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Evaluation of the Policy Dialogue Support Project (518-0089)

Submitted to:

USAID/Ecuador

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TABLE OF CONTENTS

(Executive Summary)

I. Introduction 1

II. Methodology 3

III. Overview 5

IV. Findings and Recommendations 7

A. General Findings 7

1. Impact 7
2. Stature of INCAE/PROGRESEC 11
3. Strategic Focus 13

B. Specific Findings 17

1. Component One - Dialogue 17
2. Component Two - Training 19
3. Component Five - Policy Implementation Assistance 22
4. Project Management 25
5. Project Design 28

V. Monitoring and Evaluation 30

A. Policy Dialogue Support Project 30
B. Monitoring Policy Reform Mission-Wide 37

Appendices

A. Scope of Work
B. List of Meetings
C. Interview Questions
D. PROGRESEC Activity Statistics

EXECUTIVE SUMMARY

The purpose of the report is a mid-term evaluation of the Policy Dialogue Support Project (518-0089) of USAID/Ecuador. According to the project paper, the project purpose is to establish a process and a :mechanism for informed macroeconomic policy dialogue and discussion, based on the knowledge, analuysis, implications and advantages of outward and market oriented policy reform in the medium to long term. The project contains five major components: 1) policy dialogue, 2) economics training, 3) university training in economics and economic reform training, 4) economic data generation and analysis, and 5) policy implementation. This evaluation only covers components one, two and five. Specifically, the team was to analyze the logical consistency of the project's overall design, the effectiveness of the the implementation of the main project components, and the management of the project by INCAE and USAID/Ecuador.

The scope of work sought answers to the following questions: 1) What weas the development impact of the project's activities? 2) What has been the project's success in toward reaching its purpose? 3) How should the project be re-designed? 4) How effectively has the project faced equity such as gender and regionalism?

The evaluation's principal findings and recommendations are as follows:

GENERAL FINDINGS:

Project Impact:

While it was generally felt that PROGRESEC's activities are important and have contributed to greater consensus and understanding regarding Ecuador's economic model and macro-economic issues, they have not directly contributed to specific policy changes.

Recommendations:

USAID/Quito and INCAE should come to agreement regarding expectations of impact of the PROGRESEC project.

INCAE should re-evaluate its target sectors through a review of what impact it is producing in the public sector through training.

A.I.D. and INCAE should target activities and participants based upon its highest level of objectives, i.e., improved policy implementation or improved policy environment.

INCAE's Image in the Policy Change Process:

INCAE has clearly built a very solid reputation during the past three years. Over the

course of its activities with PROGRESEC it has accumulated considerable prestige which could prove a valuable cushion in undertaking somewhat riskier exercises.

Recommendations:

INCAE/PROGRESEC should begin to capitalize on its reputation of neutrality and impartiality by deepening its dialogue activity and begin to enter into more focussed debate on specific issues.

INCAE and USAID should agree as soon as possible on the type of presence that PROGRESEC should be expected to have at PACD, and then use its image and reputation to position itself toward that transition.

PROGRESEC's Strategic Focus:

After having had a fairly defined strategic focus for the first two years, PROGRESEC seems to have lost focus in the third.

Recommendation:

The general strategy of each of the current components and the linkage between those components should be re-examined.

INCAE should name, immediately, an individual to take over the intellectual leadership of the program.

Sustainability of PROGRESEC:

Given the current structure and operational mode of INCAE, sustainability of PROGRESEC activities beyond the project completion date will be extremely difficult. Little in the way of local capacity building for components one, two, and five has been generated in the course of PROGRESEC's activities. Given the current strategy it is unclear how "a process is being or will be institutionalized".

Recommendations:

INCAE should begin to explore mechanisms to reduce the level of dependency on Costa Rica.

PROGRESEC should begin to develop its own personality and identity.

INCAE (or PROGRESEC directly) should also organize a support committee or Board of Directors.

SPECIFIC FINDINGS

Component One: Dialogue

PROGRESEC has had good results in mobilizing a dialogue process, particularly in the first two years, but the lack of strategic focus of that process and some ambivalence toward where dialogue should lead is reducing the dialogue component's potential impact.

Recommendations:

USAID and INCAE should review together the dialogue objectives of PROGRESEC.

An Ecuadorian Board of Directors should be created for PROGRESEC.

Component Two - Training:

PROGRESEC's economic training is probably the best short-term economic training that has ever been available in Ecuador, but a few improvements could raise that already high standard even higher. It is not always clear what the expected product of the training program is or should be.

Recommendations:

INCAE should re-evaluate its target sectors through a review of what impact it is producing in the public and private sectors through training.

A.I.D. and INCAE need to agree whether PROGRESEC should target participants based upon an overall strategy for proposed impact.

PROGRESEC should expend greater effort in recruiting women and participants from other regions.

INCAE/Costa Rica should more actively share its evaluation information with INCAE/Ecuador and involve the latter in decisions concerning both professors and content.

Component Five - Policy Implementation Assistance

It is the opinion of this team that component five, as presently construed, will continue to present problems for both INCAE and the Mission. INCAE is not likely to improve its performance in component five, and it would probably be unrealistic of the Mission to try to continue to persuade or condition INCAE to improve that performance.

Recommendations:

USAID and INCAE need to discuss how they wish to handle Component Five. Possible options are:

1) Continue with component five but with the Mission taking a greater role.

2) Re-define the component, in collaboration with INCAE, to one which will be more compatible with INCAE's culture.

3) Drop component five and re-program the funds to the other INCAE activities.

4) Explore the possibility of tapping one of USAID/W's centrally funded projects.

Project Management:

Management - INCAE/PROGRESEC

In general, the management of PROGRESEC, particularly in Ecuador appears to be quite competent. However, INCAE/Costa Rica needs to improve its management of PROGRESEC and needs to involve Ecuadorans more in the decision-making process.

Recommendations:

Again, responsibility for the academic and intellectual component of PROGRESEC needs to be assigned to one member of the INCAE faculty.

A series of visits to Ecuador needs to take place in order to revitalize dialogue activities and to help develop a strategy for both the reactivation of the dialogue program and for targeting the training program.

Through the formation of a Board of Directors greater local input can be given to both INCAE and PROGRESEC on management and on emerging opportunities and issues.

Management - USAID/INCAE

Relations between INCAE and USAID/Quito appear to be quite good, but there have been periodic disagreements over certain key issues (component five and overhead rates) which have contributed to tensions (irritants) as well as a substantial slowdown of activity in 1992-1993, compared to the 1990-1992 period.

Recommendations:

The question of how to proceed on component five needs to be resolved.

INCAE/Costa Rica needs to make a faculty member in Costa Rica more directly responsible and billable to PROGRESEC to improve strategic management and lower response time to USAID/Quito.

Project Design:

The project's design appears to be basically sound and for the most part. INCAE is satisfying the principal elements of the Project Paper's logical framework. However, the project purpose of "establishing a process and a mechanism" for dialogue may be too low of an objective to justify a project. The issues of institutionalization of dialogue was inadequately addressed in the project's design.

Recommendations:

USAID/Quito needs to decide whether the project purpose is adequate and determine whether the impact of the project should be specific reforms or just improved dialogue.

USAID/Quito needs to resolve the ambiguity of the original strategy in terms of dialogue and resolve how dialogue should be institutionalized.

I. INTRODUCTION:

A. Purpose:

The purpose of this report is a mid-term evaluation of the Policy Dialogue Support Project (518-0089) of USAID/Ecuador. The project began in September 1990 and was planned for termination in September 1994. Presently, USAID/Ecuador is contemplating a two to three year extension of the project and a possible $2.3 million increase in funding to the original authorized level of $3.4 million. This evaluation summarizes results to date and suggests possible courses of actions for the remainder of the project.

According to the project paper, the project purpose "is to establish a process and a mechanism for informed macroeconomic policy dialogue and discussion, based on the knowledge, analysis, implications and advantages of outward and market oriented policy reform in the medium to long term." This is to support the project's goal "to improve income distribution and productive employment opportunities through broad-based, self-sustaining growth."

The project contains five major components: 1) policy dialogue, 2) economics training (short and long-term), 3) university training in economics and economics training reform, 4) economic data generation and analysis, and 5) policy implementation. Component five was added to the project in September 1992 and was not part of the original scope of work.

B. Scope of the Evaluation

This evaluation covers only components one, two, and five. USAID/Ecuador internally evaluated components three and four in February 1993.

The scope of work (SOW) for this evaluation (Appendix A) requested that the evaluation team analyze four major components of the project: 1) project design, 2) the implementation of three major components, 3) project management by INCAE, and 4) USAID/Ecuador's role. By evaluating these components the Mission requested the team to determine the logical consistency of the project's overall design, the effectiveness of the implementation of the project components, and the management of the project by INCAE and USAID/Ecuador.

The SOW also sought answers for specific questions. These four questions were: 1) What was the development impact of project activities? 2) What has been the project's success toward reaching its purpose? 3) How should the project be redesigned? 4) How effectively has the project faced equity issues such as gender? The SOW also asked for recommendations on the four components in the previous paragraph and the specific questions above.

The SOW also solicited a monitoring and evaluation plan for the project. This request called for a "user-friendly" approach to data collection and indicators for each major component and the project purpose. Related to this point, the Mission also asked for a conceptual framework for evaluating other policy reform activities Mission-wide.

The evaluation team was composed of two consultants, both from Management Systems International. The team leader was Dr. Benjamin L. Crosby, evaluation specialist, and Director of MSI's Implementing Policy Change Project. The other team member was Daniel Seyler, monitoring and evaluation specialist.

The team would like to thank USAID/Quito staff for all their assistance and cooperation during this effort. We would also like to express our appreciation to PROGRESEC administrator Dr. Antonio Teran and his extremely helpful staff in Quito and Guayaquil in both providing time and information as well as for their logistic assistance which made it possible for us to do as much as we did in a very short period.

II. METHODOLOGY:

The evaluation methodology consisted of two main approaches: review and analysis of project documents and in-depth interviews with both key actors and participants in the project and opinion leaders in Ecuador.

Since relatively little information was available (primarily the project paper and a few supporting documents) in Washington, most of the review and analysis of documents took place in Quito. Packets of information were supplied both by USAID/Quito and by the PROGRESEC office. Although in certain cases it was necessary to reconstruct fairly basic information from computer records (eg., recent data on participation in PROGRESEC events, programming and faculty resource assignments), for the most part record keeping and archival information was both satisfactory and informative. Both PROGRESEC and INCAE - Costa Rica were quite responsive to requests for additional documentation.

The principal source of information for most of the requirements of the evaluation was personal and in-depth interviews (a list of interviewees is found in Appendix B). Interviews were held with three sets of actors: a wide range of participants in PROGRESEC activities and policy opinion leaders, USAID project management and mission officials, and INCAE - PROGRESEC project management in Quito, Guayaquil and Costa Rica.

Since the main objective of the mid-term evaluation was to identify problems and strengths and present recommendations, the main concern of the team was to secure quality information from informed sources. Given that, no attempt was made to either assure "representativeness" of the interview subjects in a methodological or scientific sense. Interview subjects were selected either because of the weight of their opinion or because of the analytical insights they could provide regarding the program. The team did, however, attempt to assure that most, if not all, participant sectors in the dialogue and training components were represented among the interview subjects. Nearly all had participated in one or more PROGRESEC activities.

The majority of the interviews were carried out in Quito but the team did spend three days in Guayaquil interviewing a fairly wide spectrum of individuals. No attempt was made to cover other parts of the country. In order to interview the leadership and management at INCAE concerned with PROGRESEC, it was decided to go to Costa Rica, since they were unable to come to Ecuador. At the same time, the team briefed INCAE Costa Rica on the evaluation's progress and tentative findings.

A short, open-ended interview schedule was constructed to probe the perceptions of participants and opinion leaders regarding the impact of PROGRESEC component activities. As the interview process proceeded however, certain questions were dropped and new ones were added to explore more fully important findings as they emerged. While most interviews generally lasted between thirty minutes and one hour, a few extended to well over two hours.

In order to better inform the evaluation's recommendations, a meeting was held before delivery of the final report. The purpose of the meeting was to discuss the team's findings and to try to reach agreement about the design and strategy to be pursued in the next phase of the project.

The meeting included key actors in the project from USAID/Quito, PROGRESEC, and INCAE - Costa Rica. The meeting was facilitated by Benjamin Crosby, the Evaluation Team leader and was held on November 18, 1993 (the meeting was to have been scheduled during the Team's initial field visit but was postponed because of the lack of availability of key personnel from INCAE.

III. OVERVIEW

At somewhat past the mid-point in PROGRESEC's project life, a significant number of accomplishments have been registered, but questions have been raised about the project's overall impact as well as the direction it is headed. In general, the PROGRESEC project has produced quite positive results in three of the four original project components, although not all those results or the concentration of activities were necessarily in the proportions to be expected from original design of the project paper.

Over the course of the project's life several events have occurred that have helped, directly and indirectly, to shape the direction and the results of the project. First, in 1992, Sixto Duran Ballen was elected President. His government is characterized by a very different ideological tone than his more interventionist predecessor, a tone considerably more amenable to the precepts of a market economy. At the same time, socialist or interventionist economic models were being increasingly discredited and abandoned in favor of more market driven models. Thus, both Ecuador and the broader environment were simultaneously moving away from interventionist based models to more market driven approaches. Both these events helped to create a more receptive environment in Ecuador for the sorts of activities prescribed by the project. Third, changes in the top administration of both INCAE and USAID/Quito, have likely contributed to at least subtle changes in the emphasis of interests in the project. Those that designed the project, both at INCAE and AID are either no longer around or are now involved in other activities. Their replacements don't always share the same priorities. And finally, in 1992, a fifth component to provide for direct technical assistance to the government for policy formulation. adoption, and implementation was added. All of these events present changes to the environment in which the project was originally formulated and raise questions about both the direction and design of the project.

Within the three components that this evaluation addresses, the main successes of the project are those that are most likely to be expected from a prestigious academic institution of the quality of INCAE -- those successes are primarily in the area of economic training and education. We can say with little hesitation that INCAE has developed the best economic training program that Ecuador has ever known. The quality of teaching and materials presented in its courses are almost invariably excellent and have succeeded in both raising the level of information and the level of debate among those participating. What is less clear is the success of its dialogue program and to an even lesser extent, the fifth component (direct technical assistance for policy implementation).

With respect to the dialogue component, to the extent that one focusses on project outputs of the logical framework, INCAE has contributed successfully to improved policy dialogue, but it has done so mostly in terms of improving the environment for policy dialogue rather than targeting on advancing the policy debate on specific issues. The process that it has employed for improving the dialogue has been, essentially, a process of assisting to frame economic policy issues via the education of participants with respect to economic concepts and issues behind policy. It does not generally attempt to focus on reaching agreement regarding the content and direction of specific policies. INCAE has been quite successful, by most accounts, at helping to improve the level or sophistication of policy dialogue it but has not contributed particularly to

advancing the debate through a conscious process of narrowing the issues and seeking agreement over content of specific policy.

This approach, nevertheless, is very consistent with INCAE. Since it is primarily an educational institution, its approach to dialogue, ie., educating the participants regarding the main concepts and issues, should not be at all surprising. It argues that once the level of debate has improved, its role is complete. The actual process of advancing that debate is up to participants in the policy formulation process.

The fifth component of the project was added in 1992 in order to attend to a perceived need to assist the government in its efforts at policy adoption and implementation. However, with but a couple of important exceptions (the Cabinet retreat in April,1993 and the Mesa-Lago consultancies), little activity has taken place under this component. Although INCAE (reluctantly) agreed to take on the component, it has argued that cost (both opportunity cost of INCAE faculty and its reluctance to act as merely a pass-through or body shop) and INCAE's need to maintain a strict position of neutrality make it extremely difficult for it to take on a very active role in this component.

While the team is of the opinion that changes in the design would help to achieve a better execution of the project, it hesitates to make recommendations until the principal actors in the project can sit down and clarify fairly specifically what it would like to achieve or what is expected out of each component.

The team found some limited concerns with respect to management of the project. These concerns stem from both the fact that the project is based at INCAE headquarter's in Costa Rica and the relative lack of decisional authority on the part of the PROGRESEC director in Quito. At the same time, the management structure in Costa Rica seems quite thin for a project the dimensions of PROGRESEC.

The remainder of this report is organized into two main sections: Findings and Recommendations and Monitoring and Evaluation. The first section is broken into two parts, General Findings and Specific Findings. In order to maintain continuity, recommendations are presented along with the findings of each section.

IV. FINDINGS AND RECOMMENDATIONS

This section is broken into two parts. Part One deals with general findings and impacts which pertain to PROGRESEC's overall efforts but which do not fall directly or specifically into one of the three project components to be addressed in this evaluation. In this section are discussed general impact of PROGRESEC efforts, perception of PROGRESEC capacity and ability to deliver its products, sustainability of the efforts, and overall direction and strategy of the project to date. In the second section are found findings and recommendations specific to each of the three main components evaluated -- dialogue activity, economic training activity, and assistance in policy implementation.

A. GENERAL FINDINGS:

A.1 Project Impact:

- **In general, there seems to be substantial agreement that PROGRESEC has aided in the development of a "greater consensus" regarding Ecuador's underlying economic model.** That, however, is about as much as anyone is willing to concede with respect to the overall impact of the project on economic reform and policy change in Ecuador. At the same time, given the design and execution, it is all that one should expect.

  There are significant barriers in attempting to discover causality between the efforts of PROGRESEC and real impact on either policy making processes or policy changes. First, PROGRESEC's dialogue process design intervenes at varying levels below where actual policy making takes place. Second, the dialogue process undertaken to date attempts only to generate or improve understanding among various sectors regarding the changes implied in the introduction of economic reforms. It does not attempt to secure agreement with respect to specific policy themes or issues, rather it attempts to enhance the level of discussion and understanding around those issues or themes. To be more specific, the INCAE dialogue seminar generally gets its audience to agree, for instance, that tariff reform is important and necessary and that it is likely that certain sectors will bear unequal shares of the cost. However, the INCAE seminar almost never gets to the point where the <u>specific</u> issues of <u>specific</u> sectors (i.e., which tariff protection should be eliminated and when?) come into play. Remaining at a relatively neutral level of generality provides a direct advantage for INCAE; it affords the possibility that everyone will leave the dialogue seminar in agreement. Were INCAE to deal with the grittier specific issues, it is probably inevitable that some will come away less than satisfied with the dialogue.

- **No specific changes in the formulation of policy or decision-making on economic matters can be directly attributed to PROGRESEC activities.** Informants were unable to directly link the activities of PROGRESEC to improvements in the formulation and/or decision making process on economic policy matters. Nevertheless, many of those interviewed felt that PROGRESEC's activities did contribute to a broader understanding of economic policy alternatives under discussion as well as their strengths and

weaknesses. There was some indication, however, that aspects of the policy formulation process are being improved. One person interviewed summed up the changes in the manner below:

> "Things that are discussed actually happen now. That did not happen before. Now there is less discussion of problems and more discussion of opportunities."

- **There are no policy reforms that can be directly attributed to either the policy dialogue or training activities carried out by PROGRESEC.** No one was either able or willing to directly link PROGRESEC activities with the formulation, adoption, or implementation of a specific policy. Nevertheless, several informants argued that PROGRESEC's dialogue activities were very helpful in creating a greater acceptance of the Duran Ballen Administration's initiatives for the "Modernization of the State". Indeed, several informants stated that dialogue activities were an extremely useful forum for expanding discussion on issues related to this initiative. However, given the nature of INCAE's methodology for the dialogue process and its strong preoccupation regarding the maintenance of strict policy neutrality, the development of more serious debate on more specific debate on sensitive (interest-specific) issues is unlikely to occur.

One person interviewed summed it up this way:

> "PROGRESEC has not had any direct impact on policy. It really is not designed to result in concrete actions. Attribution is unclear."

- **There was mixed opinion on whether there was improved cooperation between the public and private sectors, but most felt that it was improving.**
Generally informants were unable or unwillingly to make a direct causal linkage between PROGRESEC activities and improved collaboration or understanding between the public and private sectors. However, most did argue PROGRESEC somehow contributed or improved the environment for debate on public/private sector cooperation. A sample of specific comments on this subject are provided below:

> "I think there is a closing of the gap. Our trade union for example is now working closely with the small manufacturers federation, which was indirect product of PROGRESEC dialogue activities."

> "These events (dialogue) help people see other people (pressure groups) as human beings. That is especially important for workers."

> "I think cooperation is slightly improved. INCAE helped by bringing people together who rarely get together.

> "Apertura is almost completely accepted by the people in Quito; the private sector has changed. My sector in particular is much more united

and provides a united opinion to the Ministry of Industry. The government supported our sector completely. That is new.

"Seminars are only part of the solution. There is a need for more public/private dialogues, especially with labor leaders. There are always more businessmen than labor representatives. These event are important for breaking down barriers or stereotypes. People discover what they have in common that they "live on the same boat." (Businessman).

"Yes, cooperation is better. INCAE is only one of several factors in this change."

"Yes it is improving, especially with regard to experts. PROGRESEC is helping because it promotes dialogue. The opposition's positions are now less dogmatic."

- **Most informants argued that there is now an acceptance of the underlying economic model in Ecuador but it still cannot be argued that there is a consensus on that model.** Nonetheless, most informants felt that PROGRESEC's activities have been very helpful and have contributed to consensus building process. The fact that over 2,000 people, many of whom can legitimately be considered opinion leaders, have participated in INCAE events lends credence to PROGRESEC's consensus building capabilities.

Consensus proved to be somewhat of a loaded political term in the interviews. Persons interviewed interpreted the meaning of consensus in many different ways, ranging from basic agreement to full agreement on economic issues. As a result, specific opinions varied significantly but the most common view was that consensus was being built but not yet reached:

"There is some consensus on the economic model but there is still too much mis-information. "

"There is now a recognition of the need for consensus but we are not there yet. The law of modernization, if passed will be the first case of consensus. It is clear, however, that largely because of the fall of the Berlin Wall, class war is out of fashion. Nonetheless, our politicians have not matured yet; they are in a permanent internal war. We still have problems with our legal framework for politics."

"Take privatization for example. It is no longer a question of whether to privatize, but how, when, and which companies first."

"Consensus has improved a little, and the PROGRESEC project has helped."

Views that were more negative on the status of consensus included the following:

"Consensus has not changed. The consensus is still socialist. Some 55 percent favor modernization of the State, but 80 percent are against privatization. There is an insufficient dissemination of ideas."

"There is no consensus. Consensus is really not improved."

"The movement toward consensus is going too slow. We are missing out on historical opportunities, mainly because of weak political leadership."

- **There was substantial agreement that INCAE/PROGRESEC needs to continue the process of both training and dialogue.** Although several noted that INCAE's achievements to date are considerable, there is not yet a "critical mass" for consensus on policy. There was also some concern that certain groups have been under-represented in components one and two, particularly among labor, regional interests (Guayaquil, Cuenca), and journalists.

- **Opinion was divided over the most important components of PROGRESEC. Opinions differed depending on each participant's own activities** (those in dialogue activities tended to think that dialogue was the most important, while those in the training component think training most important). It should be noted while most of the interview subjects were familiar with components one, two, and three of the project, few were familiar with components four and five. There was also agreement that training, whether through component two or three, is vital to the dialogue process.

  A relatively important thread throughout was the recognition of the importance of the university training component, both because of the discredited state of most of the university programs in economics and because of the potential multiplier effect that could be played by the university. It was also argued that over the long run, it would be the universities which would be responsible for economic training even though INCAE is playing an important role at this time.

  Although most were unfamiliar with component five, as practiced to date, they did feel that it was extremely important and that INCAE could (and according to some should) play a serious role in policy adoption and implementation.

- **There was mixed opinion regarding which sectors should be targeted or which of the project's components should be emphasized in continued undertakings.** There was a slightly greater interest in more training for the workers' unions and for the inclusion of mid-level entrepreneurs but most persons interviewed seemed to think that their own groups could do with more training or dialogue. Although the interviews confirmed the desirability of training of public sector officials, most argued that upper level bureaucrats should be targeted (department heads, for example). Persons interviewed felt that at these higher levels of the bureaucracy is where power is greatest and that government policies can most effectively be stalled.

Conclusion:

If it is in the interests of the project to more specifically affect and more directly generate impact on policy formulation processes, then it will be necessary to make certain changes in the dialogue component. The process will necessarily have to become involved in the discussion of specific issues with specific sectoral groups. Once these groups have decided on an approach or have come to agreement regarding a specific issue, then that position can be tracked into the policy-formulating, decision-making, and implementing process. One can also examine how the sectoral groups involved actually pursued their interests -- were articles written, were legislators contacted, were presentations made to the appropriate ministerial authorities? If such actions appear to result in direct changes or accomplishment of the group's interests, then one can be relatively certain of the causality -- and therefore, of the impact of PROGRESEC's efforts.

Recommendations:

USAID/Quito and INCAE should come to agreement regarding expectations of impact of the PROGRESEC project. Should INCAE's dialogue activity be expected to result in direct impact on the policy making process? Or should it continue to intervene strictly at the policy-making environment enhancement level? The November meeting should begin to address these issues.

INCAE should re-evaluate its target sectors through a review of what impact it is producing in the public sector through training. What levels are being affected, what is the real likelihood of direct affect on the policy process? What benefits would be derived from working more directly with actual policy makers -- be they top officials or members of the Congress -- and would the benefits be in proportion to the effort expended? Likewise, A.I.D. and INCAE should target participants based upon its highest level of objectives, i.e., improved policy implementation or improved policy environment.

AID and INCAE should target activities and participants based upon its highest level of objectives, i.e., improved policy implementation or improved policy environment. (this will require agreement over what those objectives ought to be.

A. 2 INCAE's Image in the Policy Change Process:

The capacity of a project such as PROGRESEC to access opinion leaders is absolutely vital to its success. To that end it is also vital that the implementing organization concern itself with its external image and how that image affects its capacity to convene key actors and stakeholders.

- **INCAE/PROGRESEC has achieved a very high degree of a legitimacy and credibility as a facilitator among the diverse groups or target audiences included in these activities.** This legitimacy has resulted in a high degree of "**poder de**

convocatoria" in the area of economic policy debate, which in the opinion of most was unsurpassed by any other institution in Ecuador. The rosters of participation in many of INCAE's events demonstrates legitimacy among important opinion leaders of diverse sectors.

- **Throughout its activities, INCAE has gained the image of an impartial facilitator or moderator.** It was consistently noted that INCAE's presentation of the issues or problems is highly analytical and non-partisan. Opinion was universal that INCAE should be careful to maintain its neutrality.

- **While most agreed with the need for neutrality, most also argued that such neutrality would not be sacrificed by the introduction of more interest-sensitive issues.** Indeed, at least one subject said that "INCAE must introduce more specific issues into the dialogue process or participants will lose interest."

- Although most persons interviewed were unaware of component five, **most argued that because of its high status and prestige, INCAE could (and should) play a role in assisting the GOE in policy implementation.** INCAE's concern about its neutrality in undertaking a role of more direct technical assistance appears to be exaggerated, at least from the point of view of this evaluation's informants. While there is a recognition of increased association with the government, it was felt that the advantages that INCAE could bring in terms of outside expertise, and a clearer, "less political" view, would outweigh any such risks.

  Thus far, INCAE has only undertaken one direct technical assistance intervention with the GOE since component five was added in September, 1992. (There also have been a couple of pass-through arrangements). That intervention was a limited activity--facilitation of a three-day strategic retreat for the President and his "expanded" cabinet. While the retreat was considered a "success" by the President, there was very limited follow-up and no subsequent activities were developed as a consequence of the activity. Judging from the generally very positive comments in the Presidency, INCAE enjoys a very high stature at the very top levels of government.

- In general **there is substantial awareness of PROGRESEC**. However, there were at least two very prominent opinion leaders who were essentially unaware of the program or had little idea as to what the program does or is seeking to accomplish. It should also be pointed out, however, that most associate PROGRESEC directly with INCAE and in some cases were unable to identify the program without a prompt ("el programa de dialogo y entrenamiento economico de INCAE").

Conclusion:

INCAE has clearly built a very solid reputation during the past three years. Over the course of its activities with PROGRESEC it has accumulated considerable capital which could prove useful in undertaking somewhat riskier exercises. INCAE is considered to

have both the "poder de convocatoria" and the impartiality necessary to go beyond simply framing issues into helping to develop stronger consensus around more specific issues.

Recommendations:

INCAE/PROGRESEC should begin to capitalize on its reputation of neutrality and impartiality by deepening its dialogue activity and begin to enter into more focussed debate on specific issues. INCAE should also explore how it can intervene most effectively in policy adoption and implementation.

INCAE and USAID should agree as soon as possible on the type of presence that PROGRESEC should be expected to have at PACD, and begin to work toward that transition as soon as possible. INCAE also needs to communicate its longer term plans with respect to PROGRESEC to its Ecuadoran constituencies.

A. 3 PROGRESEC's Strategic Focus:

- **As of September, 1992, the focus of INCAE's activities has undergone a palpable shift. Virtually none of the activities carried out over the past year are considered dialogue, and an important component to the dialogue activity, networking, has been dropped entirely.** The emphasis has been on training either in Ecuador, but with increasing frequency, in Costa Rica (this latter may be due to the Regional Contracts officer's decision to accept the "catalogue" price of some of INCAE's activities.) Some of the decline in activities can be attributed to the overhead dispute between A.I.D. and INCAE/Costa Rica, the four month hiatus of activities does not alone explain the apparent decline in overall strategic focus.

- **PROGRESEC appears to have lost its intellectual leadership.** The change of management of the Centro de Politicas from Eduardo Doryan to Ernesto Ayala appears to have left a vacuum in intellectual leadership of the program. **There also appears to have been a decline in the frequency of communication (visits) by key actors from INCAE/Costa Rica to PROGRESEC.** When Eduardo Doryan was the academic head of the program (rather than simply an advisor and faculty resource), visits were made to Ecuador once a month -- and frequently, more the visits would consist of two or three members of the Costa Rica faculty. Over the last year, however, visits have tapered off to a frequency of once every two-three months and then usually by only one member of the faculty. It is unclear who now supplies the intellectual energy to the program.

  A further indication of the loss of intellectual leadership is the decline in dialogue activity. Dialogue activities were frequent in the first two years and then fell precipitously in FY 92/93. Dialogue activities peaked in June, 1992 with the National Conference and subsequent intersectoral dialogues. Appendix D contains a table with all PROGRESEC activity information.

- **Parallel to the loss of intellectual leadership is a perceived decline in PROGRESEC activity in Ecuador and an increase in programs for Ecuadorans in Alajuela (despite a much higher unit cost), and a shift from dialogue activity to a near exclusive focus on training programs.** PROGRESEC activity, both in terms of quantity of programs and of participants has declined over the past year. This has also been accompanied by an increase of training activity on the INCAE campus in Costa Rica. For the most part this activity is not designed exclusively for PROGRESEC but for broader audiences. While the team certainly is cognizant of the very high quality of the Costa Rica programs and the benefits learning of experiences from other environments, the increased unit/cost of such programs lessens the potential for more extensive activity in Ecuador and thereby decreases potential coverage.

Conclusion:

After having had a fairly defined strategic focus for the first two years, PROGRESEC seems to have lost focus in the third. Contributing to this has been a lack of communication and clarity in project responsibilities. The relationship between the dialogue and training components has become increasingly unclear, and further contributes to a sense of lack of direction. The complexity of the project requires that there be clear focus within and among components.

Recommendations:

The general strategy of the current components and the linkage between those components should be re-examined. Is the training program feed into the dialogue program; should the dialogue program inform the training program; how does or should the dialogue program feed into the implementation component? These issues should be examined in the November meeting, especially in light of the changed political environment since mid-1992.

INCAE should name, immediately, an individual to take over the intellectual leadership of the program. That individual should also immediately begin a series of frequent visits to Ecuador to revitalize activities and help to develop a strategy for both dialogue and training programs in the next phase of PROGRESEC.

A. 4 Sustainability of PROGRESEC:

- **PROGRESEC currently has no mechanism for developing an identity of its own, its identity is fully dependent on INCAE/Costa Rica.** At the moment it appears to be another program of seminars for INCAE, and a mechanism to finance scholarships to fill its programs in Alajuela. The purpose of the PROGRESEC office in Quito is to provide logistic support for programs developed in San Jose.

- **There is a very high degree of dependence on INCAE/San Jose for faculty resources and in the design and implementation of PROGRESEC.** While there can be little doubt that use of INCAE faculty is the main ingredient in the program's excellence, that resource is limited and in much demand outside of Ecuador. One of the consequences of reliance on a narrow resource base is the relatively inability for quick response. There are complaints that it sometimes takes several months to get a response to a request for assistance or a new program from INCAE - Costa Rica. A wider base of resources, including the use of local highly competent economists, would provide a greater response capacity for the program.

- **Very little effort has been made in trying to generate or develop greater local capacity for carrying out PROGRESEC activities.** While it is clear that much of the strength of PROGRESEC is its access to INCAE faculty resources, at the same time, there has been little effort to cultivate local resources and/or to incorporate them into the INCAE framework. There were several complaints that INCAE had not used well-qualified Ecuadoran economists. Cultivation of and greater use of local resources could also help to relieve pressure on some of INCAE's more sought after faculty. At the same time it would also dispel some complaints that "INCAE is more interested in selling fish than teaching the Ecuadorans how to fish".

- **There appears to be a strong demand for PROGRESEC activities and that this demand will continue into the visible future.** None of those interviewed seemed to think that PROGRESEC activities should stop. Virtually all thought that training and the universities programs should be maintained or expanded. Although most thought that the dialogue program should continue, many thought that it should be modified to deal with more specific issues. It is clear that there is demand and most think that INCAE can and should continue to play a key role in satisfying that demand.

- **Thus far, no serious attempt has been made to give PROGRESEC any institutional permanence or identity.** Although INCAE's activities are clearly much appreciated, it is difficult to easily identify a local group that "owns" PROGRESEC. This seems true despite the fairly large numbers of participants in the programs. At the same time, there seems to be little to PROGRESEC other than the support offices maintained in Quito and Guayaquil. This is illustrated by the inability of several respondents to identify the program without the "el programa de INCAE" prompt.

Conclusion:

Given the current structure and operational mode of INCAE, sustainability of PROGRESEC activities beyond the project completion date will be extremely difficult. Little in the way of local capacity building for components one, two, and five has been generated in the course of PROGRESEC's activities. Given the current strategy, it is unclear how "a process is being or will be institutionalized."

Recommendations:

INCAE should begin to explore mechanisms to reduce the level of dependency on Costa Rica. Greater use of Ecuadoran faculty should be explored.

PROGRESEC should begin to develop its own personality to generate the image of having its own identity, not dependent on INCAE (but without severing the connection). PROGRESEC might try to develop an identity as a full-blown (semi-autonomous) program with technical support from INCAE. This would allow INCAE to escape responsibility for certain activities that INCAE might perceive as "too political".

INCAE (or PROGRESEC directly) should also organize a support committee or Board of Directors. Participation would be ad honorem and should be directly for purposes of advice on strategy, tactics, and legitimation for PROGRESEC. Participants should be selected for what they can bring to PROGRESEC and should represent the various sectors involved in PROGRESEC's dialogue activity. The purpose of the committee, in addition to the advice and connections it could provide, will be to take the first step toward institutionalization of the project, which is still lacking.

B. SPECIFIC FINDINGS

B. 1 Component One: Dialogue

- **There appears to be little clarity and a lack of agreement regarding what constitutes dialogue.** From the project paper to the objectives and the questions raised in this evaluation's scope of work, it would appear that the Mission would like dialogue to lead more directly to policy initiatives or actions. That has not happened according to the more than fifty persons interviewed. INCAE, on the other hand, in the strategy paper of Julio Sergio Ramírez of 1992, talks about improving the conditions for and understanding of policy reforms and initiatives bus says little about effecting any policy changes. Therefore, according to the same strategy paper, INCAE cannot be responsible for any outcomes or the lack thereof. INCAE does not say exactly what it expects from the dialogue process except for its allusions to improving the climate for understanding.

- **INCAE's approach has been mostly limited to the knowledge enhancement function. It generally has not pursued the wider purpose of attempting to assist in the process of reaching agreement with respect to specific issues or direction of particular policies. PROGRESEC's policy dialogue, according to informants, only very rarely, if ever, reaches a sufficiently specific level of discussion so as to more directly guide the decisional process.**

  The primary thrust of INCAE's dialogue seminars has been to provide information about and assist in developing frameworks for the analysis of the major issues of economic reform. Indeed, if one examines both the content and method of the seminars, one does not see a high content of "dialogue" or the opportunity for extended debate (the process in most seminars is a rather closed format of individual study, group analysis, and a lecture or discussion session of cases or articles presented). The methodology employed very closely resembles the case method study INCAE uses in its MBA or executive education programs. If an actual debate/dialogue processes were being actively pursued, one would expect a more open format.

  INCAE's approach has wide acceptance and legitimacy among most of those interviewed, but falls short of establishing a deliberate process of dialogue with the concrete objective of influencing policy outcomes or decision-making. Some specific opinions of informants are listed below:

  > "More than just events are needed. Put more emphasis on workshops and less on show. Workshops of five to ten people, smaller more serious groups, who really know an issue, (e.g. privatization of petroleum, social security, inefficiency of social expenditure.) would really make a difference. Events need to go deeper, be more focused, and more concrete. The hard part is not really done yet."

  > "INCAE must introduce more specific issues into the dialogue process or participants will lose interest."

"What is needed is fewer public debates and a less formal, more spontaneous support/technical assistance when dialogue breaks down. INCAE has sufficient credibility to do it. This is INCAE's niche--role of facilitator, more so than the donor community."

"PROGRESEC has to move from generalities to specifics to get results, otherwise their impact will only be an image and not an actual result. INCAE can do it."

"Focus on specific policies. INCAE is capable and should do it. It would not jeopardize their neutrality."

- **Some groups have been under-represented in dialogue activities.** According to informant interviews and activity statistics, several groups were under-represented in much of the dialogue activity. Labor, regional interests (Guayaquil, Cuenca), and journalists were most often cited.

- **PROGRESEC is not a permanent body for dialogue; rather, it is an administrative mechanism for providing logistic support to INCAE's economic training activities in Ecuador.**

Conclusion:

PROGRESEC has had good results in mobilizing dialogue, particularly in the first two years, but the lack of strategic focus of the dialogue process and some ambivalence toward where dialogue should lead is reducing the dialogue's components potential impact.

Recommendations:

USAID and INCAE should review together the dialogue objectives of PROGRESEC. What does AID expect to come out of the project in real terms, and how far is INCAE willing or capable (given its own institutional constraints) of going to help meet those objectives? What is dialogue? Where should dialogue lead? On what should dialogue events focus?

An Ecuadoran Board of Directors should be created for PROGRESEC that is not identical to INCAE's but should contain some overlap. The aim of Board is to provide an identifiable local base for permanence and sustainability and to assist in providing direction regarding activities and development of strategies for dialogue. As an alternative, reactivation of the Comite de Dialogo which functioned in the first year of the project should be considered.

B. 2 Component Two - Training:

- **There is consensus on the extremely high quality on seminars and economic training of INCAE/PROGRESEC.** There is high praise for INCAE's methodology, professors, and logistics. Most feel that there is greater comprehension and understanding of the principle issues of economic reform in Ecuador as a result of PROGRESEC. Among certain sectors, persons interviewed stated that they felt greater competence in dealing with economic concepts and vocabulary and thus greater confidence in public debate. A sampling of quotes from interviews are provided below:

> "INCAE has an excellent reputation. INCAE is now the standard of quality; it has brand recognition. People now say it is like INCAE. Do you know INCAE.'"

> "These types of activities are unprecedented. They are not indoctrinating but rather explaining the key issues."

> "INCAE is very prestigious, the highest level of quality. The Vice President thinks highly of INCAE."

> "I discovered a new world through INCAE's economic training. Through INCAE's method, without the rhetoric of ideology, one is liberated to learn."

Several participants mentioned specific personal changes that occurred as a direct result of their involvement in PROGRESEC training:

> "My better understanding of economics improved the quality of my articles on economic matters. They became more profound, more accurately technically, and showed a better understanding of the problem. Just compare my articles before and after."

> "I became a better professor as a result of being exposed to INCAE's pedagogical approach. I introduced the case method, revised my curriculum, and added new substantive materials."

> "I changed my approach as an advisor to labor. I told the union not to look at privatization as necessarily negative but as a possible chance to become owners of their own company. I helped them see the positive side of an inevitable event in a changing world."

> "I sent people from my bank with excellent results. They came back more professional with a bigger picture, surer in their decisions, and quicker in making decisions. It fills a need, something that was previously unavailable here."

"I have seen a change in the attitudes of those who have attended. Especially the young people in our political party (center-left) now have a bigger picture view and a broader view of options. The young political leaders trained by PROGRESEC supported our new economic policy document (less statist in emphasis) more than others. They helped create common ground in the party, thereby minimizing unnecessary debate."

- **INCAE's training evaluation methodology for short-term training is adequate.** INCAE instructors for PROGRESEC activities consistently ranked high, roughly an average of 1.75. This is considered solid by INCAE standards.

  INCAE evaluates all training events through a standard training evaluation form, which is mainly for internal quality control purposes. The evaluation form contains six basic parts: 1) efficiency of the professor, 2) professor's understanding of the material, 3) availability of the professor to small groups, 4) utility of the course, 5) logistics, and 6) a section for any other comments. This information is processed by INCAE/Costa Rica and tabulated statistically for the first four sections on a scale of one to two, which two being the highest possible score. Scores are distributed to professors, but professors only know which scores are theirs. Besides a mechanism of quality control, this process also creates healthy internal competition among professors to get higher rankings from participants. Important or relevant comments from section six are also processed for all professors and in some cases comments for specific professors.

- **INCAE's scholarship selection process for the Master's Program is completely acceptable.** INCAE uses three basic criteria for choosing its scholarship students ("becarios") from Ecuador, which is considered part of component two of PROGRESEC. These criteria include: 1) financial need, 2) academic potential, and 3) leadership ability. These criteria seem to be working. Only 1 of 40 first year students did not make it into the second year because of academic reasons. In the second year 2 of the 30 students had to leave because of personal not academic reasons.

  Financial need is based on the applicant's financial aid form from the INCAE application and on a scholarship application form. Where possible, financial aid information is checked in Ecuador for accuracy.

  Academic potential is determined based on three criteria: 1) undergraduate grades, 2) the reputation of the undergraduate institution attended, and 3) score on INCAE's own graduate management exam which is akin to the Graduate Management Aptitude Test (GMAT) but is apparently more difficult than the GMAT.

  Leadership potential is based on letters of recommendation; five essays assessing the applicants goals, strengths, and motivation; and the person's participation in his or her community. INCAE seeks to magnify its return on its program by choosing individuals that have the greatest multiplier effect in terms of overall leadership potential.

All applicants are ranked from 1 to N based upon a three digit matrix with total scores. In the cases of ties, the higher ranking goes to the applicant that is 1) female, 2) provides greater geographical diversity, 3) provides greater professional diversity, respectively.

In the class entering INCAE in the Fall of 1993, there were roughly four applicants for each of the 30 scholarships. Some 16 of the 30 scholarships holders were selected from Quito, 6 from Guayaquil, and 8 from other regions. Some 23 of the 30 were men and 7 were women. Women were admitted in at a higher percentage than they applied because of their generally higher undergraduate grades.

- **Informants had diverse opinions on the optimal target group of participants for short-term training.** Most argued for more training for their own sector but felt that labor, universities, and media were somewhat under-represented. Many felt that the multiplier effect of those trained should be a criteria in selecting participants. There was a near consensus that training of public sector officials should focus on the upper levels of the civil service, such as department heads who have the greatest ability to block government initiatives. Female participation remains low.

  Most participants come from the public and private sectors respectively. The amount of public sector participants has climbed in recent years while private sector participation declined. As can be seen in the table in Appendix D - PROGRESEC Activity Statistics, males continue to greatly outnumber female participants despite a slight increase in female participation. This a somewhat a function of the lesser number of qualified female participants. There is also a great imbalance in terms of non-Quito participation in events. This is especially true of Guayaquil given it is the nation's largest city and most important industrial and commercial city.

- **Follow-up to certain INCAE training events was sometimes inadequate.** Participants in the "Entrenamiento para Entrenadores para la Reconversion Industrial", for example, claimed that there was little follow-up to the training after their participation in Costa Rica, when they said that they had expected and needed follow-up in order to take full advantage of the training provided for Ecuador. While these argued that it would be their responsibility to "make something" of their training, they also said that more guidance from INCAE was necessary to stimulate those efforts.

Conclusion:

PROGRESEC's economic training is probably the best economic training that has ever been available in Ecuador, but a few improvements could raise that already high standard even higher. It is not always clear what the expected product of the training program is or should be.

Recommendations:

INCAE should re-evaluate its target sectors through a review of what impact it is producing in the public and private sectors through training. Is the training intended to impact groups or only individuals? Should training be concentrated on specific issues or specific sectors? What levels are being affected, what is the real likelihood of direct affect on the policy process? What benefits would be derived from working more directly with actual policy makers -- be they top officials or members of the Congress -- and would the benefits be in proportion to the effort expended? What should be the criteria for participants--their multiplier effect or their capacity for immediate impact?

AID and INCAE need to agree whether PROGRESEC should target participants based upon an overall strategy for proposed impact; i.e., development of a critical mass in particular areas for either improved policy implementation or improved policy environment.

PROGRESEC should expend greater effort in recruiting women (including on the INCAE board of directors) in order to increase the impact on women of this project. Greater effort should be made to recruit and hold events in Guayaquil and other large Ecuadoran cities to help overcome one of the country's most debilitating problems, geographical fragmentation.

We recommend that INCAE/Ecuador add a few categories to its generally satisfactory participant tracking system. Disaggregated data on the armed forces, media, and perhaps the Congress would add helpful information to the tracking data without requiring a lot more work.

INCAE/Costa Rica should more actively share its evaluation information with INCAE/Ecuador. We recommend that INCAE/Costa Rica provide INCAE/Ecuador a copy of the evaluation forms or at least the summaries. This would better inform INCAE/Ecuador of what professors are most effective and specific comments on suggested subjects and approaches. This will help INCAE/Ecuador provide more input into the decision making process of PROGRESEC events.

B. 3 Component Five - Policy Implementation Assistance

The addition of component five was designed to provide the GOE with direct technical assistance for the adoption and implementation of policies. The component was to provide resources for aiding the government in the design and analysis of policy alternatives and for the development of implementation strategies; specifically, " to work with selected GOE agencies and personnel in a) defining policy options, b) defining implementation options, c) assisting in the training of selected GOE personnel in charge of policy implementation including providing them with information about the experience of other countries in carrying out similar policy reforms, and d) monitoring the policy implementation process and providing on-going advice on how to improve the process as it unfolds."

- **Most informants were unfamiliar with component five, as practiced to date, but felt that it was extremely important and that INCAE could (and according to some *should*) play a serious role in policy adoption and implementation.** While most agreed with the need for neutrality, most also argued that such neutrality would not be sacrificed by the introduction of more interest-sensitive issues. Most argued that INCAE could play a role in assisting the GOE in policy implementation.

- **INCAE's concern about its neutrality in undertaking a role of more direct technical assistance appears to be exaggerated,** at least from the point of view of this evaluation's informants. While there is a recognition of increased association with the government, it was felt that the advantages that INCAE could bring in terms of outside expertise, and a clearer, "less political" view, would outweigh any such risks.

- **Thus far, INCAE has only undertaken one direct technical assistance intervention with the GOE since component five was added in September, 1992.** (There also have been a pass-through arrangement in which Carmelo Mesa-Lago worked with the government on Social Security issues.) The retreat was a limited activity--facilitation of a three-day strategic retreat for the President and his "expanded" cabinet. While the retreat was considered a "success" by the President, there was very limited follow-up and no subsequent activities were developed as a consequence of the activity. At the same time according to persons interviewed, the retreat did not deal with the implementation of specific policy reforms.

- **INCAE expresses considerable reluctance with respect to Component Five.** The reluctance is based primarily on two factors. First, INCAE is concerned that by working with the government on the implementation of policies it will be interpreted as endorsing those policies or will in some manner be making an endorsing political statement with respect to either the government or the policy at issue. Second, the long range nature or mechanisms for programming INCAE professors time makes it extremely difficult if not impossible to respond to short-term requests. With respect to this latter point, the very difficult problem of trying to program the Cabinet retreat, which was postponed five times, posed unattractive opportunity cost issues to INCAE. At the same time, however, the option of using outside (i.e., non-INCAE faculty) resources is also unattractive since, they argue, it is very difficult to control the quality of the intervention if there is only a short-term or pass-through arrangement with the consultant.

- **While INCAE is certainly technically capable of doing the sorts of interventions envisioned by Component Five, the nature of the organization and the type of activity normally carried out by INCAE gravitates against such activity.** First, INCAE generally does not do direct technical assistance to agencies, be they in the public or private sector. What INCAE does is management education, its consulting generally consists of training or other management education activities. INCAE's cost and accounting structures are built around short seminars or longer term management programs. Such mechanisms are viewed as the most efficient and effective use of scarce INCAE faculty resources. Direct technical assistance activities of the type required in Component Five, are much more labor intensive, and are and will be seen as much less

cost-effective use of resources. A second problem is much more one of organizational culture in INCAE. Direct consulting activities is not considered part of INCAE'S normal activities. Although most INCAE professors do direct consulting, it is on an individual basis and not institutional. Part of the reason for this can be attributed to what are regarded as bad experiences in this area in the past, but perhaps at least as important, such activity would also cause problems of competition for INCAE's professors in those areas in which they now consult.

Conclusion:

It is the opinion of this team that component five, as presently construed, will continue to present problems for both INCAE and the Mission. INCAE is not likely to improve its performance in component five, and it would probably be unrealistic of the Mission to try to continue to persuade or condition INCAE to improve that performance.

Recommendations:

USAID and INCAE need to meet and discuss how they wish to handle Component Five. Possible options for consideration are listed below.

Options:

1) Continue with component five but with the Mission taking a greater role in both the identification of opportunities and appropriate consultants. INCAE would continue to serve as the pass-through agency.

2) Re-define the component, in collaboration with INCAE, to one which will be more compatible with INCAE's culture. This might be accomplished by placing particular emphasis on area C (page five, project amendment.) Training GOE officials in the area of policy implementation is an area that does play to INCAE's comparative strengths and which its Public Management Program should be equipped to manage.

3) Drop component five and re-program the funds to the other INCAE activities. While this option would be attractive to INCAE and certainly ease the Mission's management burden, it is not consistent with the Mission's interest in achieving more direct and observable impact on the policy making process and on policy change.

4) The Mission might explore the possibility of tapping one of USAID/W's centrally funded projects as a resource for the implementation of component five. The are projects available with buy-in capabilities which have the capacity to supply the sorts of technical assistance envisioned in component five and which would solve

much of the management problems currently being encountered (eg. CAER, IPC). This might be viewed as a sort of "mini-IQC", or a more project-like framework might also be developed.

B. 4 Project Management

Management - INCAE/PROGRESEC

- **Management decisions on PROGRESEC come almost entirely from INCAE/Costa Rica.** INCAE/Ecuador is responsible for implementation of the activities selected by Costa Rica. The PROGRESEC contract was signed with INCAE International, and the project is managed through and by the Center for Applied Economic Policy at INCAE's headquarters in Alajuela, Costa Rica. All policy decisions of PROGRESEC are taken by the Center. The budget, programming, and timing are all decided in Costa Rica. In addition, most of the resources for the implementation of the dialogue or training come from INCAE's faculty in Costa Rica, and a significant amount of training is carried out on the Alajuela campus.

- **The PROGRESEC office in Ecuador does a superb job in the implementation and coordination of activities and events.** The PROGRESEC office in Quito (and satellite in Guayaquil) provide logistic and administrative support for Alajuela. Its role is primarily that of implementation of directives from Costa Rica, and while it does provide input, final authority rests with the Center. The composition of PROGRESEC's Ecuadoran staff is oriented nearly exclusively toward the provision of logistic support and the implementation of events. The office employs 8 full-time staff: Project Administrator, an Executive Assistant for Finance (currently vacant), a Project Economist (who sits at AID and serves primarily as a liaison between PROGRESEC and AID, and is perceived by INCAE as playing only a minor role in PROGRESEC), two administrative assistants for event coordination, 1 accountant, 1 secretary, and 2 auxiliary assistants. The Project Administrator Antonio Terán of PROGRESEC of INCAE/Ecuador is highly regarded and considered to be quite effective.

- **Given the current organization design and structure of PROGRESEC, Quito is not equipped to carry out the principal policy and decision-making for the project, that is and will likely remain the Center's domain.** In order to do so, the Quito offices would require strengthening through an residential academic presence, or through much more frequent and continuous visit of a designated staff member from the Center with responsibility for assuring the academic component of the project.

- **PROGRESEC appears to have lost its intellectual leadership. There is no one individual assigned full-time to the project at the moment (nor has there ever been).** Prior to a shift in management structure of the Center, Eduardo Doryan served as the Center's Academic Director and had an extensive, personal involvement in both the policy making and implementation for the project. However, around August 1992, an Advisory Committee replaced the position of Director, and Doryan's role began to diminish --

thereby placing more responsibility with the Center's Director, Ernesto Ayala. Ayala manages several other projects in addition to PROGRESEC which he views as, "only one of several activities carried out by the Center."

The change of management of the Centro de Políticas from Eduardo Doryan to Ernesto Ayala has left a vacuum in intellectual leadership of the program, which, by all appearances has not been replaced. Although Doryan remained as a "program adviser", in recent months he has been entirely absent because of his participation in PLN's political campaign. There also appears to have been a decline in the frequency of communication (visits) by key actors from INCAE to PROGRESEC.

Conclusion:

INCAE/Costa Rica needs to improve its management of PROGRESEC and needs to involve Ecuadorans more in the decision-making process. If PROGRESEC is to recover the dynamism it demonstrated in the first 18 months, INCAE will need to devote more administrative and academic management time.

Recommendations:

Again, assign responsibility for the academic and intellectual component of PROGRESEC to one member of the INCAE faculty. While this need not necessarily be full time, that person should have sufficient time (unidades de tiempo) to assure constant and frequent contact and communication with Quito (preferably physical presence of at least one week per month in Quito).

A series of visits to Ecuador needs to take place in order to revitalize dialogue activities and to help develop a strategy for both the reactivation of the dialogue program and for targeting the training program.

Through the of a Board of Directors (or advisors) greater local input can be given to both INCAE and PROGRESEC on management and on emerging opportunities and issues.

Management - USAID/INCAE

- **Relations between INCAE and USAID/Quito appear to be quite good, but there have been periodic disagreements over certain key issues which have contributed to tensions (irritants) as well as a substantial slowdown of activity in 1992-1993, compared to the 1990-1992 period.**

  These issues were both of an operative nature (communications, etc.) and of a more substantive nature. The former appears to be (and continues to be) mostly a function of

both the management structure at INCAE and the fact that the project is centered in Costa Rica rather than Quito. The decisional capacity of the Quito PROGRESEC office is quite limited and all issues of importance, especially with respect to programming must be consulted with INCAE headquarters.

- **There are complaints about the slow response time regarding potential opportunities from San Jose** (one explanation is that INCAE professors are frequently on the road and often are essentially unavailable for lengthy periods.) The fact that PROGRESEC is viewed as only one component of the Centro de Políticas portfolio, and because the Centro's management structure is extremely thin are other explanations for the frequently slow response time from INCAE/Costa Rica.

- **The difficulty of reaching agreement over the structure of INCAE's overhead costs and price structure has been the chief irritant in the relationship.** The inability to come to agreement with INCAE's objections virtually paralyzed activities for four months in late 1992 and early 1993. While the major difficulties seem to have been resolved (i.e., acceptance of INCAE's catalogue prices for participation in non-PROGRESEC specific activities and the use of PROGRESEC funds for long-term training at INCAE's campus in Costa Rica), there is a perception by INCAE that it loses money on certain PROGRESEC activities. Serious cross pressures have arisen over trying to satisfy the varying needs of INCAE top management and the need meet financial contribution performance targets, the Mission's desires to have a highly cost effective and responsive program.

  With respect to the latter, irritations have arisen over expectations about what INCAE is to do under component five of the amended contract. INCAE is clearly uncomfortable with the component. Although one of their problems with the component is the political neutrality question, perhaps of more importance is the problem of opportunity cost and capacity to program. INCAE is also uncomfortable with going outside its own faculty resources to recruit consultants, both because of quality control as well as cost considerations. The professors which are most sought after for consulting of the type envisaged by component five tend to be those with the least time available. In addition to teaching duties which are generally extensive, each will also have administrative obligations and/or be extensively involved in other activities (an example is Eduardo Doryan who became heavily immersed in INCAE's training programs with the FMLN in El Salvador). When activities are postponed several times (such as the case with the Cabinet retreat) opportunity cost and irritation rises, and incentives diminish. While recurrence to outside resources could assist, INCAE is resistant on the grounds of both quality control and the cost factor. It clearly is uncomfortable with the role of pass-through agency or "body-shop".

Conclusion:

Relations between INCAE and USAID/Quito appear to be quite good, but there have been periodic disagreements over certain key issues (component five and overhead rates)

which have contributed to tensions (irritants) as well as a substantial slowdown of activity in 1992-1993, compared to the 1990-1992 period.

Recommendations:

The question of how to proceed on component five needs to be resolved. Clear next steps on how to resolve differences must be found during the retreat. Critical to the resolution of how and who implements component five is a question that USAID/Quito needs to answer: what level of management burden is USAID/Quito willing to absorb to implement component five?

Once again, and as recommended earlier in this evaluation, INCAE/Costa Rica needs to make a faculty member in Costa Rica more directly responsible and billable to PROGRESEC to improve strategic management and lower response time to USAID/Quito.

B. 5 Project Design

- **The project's design appears to be basically sound.** However, the project purpose of "establishing a process and a mechanism" for dialogue may to be to low of an objective to justify a project. The issues of institutionalization of dialogue was inadequately addressed in the project's design.

- **We feel the project's overall design is sound in terms of the internal logical consistency of the project.** That is, improved dialogue, training, university reform, improved data generation and sharing, do appear to be the necessary and sufficient activities needed to improve the process and establish a mechanism for dialogue on economic reform. That project purpose probably seemed particularly difficult to obtain in 1990 given the significantly different political environment at that time. But by 1993 with the virtual collapse of communism, proposed hemispheric free trade, and economic restructuring throughout Latin America, the external environment for economic policy change in Ecuador changed markedly. Furthermore, the Duran Ballen administration which succeeded the Borja administration, is much more disposed to market-oriented reforms. As explained in the monitoring and evaluation section of this report, we feel that changing the project purpose to a higher level objectives that represents real impact is feasible and preferable in the agency's overall push for results.

- **The project paper or any subsequent strategy documents do not adequately describe how PROGRESEC can institutionalize dialogue activities in the long-run.** There is an assumption in the original design that some inertia of dialogue will be established through dialogue activity that will maintain itself after the project is over. We do not share that assumption.

Conclusion:

The project's design appears to be basically sound and for the most part, INCAE is satisfying the principal elements of the Project Paper's logical framework. However, the project purpose of "establishing a process and a mechanism" for dialogue may have been too low of an objective to justify the investment. The "how" of institutionalizing dialogue and the definition of what dialogue means were lacking from the project paper.

Recommendation:

USAID/Quito needs to decide whether the project purpose is adequate and determine whether the impact of the project should be specific reforms or just improved dialogue. We recommend the former option. We feel any future redesign should capitalize on the external changes in the environment and now move the project to focus on specific policy reforms. Upon resolution of the higher level objective, a revised monitoring and evaluation plan can be proposed.

USAID/Quito needs to resolve the ambiguity of the original strategy in terms of dialogue and resolve how dialogue should be institutionalized during the remainder of the PROGRESEC project and after USAID funding ends.

V. MONITORING AND EVALUATION

A. Policy Dialogue Support Project

We examined the original monitoring and evaluation (M&E) plan for this project as it appeared in the logical framework of the Project Paper. We also analyzed more recent monitoring of the project in Semi-Annual Reports (SAR's), which largely reflect the M&E plan of the logical framework.

The greatest challenge of monitoring the impact of this project is attempting to link lower level project activities (training and dialogue) with higher level project accomplishments (the establishment of a dialogue, changes in the policy environment, and actual policy changes). This challenge of M&E for a policy activity is not unique to USAID/Ecuador but is an issue agency-wide given the process nature (rather than results orientation) of policy dialogue.

A further complication in the case of Policy Dialogue Support Project is there does not seem to be consensus neither among Mission staff nor INCAE staff about the highest level of objectives that the project should accomplish. The debate revolves around two basic positions. Should the project accomplish specific policy reforms, or, as suggested by the project paper "purpose," should the project seek to establish a process or mechanism which will help lead to policy reforms? Naturally, a complete M&E plan will be impossible until that critical question is resolved.

Evolution of Thinking on Monitoring and Evolution for the Policy Dialogue Support Project

Below we present two "objective trees" that demonstrate the objectives and the indicators that the project paper and the latest SAR used for M&E purposes. Our original goal, as requested in the Project Paper, was to provide a modified objective tree for future M&E purposes. As discussed throughout this section of the report, a proposed M&E plan will have to wait until the Mission and INCAE resolve issues of the redesign and emphasis of the project at both the purpose and output levels.

Issues for the Future M&E Plan - Measuring Impact

Measuring lower level outputs in this project is a straight forward exercise. Therefore, our emphasis below is how best to measure higher level impacts of the project.

Tracking Specific Policy Reforms

As mentioned above A.I.D. as an agency is presently grappling with how to best monitor the impact of policy related activities. So topical is this subject that the PRISM (Program Reporting Information for Strategic Management) initiative of CDIE will be holding a conference to debate this topic agency-wide in the near future.

Until these difficult issues are resolved, we can only suggest some guidelines and issues for monitoring the Policy Dialogue Support Project. No definitive M&E plan can be prescribed until

the project redesign in completed, and there is a clear agreement between A.I.D. and INCAE as to the project inputs and project purpose.

In a certain sense impact monitoring and evaluation is aided if the project begins to focus on specific reforms, which has been the focus of various project reform projects, such as USAID/Peru's Policy Analysis, Planning, and Implementation (PAPI) Project. The PAPI project is Peru essentially funds a small group of experts for technical analysis of key economic policies with the Office of the Presidency. PAPI also funds studies and visits of experts to work on key issues. Because PAPI focuses on key issues, it tracks the impact of specific studies and their impact on decrees, laws, and actual reforms. This is a fairly tight way to monitor impact. The PAPI project also monitors macro-economic indicators which the project, as well as other activities, hope to influence in the long run. A sample of PAPI monitoring is presented below:

RECENT POLICY REFORMS STUDIES OF THE PAPI PROJECT

PAPI ACTIVITY FOR PRIVATE SECTOR	REQUESTED BY	ANTICIPATED OBJECTIVES/ COMPLETION DATE	RESULTS TO DATE
Principles for Constitutional Reform	CONFIEP	Guidelines to consolidate structural reforms in the Constituent Assembly 11/92	Final Report received in November 1992. Active dissemination of report among congressmen, decision makers, and political leaders followed up.
Economic Contents for the Constitutional Reform	CONFIEP	Guidelines for constitutional norms to promote efficient use of resources towards stabilization and economic growth. 2/93	Final Report received in February 1993. The report was distributed to Constituent Assembly members and presented to several fora.
Exchange Rate: Alternative Policies	CONFIEP	Technical study on behavior of the exchange rate--factors affecting its dynamic and alternative policies for sound economic policy regarding regulation of currency exchange. 4/93	Public presentation of outcome held April 29 with the participation of selected economists, think tank representatives, and policy makers.
Structural Reform of the Tourism Sector	CONFIEP and Ministry of Industry	Promote an adequate legal and financial framework for development of the tourism sector. Three studies proposed on legal framework, promotion of tourism, and investment.	Selection of consultants conducted in March 1993. Formal contract with consultants signed April 1993. Three studies due in a four-month period.
Study of the Municipal Taxing System: Alternatives and Reforms	CONFIEP	A study to assess and evaluate the municipal tax policies and systems and their impact on the productive sector, presenting alternatives for reform.	The proposal was presented in late March. Approval by Institutional Contractor was in April 1993.

A PROGRESEC project purpose, however, focused on specific policy reforms, as in the case of PAPI, solves the problems of measuring and attributing impact only if the inputs correspond to the needs for solving the problem. Two policy reform assistance scenarios presented, one providing indirect assistance and the other providing direct assistance, illustrate the point. Particularly important are the rows "A.I.D. inputs" and "Attribution."

Policy Dialogue Support Project

Monitoring and Reporting from the Semi-Annual Report (SAR)
(Cumulative Data as of March 30, 1993)

PROJECT GOAL

To improve the income distribution and productive employment opportunities through broad-based self-sustaining econ. growth

PROJECT PURPOSE

To establish a process & a mechanism for informed macroeconomic policy dialogue and discussion

PROJECT OUTPUTS

Improved Policy Dialogue

INDICATORS (CUMULATIVE)

1. Policy Formulation/ Coalition Building Seminars (39)
2. Structural Reform Studies (18)
3. Macroeconomic & public policy seminars (1)
4. Economics Journals (1)

(1,645 total participants)
(168% of LOP Target)

Increased Economic Training

INDICATORS (CUMULATIVE)

1. Economic Education Seminars (6)
2. Short-term Public Sector Economic Workshops (0)
3. Short-term Private Sector Economic Workshops (2)

(149 total participants)
(33% of LOP Target)

Improved University Training in Economics

INDICATORS (CUMULATIVE)

1. Diagnostic Workshops (0)
2. University Development Program (0)
3. Economic and Curriculum Training (10)

(286 total participants)
(53% of LOP Target)

Improved Generation of Economic Data and Analysis

INDICATORS (CUMULATIVE)

1. Research Training for researchers (7)
2. Studies (0)
3. Diffusion Seminars (0)
4. High-level Policy Dialogue Seminars (0)
5. Institutional Strengthening Seminars (0)

(368 total participants)
(92% of LOP Target)

Improved Implementation of Economic Policy Reforms

INDICATORS (CUMULATIVE)

1. Policy Implementation Assistance Provided (4)

(202 total participants)
(No LOP Target)

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Policy Dialogue Support Project

Logical Framework of the Project Paper

PROJECT GOAL

To improve the income distribution and productive employment opportunities through broad-based self-sustaining econ. growth

Indicators:

1. Lower two quartiles of rural population receive 20% of income and lower two quartiles of urban population receive 30% of income.
2. Unemployment and under-employment reduced from 19% to 10% in major urban areas.

PROJECT PURPOSE

To establish a process & a mechanism for informed macroeconomic policy dialogue and discussio

Indicators:

1. Clear consensus emerging among key political and and economic interest groups on Ecuador's future growth with equity strategy.
2. More frequent and substantive policy dialogue sessions conducted by key representatives of diverse interest groups.
3. Greater understanding of facts surrounding Ecuador's economic growth process, income distribution, & vested interests.
4. Improved economics analysis among mid- and high-level private and public sector officials.
5. Improved economics teaching and curricula with more market-oriented models and methods

PROJECT OUTPUTS

Improved Policy Dialogue

INDICATORS AND TARGETS

1. Policy Studies & Diagnostics (5 studies & 1 sector/strategy study)
2. Networking (10 sessions with 20 participants)
3. Economics Journals (8 issues of 6-7 articles 1,000 copies each issue
4. Policy Formulation/ Coalition Building Seminars (3 w/ 60 persons each)
5. Structural Reform Studie (4 w/ 40 persons each)
6. Macroeconomic and public policy seminars (6 w/ 60 persons each)

Increased Economic Training

INDICATORS AND TARGETS

1. Economic Education Seminars in Costa Rica (1 w/ 14 persons)
2. Economic Education Seminars in Ecuador (1 w/ 40 persons)
3. Short-term Public Sector Economic Workshops (5 w/ 50 persons each)
4. Short-term Private Sector Economic Workshops (3 w/ 50 persons each)

Improved University Training in Economics

INDICATORS AND TARGETS

1. Diagnostic Workshops w/ Participating Univerisities (5 w/ 40 persons each)
2. Economic and Curriculum Training (8 w/ 40 persons each)
3. University Development Program (1 w/ 15 persons each)

Improved Generation of Economic Data and Analysis

INDICATORS AND TARGETS

1. Data Generation & Analysis Seminars/ Dialogue Sessions Among Data Users & Producers (10 w/ 40 persons each)
2. Economic Research Studies and Analysis (12)

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MONITORING THE IMPACT OF PRIVATIZATION -- SCENARIO A (INDIRECT POLICY ASSISTANCE)

POLICY IMPACT MATRIX	STAGE 1	STAGE 2	STAGE 3	STAGE 4	STAGE 5	STAGE 6
A.I.D. INPUTS	Dialogue, studies, networking activities	Input into the legislative process based on studies and high-level dialogue	High-level policy dialogue	Studies and dialogue	Policy Dialogue	Policy Dialogue
RESULT	Privatization debated	Privatization law written	Privatization law passed	Enterprises privatized	Fiscal deficit reduced	1) Inflation reduced 2) Social expenditure increased 3) Economic efficiency increased
INDICATORS	Number of seminars Number of studies Number of networking meetings	Law written	Law passed	Number of enterprises privatized Value of enterprises privatized Budgetary savings from privatization	Fiscal deficit as a percentage of GDP	1) Consumer Price Index 2) Percentage of budget to education and health 3) Private investment as a percentage of GDP
LEVEL OF IMPACT	LOW	LOW	MEDIUM	HIGH	HIGH	1) HIGH 2) LOW 3) HIGH
ATTRIBUTION	HIGH	HIGH	MEDIUM	LOW	LOW	LOW

In this example, SCENARIO A, A.I.D. provides indirect policy assistance, largely in the form of dialogue, studies, and some networking activities. In this scenario the A.I.D. inputs help set the stage for policy implementation but that implementation depends on factors that A.I.D. does not attempt to directly control. As a result, as the cause and effect chain of results occur, moving from stage 1 to stage 6, A.I.D's inputs and attribution toward impact decline and become inversely related to actual results. As can be seen from stage 6, one policy change, privatization, can cause other policy changes, such as increased social expenditure, which is a stage 1 input into a whole new process.

MONITORING THE IMPACT OF PRIVATIZATION -- SCENARIO B (DIRECT POLICY ASSISTANCE)

POLICY IMPACT MATRIX	STAGE 1	STAGE 2	STAGE 3	STAGE 4	STAGE 5	STAGE 6
A.I.D. INPUTS	Dialogue, studies, networking activities	Input into the legislative process based on studies and high-level policy dialogue. Specific language provided.	High-level policy dialogue. Dissemination of pro-privatization materials. Technical briefings provided for key legislators.	High-level policy dialogue. Specific studies with detailed privatization scenarios for different sectors and particular enterprises.	High-level policy dialogue on macro-economic policies in general. Technical assistance to the Central Bank on fiscal management and control of privatization revenues.	High-level policy dialogue. On-going technical assistance to the Central Bank. Studies performed on targeting social expenditure (e.g. primary education).
RESULT	Privatization debated	Privatization law written	Privatization law passed	Enterprises privatized	Fiscal deficit reduced	1) Inflation reduced 2) Social expenditure increased 3) Economic efficiency increased
INDICATORS	Number of seminars Number of studies Number of networking meetings	Law written	Law passed	Number of enterprises privatized Value of enterprises privatized Budgetary savings from privatization	Fiscal deficit as a percentage of GDP	1) Consumer Price Index 2) Percentage of budget to education and health 3) Private investment as a percentage of GDP
LEVEL OF IMPACT	LOW	LOW	MEDIUM	HIGH	HIGH	1) HIGH 2) LOW 3) HIGH
ATTRIBUTION	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH

In this example, SCENARIO B, A.I.D. provides direct policy assistance, not only dialogue, studies, and networking but also direct technical assistance to the decision making entities. In this scenario A.I.D. inputs not only set the stage for policy implementation but directly assist in the implementation process by attempting to influence key factors and decision makers. As a result, the cause and effect in this scenarios between A.I.D. inputs and results remains strong throughout the chain, from stage 1 to stage 6. A.I.D's attribution toward impact does not decline but remains relatively constant. As can be seen from stage 6, one policy change, privatization, can cause other policy changes, such as increased social expenditure, which is a stage 1 input into a whole new process.

The main point of the illustrations with scenarios A and B is to make the point that policy reforms can be monitored regardless of A.I.D. inputs. However, it is the nature of the A.I.D. inputs that determine the attribution of results with A.I.D. resources and therefore the appropriateness of those measures. These indicators, like all indicators, are limited. Indicators tell us only trends and not necessarily overall impact and surely not causation. Increased privatization could result in lower inflation and increased social expenditure but could also result in increased concentration of wealth, which implies impacts that might not be positive. Only evaluations will address these more fundamental issues.

In no way are we trying to suggest in our analysis of a proposed M&E plan that a monitoring system should drive the objectives of the project. To the contrary, we feel resolutely that monitoring follows and modifies objectives, not the other way around. That stated, however, the Mission must consider its project redesign in the context of the Agency's overall policy for concrete results, which is at the heart of CDIE'S PRISM initiative and the Mission's use of strategic objectives. The Mission should keep in mind that the strong emphasis on results is not only the previous but also the current administration's policy, and is largely a function of the Agency's relative inability to demonstrate concrete program results to the U.S. Congress. Only in this context the project's redesign and purpose should reflect agency policy that emphasizes results. A genuine question arises from the above debate; is the establishment of a dialogue or mechanism for dialogue a sufficiently concrete result to form a project purpose? If not, what should be the revised purpose?

Tracking the Establishment of Dialogue and Mechanisms for Dialogue

This is clearly a more nebulous project purpose than specific policy reforms and therefore is more challenging to measure. Our suggested approach to measuring this type of higher level impact would rely on some type of attitudinal survey. Based on discussion with Dr. Polibio Córdova, the President of Ecuador's leading pollster organization, CEDATOS, we feel this could be done at a reasonably low cost. CEDATOS already has two basic sampling sets in place for Ecuador, a national mechanism that surveys 2,800 people and an opinion makers sampling frame that includes 200 influential persons. An effective sampling of public opinion of Quito, for example, would require a sample of about 300-400 people. Dr. Córdova recently completed a rather extensive survey for USIS/Ecuador that cost $15 per interview. A much more abbreviated survey that PROGRESEC would probably require would cost approximately $7 per interview.

Through discussion with polling experts, the Mission would have to decide the scope and frequency of the survey. These surveys could focus on national opinion, opinion of key decision makers, and perhaps persons who have participated in PROGRESEC events. Perhaps, the most telling survey would be one that would correlate people's knowledge of PROGRESEC with opinions on the improved policy dialogue environment in Ecuador. The Mission will also have to grapple with the absence of a base line data set of attitudes. Therefore, the questionnaire would probably have to retrospective questions? Below we provide some suggestions for possible types of questions for the survey:

- Are you familiar with PROGRESEC and the activities of INCAE/Ecuador?

- Have you participated, heard, or read any materials from INCAE's PROGRESEC program?

- Do you believe the level of debate (sophistication) concerning economic policy reform has improved in the last three years?

  (Yes) - To what to do you attribute it?

- Do you feel the level of cooperation between the private and public sectors has improved in the last years?

  (Yes) - To what to do you attribute it?

- Do you think that there is more of a consensus on economic policies that compared to three years ago?

  (Yes) - To what to do you attribute it?

B. Monitoring Policy Reform Mission-wide

This monitoring plan will also depend on the Mission's decision on the purpose of the Policy Dialogue Support Project. In the interim we are including below a schema that the PRISM initiative has put together demonstrating how Missions worldwide are measuring their strategic objectives and program outcomes that are concerned with policy issues. Counts of Strategic Objectives and Program Outcomes directly contributing to and resulting from Policy Reform, by region, in the area of Sustainable Economic Development:

Region:	*Strategic Objective*	*Program Outcome*
Latin America/Caribbean:	21	34
Near East/No. Africa:	4	10
Asia:	6	12
Sub-Saharan Africa:	46	40
Totals	**47**	**96**

In analyzing trends and patters for SO's and PO's in the area of Sustainable Economic Development, indicators may be categorized into three primary areas of focus: (1) Enabling and regulatory environment, (2) Policies of domestic and international trade and competitiveness, and (3) Broad-based economic participation. The following groups of

indicators represent those indicators being employed by missions across all of the above regions for the purposes of effecting policy reform in the three areas listed above:

(1) Enabling and regulatory environment

Taxes and tariffs measured as a percentage of total tax revenue

Laws, regulations for financial and private markets and investment

Emergence of capital markets

Domestic savings, fiscal deficit and investment all as a percent of GDP

Credit available to the private sector; (ag., manufacturing, et. al.) as well as loan volumes in total and percentages

(2) Domestic and international trade and competitiveness

State-owned industries/enterprises being privatized

Value and volume of exports (traditional/non-trad'l)

Growth of investment(esp. pvt. invstmt) both as a total and a percentage of GDP

Range of import tariffs and taxes

Legal, regulatory and judicial policies particularly directed at supporting market development

(3) Broad-based economic participation

Employment generated (esp. pvt. sector emplmt) measured in terms of temporary & permanent positions (male, female, total)

Agricultural production per hectare for small scale farmers; ag. sales & technologies

Education: quality/quantity; primary, vocational, technical

Population below poverty line (measured at individual and family levels); average income per household

Access to credit and financial intermediaries (esp. support services for SME's) measured male, female, tot.

The following provide selected specific examples of policy reform SO's and PO's listed above along with their indicators:

Ex. 1:

Colombia: SO # 2 *Support economic liberalization and growth policies of GOC*

Indicators: 1) legitimate employment rate; 2) export growth rate; 3) state-owned industry privatized; 4) state intervention in economic and consumer activities

Colombia: PO #2.4 *Reduced state intervention in economic/commercial activities*

Indicators: Stated same as above PO

Ex. 2:

Zambia: SO # 1 *The state removed from provision of private goods and services*

Indicators: 1) Private sector share of GDP; 2) private sector share of employment; 3) Value added by formal private sector; 4) Value added by parastatal sector

Ex. 3:

Senegal: SO # 4 *Increase liberalization of the market for agricultural and natural resource-based products*

Indicators: 1)Ag. product marketed through private sector- percent of total; 2) Marketing margins;

Senegal: PO # 4.2 *Decrease government regulation*

Indicators: 1) Eliminate wholesaling of local rice by CPSP; 2)eliminate rice transport subsidy; 3) implement deregulation of prices for broken rice; 4) deregulate prices and imports

Ex. 4:

El Salvador: PO #2.1 *Creation and maintenance of appropriate economic policy framework*

Indicators: 1) Fiscal deficit of the non-financial sector as a proportion of GDP; 2)domestic savings as a proportion of GDP; 3) BOP current account deficit as a proportion of GDP

Ex. 5:

Guinea: PO #1.1 *Improved policy and regulatory environment for agricultural marketing*

Indicators: 1) Implementation of key polices & regulations to enable marketing and investment - Market - determined interest rates - Real

interest rate; 2) key policies and regulations to enable marketing and investment - (T-Bills, Land Tenure Code, Public Investment Program)

Ex. 6:

Guinea-Bissau: PO # 1.1 Technical/Analytical base of planning T&I policy, legal and regulatory reform and for planning direct T&I support to the private sector improved the critical growth sub-sectors

An examination of the indicators listed under these specific policy reform examples reveals a concurrence with the three major areas of policy reform into which the major groups of indicators listed fall. While some examples may address the issues in greater detail, the indicators corresponding to those sample SO's and PO's are still clearly able to be categorized into one of the three groups of indicators listed above.

It is also clear that in the process of developing a strategic plan for the missions, those activities directly aimed at policy reform are generally not seen as a higher-order goal. A quick analysis of the counts taken at the SO level and PO level, both on the broader basis (listed first) and after narrowing the criteria, it is evident that policy reform activities/objectives in the form of PO's far out number those at the SO level. This would suggest that the mission, and perhaps the bureau, planning staff are of the opinion that policy reform objectives tend to predicate targeted results such as "Improved private sector investment and growth", found largely at the SO level. This is certainly noteworthy, and may be fairly consistently observed across regions.

We are presently in dialogue with the PRISM Project to help USAID/Ecuador find an optimal solution to its monitoring challenges.

APPENDIX A - SCOPE OF WORK

Article I - Title

Project: Policy Dialogue Support, **Number:** 518-0089

Article II - Background

USAID/Ecuador plans to contract an external evaluation of the Policy Dialogue Support Project 518-0089, currently scheduled to end in September 1994. This project has been carried out under a Cooperative Agreement with the Instituto Centroamericano de Administracion de Empresas (INCAE). The current authorization of the project is $3.4 million. A life-of-project extension for an additional 2-3 years is being considered, along with a possible $2.3 million augmentation in project funding.

The purpose of the project is to establish a process and a mechanism for informed macroeconomic policy dialogue and discussion, based on the knowledge, analysis, implications, and advantages of outward and market oriented policy reform in the medium to long term. This has been pursued through a combination of activities involving consensus-building, policy dialogue, macroeconomic training, improvement in economic training at the Ecuadorian universities, improved coordination in economic research, and assistance to the government of Ecuador in policy implementation.

Article III - Objective

A two person team for a period not to exceed 47 work days combined is required to conduct two activities. First, the team will evaluate components 1, 2, and 5 of the project (policy dialogue and consensus-building, macroeconomic training for public and private sector leaders, and policy implementation) for the purpose of assisting in a possible redesign and extension of the project. With this evaluation will be a review of the in-house evaluation conducted in February 1993, of components 3 and 4. Second, the team will establish a monitoring and evaluation (M&E) plan for the purpose of tracking the impact of the PDSP on policy reforms and the reform process in Ecuador. The M&E plan would include all components of the project.

Article IV - Scope of Work

PART 1: Evaluation of Selected Project Components.

A. Project Design. Determine the adequacy of project design for achieving desired goals, within originally scheduled project time-frame, including whether project components have been appropriate. Review any base-line analyses of the political economy of Ecuador at the beginning of the project and analyze attitudinal behavior, for and against economic policy reform, during the course of the project. This information will assist in defining the direction, magnitude, and impact of existing activities and any project redesign USAID/Ecuador may decide to undertake. Make specific recommendations about a redesign of the project.

B. Project Components. Evaluate specific project implementation components, including, 1) the policy dialogue and consensus-building activities; 2) economics training for public and private sector leaders; and 3) technical assistance to the GOE on the implementation of policy reforms. Each component should be evaluated in terms of whether project objectives are being met in a timely and effective manner, and in terms of what achievements have been accomplished beyond the project objectives. Identify specific internal and external constraints which have facilitated and/or limited project success and recommend ways to reduce impediments.

C. Project Management. Determine the adequacy and effectiveness of project management and administration of the five components on the part of INCAE, both in Ecuador and Costa Rica. If we were to implement the monitoring and evaluation plan being developed presently, does INCAE have the resource and administrative capacity to be responsible for the data collection?

D. USAID Role. Examine the effectiveness of USAID monitoring and management, including identification of strengths and constraints and potential improvements.

E. Questions to be answered in Evaluation.

1. Impact. Can different policy reforms be attributed to the project activities? If so, how? Has the policy process in Ecuador improved as a result of the project? Is the PDSP likely to have any sort of sustainable impact? What would INCAE and/or AID need to do to institutionalize gains made in the policy reform area? What evidence is there that the skill levels and decision-making abilities of trained Ecuadorian public and private sector workers have improved as a result of the project?

2. Project Purpose. The project was designed originally in the context of a more politically left-of-center government and a context in which each successive national government in recent years had come from a different political ideology. Consequently, there was little continuity in policy reforms at the national level. The challenge was largely one of how to both initiate and sustain informed policy dialogue by improving the quality of the debate.

   Now, however, Ecuador has a more politically right-of-center government, with a demonstrated commitment to macroeconomic reform and the ideas that the PDSP espouses. Nevertheless, although the government is undertaking the types of macroeconomic reforms the project advocates, there still is a need to build the consensus necessary for sustained reform. This is particularly important in a society such as Ecuador which appears to be highly fragmented and since some of the reforms require legislative approval by a Congress not controlled by the GOE party coalitions. The addition of a new project component -- assistance in the implementation of policy reforms -- in September 1992, was one attempt by AID of assisting the new GOE. A major question for exploration is whether the new fifth component is a suitable response to this new situation and whether INCAE is an appropriate vehicle? What other options are possible?

3. Project Avenue. AID has been working with INCAE over the past 9 months or so to provide direct technical assistance to the GOE to assist in the implementation of its policy reforms. INCAE has expressed concerns about the addition of the fifth component, as INCAE sees it as taking away from its independent and neutral position in Ecuadorian society. In the redesign of the Project, how should this issue be dealt with? Should AID consider channeling some PDSP funds through an avenue other than or in addition to INCAE?

4. Equity. What has been the distribution of participation by gender? If uneven or inequitable, how can it be improved? What has been the distribution of participation by region, institution, and, for the long-term training activities, economic background? In particular, what have been INCAE's strategies and procedures for selecting participants for the Masters training in Costa Rica? Should the selection processes be changed and, if so, how?

F. Recommendations. Provide specific recommendations in the design and implementation of the project in order to assess and/or maximize its process and impact. Discuss how policy dialogue activities might be institutionalized at the end of the project. Determine which lessons from and comparisons to policy dialogue and reform activities in other countries can be used by USAID/Ecuador.

PART 2: Establishment of Monitoring and Evaluation Plan for Project

A. Establishment of M&E Plan. Develop a monitoring and evaluation plan to measure and track the impact of the PDSP on policy reforms in Ecuador. Include three or four indicators to measure success at the Purpose level and 2 indicators for each component to measure the success of each. Describe who will collect data on each indicator, how data is to be collected, and the estimated cost.

Emphasis in the M&E plan should be on "user friendliness" and usefulness. Those responsible for data collection should be able to collect the data easily and on a regular basis. If the data collection and analysis will require significantly greater amounts of time and resources than are currently being spent on that activity, consideration should be given to prescribing the additional resources that would be necessary (ie., would it require additional personnel resources at INCAE/Ecuador?).

PART 3: Development of Conceptual Framework for Evaluating Policy Reform Activities Mission-wide.

A. Establish Framework for Evaluating Policy Dialogue Activities. The Mission is interested in developing a framework for evaluating its various policy dialogue activities. Several issues should be addressed in the development of the conceptual framework, including, but not limited to, whether the policy dialogue activities match the strategic objectives, are well-coordinated within the Mission, serve the GOE, are effective, and are cost- effective.

Article V - Reports and Deliverables

A draft summary of the major findings must be completed in English with the main conclusions and recommendations, and presented to USAID and INCAE prior to the team's departure from Ecuador. The draft must be presented at least 4 days before the debriefing, and the debriefing will take place at USAID with key senior and project staff from the Mission, as well as INCAE representatives.

In the executive summary and report the following format will be used:

A. Purpose of Evaluation
B. Methodology Used
C. Findings and Recommendations
D. Lessons Learned
E. Appendices

A final evaluation report and monitoring and evaluation plan in English must be completed and submitted to USAID/Ecuador no later than 20 calendar days after the team leaves the country.

Article VI - Technical Directions

Technical Directions during the performance of this delivery order will be provided by the A.I.D. Project Officer (See block 5 of delivery order cover page) pursuant to Section F.5. of the basic contract.

Article VII - Terms of Performance

A. The effective date of this Delivery Order is the date shown in Block 7 of the cover page and the estimated completion date is date shown in Block 8 of cover page.

B. Subject to the ceiling price established in this Delivery Order and with prior written approval of the A.I.D. Project Officer (see Block 5 of the Delivery Order), the contractor is authorized to extend the estimated completion date, provided that such extension does not cause the elapsed time for completion of the work; including the furnishing of all deliverables to extend beyond thirty (30) calendar days from the original estimated completion date. The contractor shall attach a copy of the A.I.D. Project Officer's approval for any extension of the term of this Delivery Order to the final voucher submitted for payment.

C. It is the contractor's responsibility to ensure that the A.I.D. project officer-approved adjustments to the original estimated completion date do not result in costs incurred which exceed the ceiling price of this Delivery Order. Under no circumstances shall such adjustments authorize the contractor to be paid any sum in excess of the Delivery Order.

D. Adjustments which will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than thirty (30) calendar days must be approved in advance by the contracting officer.

Article VIII - Workdays Ordered

A.

Functional Labor Category & Specialist	Work Days Ordered	Burderned Fixed Daily Rate*	Total
- Institutional Anal. Dan Seyler	25	$289.50	$ 7,238
- Eval. Research Ben Crosby	25	$617.60	$15,440

* Based on a multiplier of 1.93

B. The above-named individual(s) is/are designated as key personnel pursuant to Section H.3.a. of the contract.

APPENDIX B - LIST OF MEETINGS

QUITO

DR. ANTONIO TERAN	National Director. PROGRESEC
ING. JORGE SALTO	Executive Director. INCAE/Ecuador
ING. HERNAN TORRES	President. CAMARA DE LA CONSTRUCCION
ING. MARCO PEÑAHERRERA	Manager. PROEXANT
LCDA. MONICA NORIEGA	Journalist. REVISTA 15 DIAS
DR. PABLO LUCIO PAREDES	Former Secretary of Panning (CONADE). Director. FUNDACION ADAM SMITH
SRA. PAULA GODDARD	Chief. PROJECT OFFICE. USAID/ECUADOR
ING. JUAN BERNARDO LEON	Former President. CAMARA DE COMERCIO. Managing Director. GRUPO QUIM-ING-CO
DR. LUIS JACOME HIDALGO	Researcher. CORPORACION DE ESTUDIOS PARA EL DESARROLLO (CORDES)
SR. JOHN SANBRAILO	Director. USAID/ECUADOR
SR. GUILLERMO JAUREGUI	Economist. USAID/ECUADOR
SR. PATRICIO MALDONADO	Program Officer. USAID/ECUADOR
SRTA. BARBARA HAUPT	Evaluation Officer. USAID/ECUADOR
SR. RANDY REID	Consultant. USAID/ECUADOR
SR. JOSEPH F. BURKE	Principal Adivsor. FEDEXPOR
DR. DONALD A. SWANSON	Independent Consultant
DRA. SONIA ROCA	Former Executive Director. INCAE/ECUADOR
ING. PATRICIO IZURIETA	Economic Subsecretary. MINISTERIO DE RELACIONES EXTERIORES
SR. RAMIRO ROSALES	President. CENTRAL ECUATORIANA DE ORGANIZACIONES CLASISTAS (CEDOC)
SR. LUIS TROCOLI	Training Advisor. CEDOC
SRA. GABY FORSTER	Spokesperson. CAMARA DE COMERCIO. Managing Director. FIRMESA
DR. CARLOS LARCO	Legal Advisor. MINISTERIO DE VIVIENDA
DR. JAMIL MAHUAD	Mayor of QUITO
ING. RAUL GANGOTENA	National Committee Member. INCAE
LCDO. ANDRES VALLEJO	Former President. CONGRESO NACIONAL Director. IZQUIERDA DEMOCRATICA
ING. GALO PONCE	Labor Advisor. FUT
ECON. ABELARDO PACHANO	Former Director. BANCO CENTRAL. President. BANCO DE LA PRODUCCION
ING. JUAN KOHN	Managing Director. IDEAL ALAMBREC
SRA. ALICIA DURAN-BALLEN	Special Advisor. PRESIDENTE DE LA REPUBLICA
DR. CARLOS LARREATEGUI	Subsecretary. ADMINISTRACION PUBLICA
ARQ. LUIS RUEDA JACOME	General Secretary. VICEPRESIDENCIA DE LA REPUBLICA

SR. DIEGO ROMAN	Former Program Assistant. PROGRESEC
DR. OSWALDO HURTADO L.	Former President. PRESIDENTE DE LA REPUBLICA. CORPORACION DE ESTUDIOS PARA EL DESARROLLO (CORDES)
DR. GUSTAVO ORTEGA	Superindendent. SUPERINTENDENCIA DE COMPAÑIAS
DR. POLIBIO CORDOVA	President. Centro de Estudios y Datos (CEDATOS)

GUAYAQUIL

ECON. DANILO CARRERA	President. BANCO DE GUAYAQUIL
ING. HECTOR PLAZA	Manager. POLIQUIMICOS ECUADOR
LCDO. OSWALDO MUÑOZ	President. MUNDO VISION
ING. RODRIGO ANDRADE	President. CAMARA DE LA CONSTRUCCION
ECON. FRANCISCO RENDON	Deputy Director. BANCO SOCIEDAD GENERAL DE CREDITO
ING. RAMIRO PITA	Director. COCA-COLA ECUADOR
SR. MARCEL LANIADO	President. BANCO DEL PACIFICO
ECON. FRANCISCO SWETT	Director. EXPORTADORA BANANERA NOBOA
SR. MANUEL MALDONADO	Representative. DIARIO MERCURIO
ING. JUAN JOSE PONS	Former Minister. MINISTRO DE INDUSTRIA. Manager. AGRICOLA TEY
ECON. EVA DE ARBOLEDA	Director of Economic Studies and Foreign Trade. CAMARA DE COMERCIO
ING. OMAR MALUK	Managing Director. COLOMURAL. Director. INSTITUTO CIENCIAS HUMANISTICAS. ESCUELA SUPERIOR POLITECNICA DEL LITORAL (ESPOL)
DR. HUGO ARIAS PALACIOS	Deputy Director. INSTITUTO CIENCIAS HUMANISTICAS. ESCUELA SUPERIOR POLITECNICA DEL LITORAL (ESPOL)
ECON. XAVIER NEIRA	President. INMOBILIARIA N & C

COSTA RICA

SR. ERNESTO AYALA	Director. CENTRO DE ESTUDIOS DE POLITICAS. INCAE
DR. FRANCISCO GUTIERREZ	Professor. INCAE
DR. JULIO SERGIO RAMIREZ	Professor. INCAE
DR. ROBERTO ARTOVIA	Director of Admissions. INCAE
DR. NOEL RAMIREZ	Professor. INCAE

APPENDIX C - Interview Questions

1) ¿Está Ud. familiarizado con el PROGRESEC? ¿Cuáles componentes?

2) ¿A cuántas actividades ha asistido? ¿Cúales. diría Ud.. son los principales beneficios que ha derivado de estas actvidades? ¿Ha hecho algo diferente como consequencia de algo aprendido através del PROGRESEC?

3) ¿Cuáles son los componentes más importantes (o de mayor impacto) de PROGRESEC?

4) ¿Cómo consecuencia (impacto) de las actividades de PROGRESEC. ha mejorado el grado de entendimiento sobre la reforma política económica?

   - El nivel técnico/ideológico
   - Nivel de debate (grado de sofisticación)

5) ¿Ha ayudado PROGRESEC a mejorar el proceso de toma decisiones o formulación de políticas. ¿Cómo? ¿Ejemplo?

6) ¿Se ha visto implementado algunas políticas específicas como consecuencia del programa?

7) ¿Estima que el nivel de colaboración (o entendimiento) entre el sector público y el privado ha mejorado debido a los esfuerzos de PROGRESEC? ¿Como? ¿Ejemplo?

8) ¿Hay mejoramiento en el grado de consenso acerca de las políticas económicas? ¿Cuál ha sido el papel de PROGRESEC en este consenso?

9) ¿Está completo el programa? ¿Qué otras actividades debe fomentar? ¿Debe hacer algo diferente el programa? ¿Otros tipos de enfasis?

50

PROGRESEC STATISTICS FY 1990–91 – FY 1992–93

Summary by Component (Number of Participants)

Components		FY 1990/91	% 90/91	FY 1991/92	% 91/92	FY 1992/93	% 92/93
I	Dialogue	318	50%	1,334	79%	138	23%
II	Economic Training	96	15%	126	7%	126	21%
III	Universities	31	5%	156	9%	139	23%
IV	Research/Data	190	30%	77	5%	63	10%
V	Policy Implementation	0	0%	0	0%	139	23%
Totals		635	100%	1,693	100%	605	100%

Summary by Type of Participant

Year	Total	Male	Female	Private Sector	Public Sector	Univ.	Int'l	Labor	Church	Politicians	Quito	Guayaquil	Other
FY 1990/91	635	521	114	190	303	71	10	57	1	3	461	146	28
FY 1991/92	1,693	1,344	349	626	599	206	41	114	0	107	1,182	382	129
FY 1992/93	605	466	129	109	267	166	16	8	0	39	450	81	74
Totals	2,933	2,331	592	925	1,169	443	67	179	1	149	2,093	609	231

Year	Total	Male	% Male	Female	% Female
FY 1990/91	635	521	82%	114	18%
FY 1991/92	1,693	1,344	79%	349	21%
FY 1992/93	605	466	77%	129	21%
Totals	2,933	2,331	79%	592	20%

Year	Total	Quito	% Quito	Guayaquil	% Guayaquil	Other	% Other
FY 1990/91	635	461	73%	146	23%	28	4%
FY 1991/92	1,693	1,182	70%	382	23%	129	6%
FY 1992/93	605	450	74%	81	13%	74	12%
	2,933	2,093	71%	609	21%	231	8%

Year	Total	Private Sector	% Private Sector	Public Sector	% Public Sector	Univ.	% Univ.	Int'l	% Int'l	Labor	% Labor	Church	% Church	Politicians	% Politicians
FY 1990/91	635	190	30%	303	48%	71	11%	10	2%	57	9%	1	0%	3	0%
FY 1991/92	1,693	626	37%	599	35%	206	12%	41	2%	114	7%	0	0%	107	6%
FY 1992/93	605	109	18%	267	44%	166	27%	16	3%	8	1%	0	0%	39	6%
Totals	2,933	925	32%	1,169	40%	443	15%	67	2%	179	6%	1	0%	149	5%