools, etc.

MECHANISMS FOR SERVICE DELIVERY AND FINANCING:

A key issue for successful project implementation is securing adequate financing for the duration of the project. The ETRACE Center was established under a joint project of UNIDO and the Egyptian Ministry of Trade and Industry, with the Italian Development Cooperation and the private sector. It was funded by the Debt-for-Development Swap agreement between the Governments of Italy and Egypt. Now that the Center has become an autonomous body affiliated with the Ministry of Industry, it is able to provide its services under different bilateral and multilateral donor-financed projects.

An important factor in the success of the ETRACE project was the provision of both technical and financial assistance to help farmers, food producers, packing houses and operators in the food value chain to meet European and international food quality, safety and traceability standards. This was achieved through an integrated approach, providing complementary services on food safety, quality management systems, crop quality standards, post harvest treatment, etc. Project experts made field visits and held meetings with fresh produce growers and exporters and other value chain actors to check their traceability systems for compliance with international requirements.

The financial assistance, which was provided on a cost-sharing basis to eligible applicants operating in the fresh produce value chain, enabled farmers, packing houses and exporters to acquire new technologies, upgrade existing ones and introduce traceability software and hardware to comply with standards, regulations and market demand in Europe and other export countries. The steps in the process were the following:

- Assessing current traceability and other relevant food safety and quality management systems and their compatibility to national and international standards and regulations;
- Evaluating applicant companies technically to assure eligibility for the financial grant;
- Assessing needs and drafting technical specifications for acquiring appropriate technologies;
- Preparing applications for the financial grant according to the client's needs.

The integrated technical and financial assistance in applying traceability systems and upgrading technology and managements systems, resulted in enhanced productivity, increased quality and safety and a reduction in post-harvest losses. ETRACE also helped producers control the use of chemicals and acquire certification for their exports. The project addressed key pro-poor development issues by promoting participation of small growers in formal supply chains and building local food safety, quality and productivity enhancement capacity.

A key element to the sustainability of the Center has been the employment of a team of national experts as an alternative to long-term international experts in order to ensure the maintenance and expansion of the knowledge base in the country. This increases the cost-efficiency of the project and ensures greater adaptability of project interventions to the local context. International experts who provide knowledge and training in international best practices support the local team. The scope of services provided has been expanded in response to growing needs.

Human resource qualification and competency development is an essential component of the package of services provided. The ETRACE Center provides training in a wide range of subjects related to food safety and quality, compliance with standards and traceability. The project has followed a training of trainers (TOT) strategy, whereby the trained participants trained farmers, suppliers, packing house personnel, dealers and other value chain actors, thus ensuring wide dissemination of the newly acquired knowledge.

DEVELOPING AND IMPLEMENTING A TRACEABILITY PROJECT:

The following list gives the major steps to be taken in developing and implementing a project to establish a traceability system and agro-industrial technology center.

- Analyze and describe the institutional framework in the country, including both the public sector, e.g. ministries of agriculture, health, industry and trade; standards and regulatory bodies, etc. and the private sector, e.g. associations of producers of fresh produce, exporters, agro-industries, etc.
- Identify all relevant counterparts and enlist their cooperation and support for the project
- Together with counterparts define the goals, objectives and potential target beneficiaries of the project
- Analyze potential markets and crops and select the crops and areas of the country with which to begin
- Analyze the value chain to identify strengths and weaknesses and to define areas that need improvement
- Draft the project concept
- Identify potential donors
- Design the project and finalize the project document
- Determine the human and financial resources that will be needed
- Secure financing
- Establish a project management team
- Select a project location
- Recruit staff