

The City Development Strategy in Cuenca, Ecuador

Over the past twenty years, Ecuador has experienced what amounts to an economic crisis, including a collapse of the private financial system and a change of currency from the Sucre to the US dollar, leading to high inflation and high speculation on interest rates. The resulting measures of economic adjustment have severely impacted the poor of Ecuador. The most significant local manifestations of the economic crisis have been the shattering of the local financial systems and the increase in the phenomena of outward migration. In Cuenca in particular, increasing outward migration is a growing concern due to its socio-economic implications. On one hand, migration has altered the family structure as heads of households go abroad to work for extended periods of time, leaving younger members behind. On the other hand, the incomes that are sent back to families in Cuenca are very high. It is estimated that \$500 million per year may be flowing back into the city. Although it can sometimes result in an increase in alcoholism and drug addiction among young people in affected families, this money serves to drive the economy in many ways, making migrant remittances as important as tourist sector revenues and higher than the budget of the Municipality of Cuenca.

There is a growing concern in Ecuador and within its cities around improving economic development and doing so from the local level. This is especially important as the country moves towards a more decentralised structure. All municipalities of Ecuador are required to produce a local development plan as a prerequisite for State transfers. Human development is a key objective of this – providing further opportunities for the people in terms of economic development. Even before the CDS was initiated in Cuenca, the city had established local development plans for the city. These focused on key policies of participation and public-private cooperation. The City Development Strategy in Cuenca took this work further. It focused on poverty reduction and economic growth within the framework of a Strategic Investment Plan and strove to further develop participatory processes in the city.

Cuenca, Ecuador		
Background to CDS	Process	Outcomes
<ul style="list-style-type: none"> Population 430,000, growth rate 2% per annum 32% below poverty line high inflation due to change of national currency to US dollar dependence on state resources for municipality (87%) high out migration from Cuenca, migrant remittances to local economy \$ 500 million annually tourism and related industry is major contributor to the local economy under decentralization law, local government required to prepare development plan through participatory process Municipality and the Agency for Development and regional integration of Cuenca (ACUDIR), major drivers of CDS 	<ul style="list-style-type: none"> Focus of CDS on poverty reduction and economic development within the framework of SIP (strategic investment plan) A fast-track (three month) CDS process, all UMP anchor institutions involved in initial studies. Continuous workshops for consultations among all stakeholders for identification of key areas Strategic areas identified – promotion of formal sector, strengthening of informal sector, urban environmental management, municipality as a promoter of economic growth Continuous monitoring of the CDS process established Gender mainstreaming of CDS process emphasized 	<ul style="list-style-type: none"> SIP with 15 well-developed projects with a total value of \$48 million developed The 15 projects include, development of an Investment Trust Fund, 7 investment projects, 4 municipal capacity strengthening projects, and 3 stakeholder facilitation projects The trust fund is an innovative outcome, with over \$30 million contributed by municipality, local banks and managed by ACUDIR With the formal establishment of the trust fund, many SIP projects will be funded on commercial terms thereby reducing dependence on donor funds An urban indicators observatory established in municipality to monitor the CDS process and outcomes

The Strategic Investment Plan, or SIP, had the following goals:

- To foster a participatory process involving all stakeholders in the definition of priority issues for the formulation of the strategic plan;
- To collate accumulated experiences, capabilities, motivations, initiatives and proposals from all social actors in order to develop a vision of local capabilities and the viability of projects;
- To collate strategic planning experiences and small and medium-scale production initiatives developed in the city, so as to connect them with the Plan;
- To document acquired experiences in order to draw out lessons that enhance participatory planning processes and the collective generation of knowledge, and;
- To strengthen the substantial role of the Municipality of Cuenca and of the Agency for the Development and Regional Integration of Cuenca (ACUDIR), as guiding and operating structures respectively, in order to foster local economic development and ensure the continuity of the proposals of the Strategic Investment Plan.

The methodology to achieve these goals was based on Urban Management Programme city consultation and CDS guidelines and was mutually agreed between key stakeholders in the process. It was done on a “fast track” basis, which in retrospect did not afford enough time for the process, but which managed to be successful despite this. It involved five phases (some overlapping), including stakeholder consultation, the establishment of a Regional Consultant Team and a Permanent Workshop, fieldwork, formulation of project profiles, and feedback and dissemination of the results and products.

The field work stage included the preparation of a base line study through extensive interviews and information collection, identification of on-going initiatives, preparation of the initial proposal and mobilisation and consultation with stakeholders. The quality and range of information collected through these interviews and consultations was very high and formed an excellent base on which to build the SIP. The Permanent Workshop also turned out to be key to the success of the CDS. It met daily to share information and de-brief on the progress, allowing for constant evaluation and, if necessary, adjustment as the process unfolded. It was a critical method of self-monitoring. It was also through this Permanent Workshop that the city government was involved in the process, after an initial resistance to what they saw as a tradition process and a lack of understanding in the process and goals. Ultimately, however, it was possible to demonstrate that it was important and indeed even better for all stakeholders to work as partners in the process.

A wide range of stakeholders were involved throughout. The main motivation for municipality involvement was the possibility of formulating an economic plan and project profiles that could be integrated in the development plan of Cuenca. In turn, the municipality provided human, technical and logistical resources. The Mayor, Vice Mayor and two councillors were particularly involved although the process had to be flexible to maintain their interest and time. The Agency for the Development and Regional Integration of Cuenca (ACUDIR), a public-private association, played a central and important role in driving the whole process and remained motivated throughout. Civil society was represented through NGOs, CBOs, academic institutions and women’s groups, and it was not difficult to secure their interest and enthusiasm in the process and outcome. The most common interactions with civil society groups were through interviews and debates in various phases. Gender was consciously mainstreamed into the process through a study on gender inequalities in the city, the use of disaggregated data and the participation of a gender-balanced group of local actors and technical team. Priority was also given to women’s projects, and gender policy proposals were produced.

The most important outcome of the CDS in Cuenca was a Strategic Investment Plan (SIP) composed of 15 projects of a total value of US\$48 million. The SIP linked to five strategic areas – the formal sector, the informal sector, urban environmental management, the municipality as economic promoter and an economic programme for gender equity. The 15 project proposals can be organised into four areas as follows:

- A Development and Investment Trust Fund

- A Portfolio of 7 investments Projects
- A set of 4 Municipal facilitating strategies
- A set of 3 Management facilitating tools

At US\$30 million out of the proposed US\$48 million, the Development and Investment Trust Fund is the core of the proposal. Its objective is to establish a financial entity within the Municipality to enhance the capabilities of local investors and inter-sectoral integration initiatives in financing development projects and strengthening municipal financial management. The remaining projects and proposals in the SIP are placed to benefit from the Trust Fund.

Approximately US\$1 million per day is transferred to Cuenca. It is important to remember that Cuenca has been suffering a dramatic drain of its active population (about 10% of the economically active population). Remittances are generally informal or through consumer goods (fridges, TV, etc) bought in the country of origin and sent through suppliers. The main idea of the Trust Fund, then, is to create a “municipal bank”, offering enough guarantee and incentive to attract this impressive floating money, which, to-date, is generating inflation and speculation on land and housing. The existing municipal corporations are functioning relatively well and could put assets in such a venture. At the same time, Cuenca Municipality is enjoying a high degree of confidence with existing banks.

Evaluation and Lessons:

The CDS process in Cuenca is seen as a success. It resulted in a comprehensive Strategic Investment Plan that has been validated and agreed by a wide range of actors in a relatively short time frame. A participatory urban indicator observatory is being established to monitor the progress of CDS implementation. Development of the details of funding mechanisms is taking much longer, and therefore actual implementation of the full plan will be a slow process. Balancing poverty reduction, citizen participation and gender equity with the realities in Cuenca around globalisation, decentralisation and competitiveness generated on-going debate. This in itself can be viewed as positive, as it allowed for open discussions around these critical issues.

Some lessons can be drawn from the experience of the Cuenca CDS. First, the participation of international inter-institutional consulting team was a good concept, leading to improved collective knowledge on the process and the tools. The drawback is in the follow-up – once the process is complete, it is difficult to keep these institutional resources involved. To alleviate this, strong and continued leadership from UMP and a strengthened local counterpart is required, as is more intense preparation in advance of the CDS itself. Second, a Strategic Plan should have preceded the Strategic Investment Plan. That would have meant that a more common vision of the future could have been agreed earlier, helping in the formulation of the investment plan itself. Third, the informal production sector was not sufficiently involved and represented in the process. ACUDIR was better placed to represent formal and organised sectors of the economy, but there is a need to broaden the scope to include these non-organised groups. Fourth, there was consensus on the need to build a local information system to monitor the economic and social situation of the city – something that was lacking during the CDS process. Fifth, the gender mainstreaming approach was successful and contributed to the success of the outcome. Finally, despite high stakeholder involvement and satisfaction, institutionalisation of the new relationships was not done and should be pursued through initial partnerships with more organised groups and increased involvement of the Municipal Council for Tourism.

From a technical perspective, the CDS process in Cuenca could have benefited from a longer time frame. Potential investment sources should have been identified at the outset, particularly taking into account national and informal sector resource possibilities.