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April 10, 1987

Mr. Mike Snyder
Regional Contracting Officer
US AID/ Peru
APO, Miami, Florida 34031

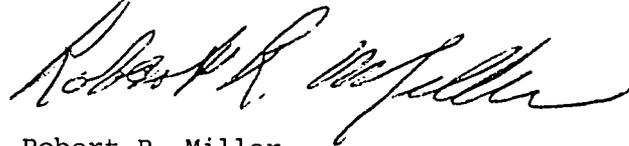
RE: AID Contract No. 518-0035-C-00-6134-00
UH Contract No. 1-5-55002/03

Dear Mr. Snyder:

Enclosed please find the Quarterly Report for the subject contract for the period December 1, 1986 through February 28, 1987.

If you have any questions regarding this report, please call me at (713) 749-7139.

Sincerely,



Robert R. Miller
Project Director

RPM:las
Enclosure

xc: Mission Director, Ecuador
Development Utilization Service, Washington

Thomas F. O'Brien, Chief of Party
Julie T. Norris, Office of Sponsored Programs

Quarterly Report

Ecuadorean Graduate Management Program
Second Quarter Contract Year 1
December 1986 through February 1987

In accordance with the terms of the scope of work for the Ecuadorean Graduate Management Program, this report presents information on the inputs of the University of Houston to the project during the second quarter of contract year 1. The format of the report has been refined to bring it into closer conformity with the AID - Quito logical matrix framework.

Introduction: Contract negotiations between the University of Houston and USAID continued during this period. Although agreements were reached on all pending major issues concerning the contract budget, a further problem arose when it was discovered that in order to conform to the cooperative assistance agreement between USAID and the Fundacion Privada Ecuatoreana, approximately \$919,000 had to be deducted from the contract budget to be set aside for use by the FPE in meeting project objectives. Adjustments are now being made to the budget, and hopefully the contract will be signed in the third quarter.

I. Ecuadorean Faculty

An important long term goal of the project is to provide the Instituto Privado en Administracion de Empresas with an Ecuadorean Faculty of U.S. trained Ph.D.'s. To that end, one Ecuadorean is now completing her P.h.D. at Yale and the project calls for the training of 10 more Ph.D.'s. The University of Houston began a preliminary screening of candidates during the

feasibility study phase of the project. Based on those screenings, tentative offers (pending an admission decision by the University) were made to four candidates of whom two accepted during this quarter. Their paperwork has now been sent to the University of Houston for a final decision. In order to further expand the pool of candidates, the University advertised the Ph.D. program in both Guayaquil and Quito, receiving 30 additional applications in response. These new applications have been reviewed and evaluated, with interviews scheduled for early in the third quarter. Further selections will be based on a review and evaluation of both new and prior applications.

II. Academic Program

The most critical element in the short term development of IPAE's academic program is the selection of high quality U.S. faculty members to develop and teach in the master's level program. Vitae received as result of the recruitment drive carried out in the first quarter were reviewed and candidates selected for interviews in Houston. Dr. Dan French of Texas Christian University, a candidate screened in Houston for the Finance position, came to Guayaquil for interviews with the Chief of Party, the FPE and AID. Based on these interviews and his superior qualifications, Dr. French was offered the position of Finance Professor at IPAE. One candidate for the Accounting position, Dr. Robert Milbrath of Catholic University in Washington D.C., was also interviewed in Houston, and will visit Ecuador in early March. The process for filling the remaining

two full-time positions will be carried out during the third quarter. In addition, the University is putting together the contracting mechanisms for hiring non-University of Houston faculty members to teach at IPAE.

The recruitment of a high quality student body is, of course, essential to the success of the Academic Program. During the second quarter, the issue of student recruitment and admissions was addressed on several fronts. These included a further analysis of the market, drawing up preliminary guidelines for admission criteria, and preparation of advertising materials. The results of the market evaluation indicated that while financial aid (see section VI) is important, attitudes of employers are an equally important factor. Most Ecuadorean university students work full-time during their course of studies. Subsequently, they rarely leave their professional positions to undertake full-time graduate education. This scenario reflects the fact that few Ecuadorean companies provide long-term professional training for their employees.

Employers are hesitant to release their professionals for full-time study, not so much because of any direct cost, but rather because of the scarcity of qualified replacements. Based on these findings, the recruitment of students will have to include a campaign directed toward employers, to convince them of the long term rewards of releasing employees for full-time study at IPAE.

During this quarter some preliminary guidelines were drawn up for admissions processing. These include a recognized University degree in any field, a vita with university transcript, personal interview and admissions test. The last is particularly important since the quality of education varies widely among Ecuadorean institutions, grades do not necessarily provide clearly quantified indices of performance, and courses of study may not provide essential elements for successful performance in the IPAE program. Dr. William Renforth is now completing a study on the admissions process for the project, and efforts have just begun to put together an admissions exam.

In addition to these steps, the text for an advertising brochure was developed to be used in the recruitment campaign. The campaign will include newspaper advertising, brochure distribution, and an information center for those interested in the program. The campaign directed at both recruiting students and convincing employers of the value of an IPAE education, will begin in the next quarter with the hiring of an admissions director.

III. Administration

To insure proper management of the project, it is essential that IPAE have an effective accounting/information system. The University during this quarter received proposals from three accounting firms in Guayaquil: Deloitte Haskins & Sells, Price Waterhouse and Efren R. Cascante. The proposals were reviewed, and additional specifications submitted to the three firms for

their response. In addition, the University requested that the firms arrange to pay the employees of IPAE directly. Both Deloitte and Price indicated that this could be done through subsidiary enterprises which they control. The University is now awaiting the final proposals before making a decision of which firm to employ. In addition it has requested its attorney in Guayaquil to draw up the papers to create a Sociedad Anonima through which the University can eventually pay the IPAE employees and carry out any activities which require it to have its own legal presence in Ecuador. During this contract period, the University's own system for payments and purchases for the project began to function with increased efficiency as many procedures became routinized. So too, the Guayaquil office improved its efficiency with the securing of more ample office space and the hiring of additional staff. With these developments a basic bookkeeping system has now been put in place, the imprest fund for paying local expenses created, and standardized office procedures established.

To further improve coordination between the Houston and Guayaquil offices, the Chief of Party visited Houston in early January to review project developments, and in February the Project Director visited Guayaquil to familiarize himself with local project conditions. The visit of Dr. Miller to Ecuador included meetings with members of the FPE, Mr. Tom Chapman of the AID project offices, Mr. Frank Almaguer, the AID Chief of Mission, as well as with representatives of the accounting firms

bidding for the information system contract. Monthly meetings between the FPE's Junta Ejecutiva, the Chief of Party and the AID project officer have also been initiated to insure local coordination.

In terms of staff, a bilingual secretary and a driver were hired for the project. In addition Mr. Juan Carlos Gonzalez was selected as Financial Director, and is scheduled to begin March, 30. Since Mr. Gonzalez is also interested in the Ph.D. program he is expected to serve as an interim Director for one year while the accounting system is implemented, subject to his admission to the Ph.D. program. The search for an admissions director continued, and a selection should be made at the beginning of the third quarter. Although six candidates were interviewed for the librarian position, none had the necessary professional experience. The University is now seeking a candidate in the US to serve as a consultant for one year to start the Library and train an Ecuadorian for the permanent position.

IV. Temporary Site

The securing of a temporary site is critical to the commencement of classes. Based on an evaluation of six possible sites in Guayaquil, a three story building owned by the Fleischman Company was selected. The site offers adequate space (600 square meters) for short term (one to two years) office and classroom facilities, a suburban (Urdesa) location with street parking and easy access to public transportation and restaurants. Furthermore, it has central air conditioning on two of the three

floors (window units must be bought for the 3rd. floor), multiple phone lines, a rental price and remodeling costs well within budget, a yard area (essential since students are expected to remain "on campus" all day), as well as reasonable security.

The major delay in securing the site has been arriving at a final version of the contract. The contract requires the approval of three lawyers. Fleischman's, the project lawyer in Guayaquil and the University's lawyer in Houston. Moreover, the University regulations require that the contract be signed by a university official in Houston. Due to this fact, the lessor requested the involvement of an Ecuadorian guarantor for the University. Most of the technical issues have been resolved, and the contract should be signed the next quarter. Due to the delay with the temporary site, short term office space was donated by the Guayaquil Chamber of Commerce, in the Chamber headquarters.

The University also moved forward in securing furniture and equipment for both the temporary and permanent sites. Three quotes were secured for office furniture, with the ATU furniture company's bid being selected. The furniture is now paid for and ready for delivery. Quotes were also solicited for the computer system and typewriters. Given the high cost of such equipment in Ecuador, most of this equipment will probably be purchased in the U.S. During this period the van for the school was ordered in the U.S. and, in Guayaquil, orders were placed for such equipment as typewriter, calculators and a P.C. needed to support the short term needs of the project.

One significant problem is securing student desks for the temporary site. Major furniture companies do not carry this as regular stock, and the quality of those available is poor. The Guayaquil office is now seeking a supplier of quality products in this line, or will special order the item if necessary.

V. Physical Plant (permanent)

This portion of the report deals with an area in which responsibility is shared almost equally with the FPE. The University is providing technical assistance in terms of paying for an architect, providing its own technical evaluation and recommendations on the location and physical plant, providing the funding and overseeing interior construction of the physical plant. The FPE is responsible for securing a donation of the land, and exterior construction of the physical plant. Evaluation of the four possible permanent sites was completed. The sites at the former Guayaquil Country Club and in the Urbanizacion Los Samanes (part of the Alborada development) were the top two. The Country Club site however, proved unavailable when the owners of the property (The Junta de Beneficencia) declined a request by the President of the FPE to donate the land. The Los Samanes site was then selected and agreement was reached with the Argos group, owners of the site, to donate the land. The legal documentation for the donation is now being prepared. In addition, an architect has been selected for the permanent site and has submitted a cost proposal contract for the design work. This proposal is now being studied by the University

VI. Applied Research

The executive programs of IPAE as well as case development and research have been loosely grouped together under this heading. The initial work on the development of case research will await the arrival of the U.S. faculty in the fourth quarter. However, initial contacts have been made with some foundation members to solicit their support in developing cases based on their experiences. This work will continue during the third quarter.

Suggestions for the next executive program were solicited from FPE members, and based on these suggestions the topic of "Financial Statements: Their Development and Use" was selected. The University is now seeking a speaker for the program which is scheduled for the third quarter.

VII. Endowment Fund

The task of raising a 2.5 million dollar endowment fund is the responsibility of the FPE although the University will assist the FPE by locating and paying a U.S. fundraiser to assist the Foundation in soliciting contributions in the U.S.

It is also the FPE's responsibility to obtain commitments for 20 student scholarships and a line of credit for student loans. Although these are FPE responsibilities, it is important to note developments in this area since they will impact the overall success of the program. During this quarter, the FPE secured verbal commitments for 5 scholarships and verbal commitments for two lines of credit of 35,000.000 sucres each

from two different banks. It will be important in the next quarter to obtain written commitments for the scholarships, secure additional scholarships, and determine the precise terms of the lines credit which have been offered.

Assessment

As suggested in the first quarterly report the experience of the first three month period has enabled the University to improve the administration of the project. Some delays have still occurred, such as in the signing of the temporary site contracts and a contract for the accounting system, but these are due to the complexity of the issues involved. In the next quarter, the emphasis will be on those areas i.e. Academic Program, Administration, and Temporary Site which are most critical to the beginning of classes before the end of 1987.