A.I.D. EVALUATION SUMMARY - PART I

PD-ABJ-936

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCCIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?	C. Evaluation Timing
Mission or AID/W Office ETIO	Yes X Slipped Ad Hoc	Interim X Final

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project/Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
518-0094	Trade and Investment Non-Traditional Industrial Exports (NTIE) with FEDEXPOR	FY91	08/94	1,991	1,991

ACTIONS

E. Actions Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
One year extension of the Cooperative Agreement, from October 1993 to September/94	EGuillén, ETIO	August, 1993

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APPROVALS

F. Date Of Mission Or AID/W Office Review of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Edgar Guillén	Dr. Hernán León G.	Paula Goddard	John Sanbrailo
Signature				
Date				4/20/94

A

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

FEDEXPOR is engaged in new delivery services for its members by providing intensive assistance to non-traditional industrial export (NTIE) firms and the respective subsectors. USAID/Ecuador provides grant assistance to this effort through a Cooperative Agreement signed between FEDEXPOR and USAID/Ecuador on September 12, 1991. The grant comes under a larger USAID/Ecuador funded Trade and Investment Project that was approved in August 1991. The purpose of the Cooperative Agreement is to provide quality services for export promotion and provide institutional support to FEDEXPOR to carry out the activities of the agreement. FEDEXPOR organizes its activities around four service deliveries: 1. Technical Assistance, 2. Commercial Information, 3. Market Promotion 4. Dialogue and Policy Issues.

Project funds support FEDEXPOR's following outputs:

- Macroeconomic and legal framework strengthened
- Comparative advantage for NTIE industries. Support for ceramic, metal mechanic, and processed foodstuff subsectors within the non-traditional industrial sector.
- NTIE Targeting of sectors.
- Guilds and associations strengthening.
- FEDEXPOR strengthening.

The evaluation determined that design and strategic planning at FEDEXPOR are below levels they are capable of achieving. Strengthening NTIE subsectors for comparative advantage and targeting show below average results. FEDEXPOR possibilities for sustainability are precarious.

The evaluation team recommends to revise its Design and Strategy; focus the delivery instrument in order to obtain better results; focus its delivery to the NTIE sector; strengthen its relationship with guilds and associations and develop new strategies of sustainability.

PURPOSE OF THE ACTIVITY

The project purpose in the Cooperative Agreement is to provide quality services for export promotion and provide institutiona support to FEDEXPOR to carry out the activities of the agreement.

COSTS

I. Evaluation Costs

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S.$)	Source of Funds
Donald Swamson		PO 518-0000-0-00-3288-00	11,074	PD&S

2. Mission/Office Professional Staff

Person-Days (Estimate) 4 people 13 days

3. Borrower/Grantee Professional

Staff Person-Days (Estimated) 12 people 5 days

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B

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lesson learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
USAID/Ecuador	February, 1994	Evaluation of FEDEXPOR's Non-Traditional Industrial Export Promotion Program. October, 1993.

EVALUATION

PURPOSE

USAID/Ecuador requested the evaluation of FEDEXPOR's Non-traditional Industrial Export Promotion Program for the following reasons:

1. USAID/Ecuador and FEDEXPOR signed an initial cooperative agreement for two years through September 11, 1993 and have renewed that agreement through September 30, 1994. It seemed appropriate for USAID/Ecuador to take a look at FEDEXPOR's efforts at this time before launching into the final year of the project.

2. Certain questions have been raised by USAID/Ecuador:
   Questions regarding activity level (seminars, technical assistance, studies, and FEDEXPOR delivery mechanism).
   Questions related to result level (issues regarding institutional strengthening of both FEDEXPOR and the guild/associations, comparative advantage of NTIE sectors, targeting of NTIE sectors and technological transfer through guild and associations).
   Questions related purpose/impact level (employment and export increases).

METHODOLOGY

The evaluation used several different data collection activities, as follows:

- An inventory of seminars, technical assistance, studies and FEDEXPOR deliveries under the project.
- Open-ended interviews with USAID, FEDEXPOR, clients exporters, chambers/guilds/associations leaders using an interview schedule.
- Review of project documents and other relevant materials.

FINDINGS

Design and Strategy:

1. The project design and strategy enunciated in USAID/Ecuador's Project Paper for the Trade and Investment Project has not been adopted well by FEDEXPOR and has been distorted during the past two years. An effect is high level confusion and contradictions regarding the project design and strategy and effecting negatively project activities. FEDEXPOR strategies for supporting subsectors are not focused well either. There is insufficient evidence of planning, targeting and coordination of FEDEXPOR deliverables to support a subsector.
   Part of this problem can be explained by the time phasing of the project in which FEDEXPOR official were not hired immediately, change in USAID/Ecuador personnel, and the late contracting of the international technical assistance.

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Activities:

2. Four FEDEXPOR service activity level inputs are performed as separate activities and not in congruence one with another. Each service activity seems to sputter along with only minimal awareness of strategies, targeting, excellence, relevance and how these activities will produce results. Some individual activities such as the studies, policy dialogue and law issues, publications, and the commercial information system are implemented quite well. Activities such as seminars, some trade fairs, some trade missions and some technical assistance are not doing as well as they could. The most serious problem is their lack of strategy, integration, and focus.

Results:

3. The first area, macroeconomic and legal framework, has shown some real progress in Ecuador in the past two year FEDEXPOR has contributed to some degree in bettering the global export environment in Ecuador.

4. The second area, comparative advantage for the three NTIE subsectors selected for this project, shows only moderate strengthening.

5. The third area, FEDEXPOR's targeting strategy for NTIE, is quite weak for the three NTIE sectors.

6. The fourth area, guilds and associations strengthened as a mean for technology transfer, has been de-emphasized i this project.

7. The fifth area, FEDEXPOR institution strengthened, there has been moderate result level in its internal operations. FEDEXPOR documents refer to two phases of institutional development. First concerns internal strengthening with new personnel, equipment, opening offices, and setting up the information system. The second phase bolsters the staff and their functions with the assistance of Berger International. FEDEXPOR is very dependent in the short tern on funding decisions from USAID. The Berger International draft study indicated that FEDEXPOR relied on 73% of its total budget from USAID funds and the other 27% comes almost exclusively from membership dues and a small fraction from other contracts.

Impact:

8. Regarding impact, the non-traditional industrial sector is increasing employment annually at about 8% per year. Women employment levels have increased more than men. Central Bank data shows that non-traditional value added industry export sales are increasing steadily each year. Ceramics and metal mechanics subsectors have increased steadily export sales in the past three years. FEDEXPOR has made a good contribution to assisting in making contacts among exporters and buyers.

CONCLUSIONS

a. Design and strategic planning are below levels they are capable of achieving. This conclusion is based on their record to date of not providing crisp and professional planning for implementation with their limited resources. Thei weak strategy hinders project results.

b. FEDEXPOR project delivery at the activity level are functioning adequately but the institution has the potential to increase its effectiveness. The customized services of technical assistance and market information (seminars) requi more thoughtful planning.

c. The three subsectors of NTIE requir separate treatments and strategies because they have different specific needs and are at different levels of development.

d. FEDEXPOR's relationships with guilds and associations are not good.

e. FEDEXPOR possibilities for sustainability are precarious.

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RECOMMENDATIONS

a. Design and Strategy

FEDEXPOR with Berger International assistance needs to revamp its design and strategy as it enters its second phase of operation under USAID funding mechanism.

b. Delivery Instruments

These FEDEXPOR services need to be focused much more carefully in order to obtain better results. FEDEXPOR needs to look for more creative delivery instruments than used at present. These should include instruments used effectively in other export promotion projects in other Latin American countries. FEDEXPOR needs to carefully evaluate the effectiveness, relevance and timeliness of each instrument.

c. Strengthening NTIE:

Comparative Advantage/Targeting: FEDEXPOR needs to focus and target its delivery to the NTIE sectors. It requires a systemic review of each subsector, starting with a mini-study of each subsector to determine the kinds of actions required for each subsector. A good design for implementation is required and needs to be followed.

Guilds/Associations: FEDEXPOR needs to strengthen its relationship with the guilds and associations. FEDEXPOR should explore a wide variety of ways to include guilds and associations.

d. FEDEXPOR Sustainability

A much broader and long term development strategy is needed. Berger International can assist well in this endeavor.
FEDEXPOR should make an effort to obtain a endowment or other long term funding to purchase or build its own offices.
FEDEXPOR should make an aggressive plan to get more contracts.
FEDEXPOR should obtain cooperative agreements form other donors to support additional subsectors or one of the 5 services.

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ATTACHMENTS

K. Attachements (List attachements submitted with this Evaluation Summary: always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc from "on-going" evaluation. If relevant to the evaluation report.)

Copy of the "Ecuador: Evaluation of FEDEXPOR's Non-Traditional Industrial Export Promotion Program."

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

This project is in the process of an orderly phase-out and is being implemented in accordance with Section 547 Guidelines. The evaluation and the one-year Cooperative Agreement extension will facilitate an orderly phase-out of the project.

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XD-ABI-936-A

ECUADOR: EVALUATION OF FEDEXPOR'S NON TRADITIONAL INDUSTRIAL EXPORT PROMOTION PROGRAM

October, 1993

Submitted to:

USAID/Ecuador

Submitted by:

Donald A. Swanson

This report prepared under Purchase Order 518-0000-0-00-3289-00 with USAID/Ecuador.

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EXECUTIVE SUMMARY

The Federation for Ecuadorian Exporters (FEDEXPOR) is engaging in a new delivery service to its members by providing intensive assistance to non-traditional industrial export firms and this sector. USAID/Ecuador provides grant assistance to this effort through a Cooperative Agreement signed between FEDEXPOR and USAID/Ecuador on September 12, 1991. This grant project comes under a larger USAID/Ecuador funded Trade and Investment Project (518-0094) approved in August 1991. The whole project includes related trade and investment issues and institutional arrangements with PROEXANT, a newly formed Fundación Ecuador, and technical assistance provided by Louis Berger International.

Project funds support FEDEXPOR services of 1) Technical Assistance; 2) Commercial Information; 3) Market Promotion; and 4) Dialogue and Policy Issues.

Project outputs expected are: (1) Macroeconomic and legal framework strengthened; 2) Comparative advantage for NTIE industries; 3) NTIE targeting of sectors; 4) Guilds and associations strengthened; and 5) FEDEXPOR strengthened.

The project supports three subsectors within the NTIE sector 1) Processed Foods a) Sea Foods, b) Confectionaries, and c) Preserves; 2) Metal Mechanics; and 3) Ceramics. The project purpose/impact is to increase employment and exports in those subsectors and if possible the NTIE sector.

FEDEXPOR has been working under this grant agreement for the past two years. The original cooperative agreement for two years has been renewed through September 30, 1994. USAID/Ecuador wants to take a look at FEDEXPOR's efforts at this time before launching into the final year of the project.

USAID/Ecuador has raised four questions at the activity (input) level, four result (output) questions, and one purpose (impact) level question. Those questions form the basis for this evaluation. The methodology used assessed project activities (input) that would produce results (outputs) and in turn produce the purpose (impact) on employment and exports. This follows closely the logical framework concept of project design/strategy with measurable results and impacts. Nine research questions were organized to assess the project in this fashion.

The evaluation's findings, conclusions and recommendations are presented in successive chapters organized around issues of topical interest to USAID. The data on which these findings, conclusions and recommendations are based are presented in the text and the appendices.

This evaluation was conducted in a 24 day effort during the period September 13-October 15, 1993.

Findings

The project design and strategy enunciated in USAID/Ecuador's Project Paper for the Trade and Investment Project has not been adopted well by FEDEXPOR and has been distorted during the past two years. An effect is high level confusion and contradictions regarding the project design and strategy and affecting negatively project activities. FEDEXPOR strategies for supporting subsectors are not focused well either. There is insufficient evidence of planning, targeting, and coordination of FEDEXPOR deliverables (seminars, technical assistance, studies, trade fairs, trade missions, publications) to support a subsector.

Part of this problem can be explained by the time phasing of the project in which FEDEXPOR officials were not hired immediately, change in USAID/Ecuador personnel, and the late contracting of international technical assistance. But the fact remains that after two years FEDEXPOR still has not established a strategy for this project.

Four FEDEXPOR service activity level inputs are performed as separate activities and not in congruence one with another. Each service activity seems to sputter along with only minimal awareness of strategies, targeting, excellence, relevance, or how these activities will produce results. Some individual activities such as the studies, policy dialogue and law issues, publications, and the commercial information system are implemented quite well. Other activities such as seminars, some trade fairs, some trade missions, and some technical assistance are not doing as well as they could. The most important thing is their lack of strategy, integration, and focus.

Service activities were to produce the next higher result/output level. The first area, macroeconomic and legal framework, has shown some real progress in Ecuador in the past two years. FEDEXPOR has contributed with a few studies, some seminars, and a host of meetings and has contributed to some degree in bettering the global export environment in Ecuador.

The second result area, comparative advantage for the three NTIE subsectors selected for this project, shows only very moderate strengthening in the past two years. The project has assisted about 60 individual subsector firms but there is little evidence that the sectors have been strengthened thus far by the project.

The third area, FEDEXPOR's targeting strategy for NTIE, is quite weak for the three NTIE sectors. A broad, all inclusive, broad based support, and emphasis on small and medium scale pre-export and sector exporters has been used. There is more emphasis on numbers of firms involved rather than a focused and targeted strategy.

The fourth area, guilds and associations strengthened as a means for technology transfer, has been de-emphasized in this project. About 10-15 cooperative agreements have been signed with associations and there is moderate collaboration, but not close to the strategy proposed originally. This has gotten off track and requires modification.

The fifth and last result level output, FEDEXPOR institution strengthened, has been a quantity expansion that includes opening four new FEDEXPOR offices; hiring new employees; and purchase of equipment and vehicles. FEDEXPOR calls this their first stage institutional strengthening. They enter their second stage now and, with Berger International assistance, will concentrate more on strategic planning and target delivery. FEDEXPOR has some capability to assess specific production, commercialization, and marketing issues in specific sectors; provides some support for specific sectors; and provides fairly good commercial information for exporters.

Regarding impact, all three NTIE subsectors have shown some increased employment in the past two years and about 50% of firms interviewed affirmed that employment levels have increased in their firms. Central Bank data shows that non-traditional value added industry export sales are increasing steadily each year. Ceramics and metal mechanics subsectors have increased steadily export sales in the past three years.

Conclusions

Design and strategic planning at FEDEXPOR are below levels they are capable of achieving. FEDEXPOR project delivery at the activity level are functioning adequately but this institution has the potential to increase its effectiveness. Some delivery instruments are implemented well. There is some question whether the delivery instruments are designed to produce the desired results. Delivery instruments lack the focus that is required for more effective results. The lack of an executive director at present may account for some current problems but this lack of focus has been with FEDEXPOR since project inception.

Strengthening NTIE subsectors for comparative advantage and targeting show below average results to date. FEDEXPOR possibilities for sustainability are precarious. Much work is required to enable FEDEXPOR to stand on its own.

Recommendations

Design and Strategy. FEDEXPOR with Berger International assistance needs to revamp its design and strategy as it enters its second phase of operation under the USAID funding mechanism.

Delivery Instruments. These FEDEXPOR services need to be focused much more carefully in order to obtain better results. FEDEXPOR needs to look for more creative delivery instruments than used at present. These should include instruments used effectively in other export promotion projects in other Latin American countries.

Strengthening NTIE:Comparative Advantage/ Targeting. FEDEXPOR needs to focus and target its delivery to the NTIE sector. A good design for implementation is required and needs to be followed.

Guilds/ Associations. FEDEXPOR needs to strengthen its relationship with the guilds/associations in a win-win proposition. This can be done more forcefully in this last year of AID funding.

FEDEXPOR Sustainability. New strategies of sustainability are required. Membership drives are important but not sufficient. A much broader and long term development strategy is needed. Berger International can assist well in this endeavor.

PROJECT BRIEF

Project Name: Non-Traditional Industrial Export Project
Project Dates: September 11, 1991- September 30, 1994
Evaluation: September 10- October 15, 1993

1. Sector Firms Serviced by FEDEXPOR in Project:
   Metal Mechanic (21); Ceramics (8) Food Processing (32)

2. 46 seminars provided by FEDEXPOR since September 11, 1991 under the USAID/Ecuador-FEDEXPOR contract.

3. 8 technical assistance events provided under the contract with 179 days of technical assistance.

4. 24 publications of Ecuador Exporta since September, 1991.

5. 56 publications of "Martes Economico" since September, 1991.

6. 15,000 contacts with commercial service since September, 1991; 20,000 estimated telephone assistance.

7. 8 international trade fairs for 98 days duration; 6 national trade fairs

8. 7 trade missions abroad and reception of 5 trade missions in Ecuador.

9. 7 studies conducted by FEDEXPOR since September, 1991.

10. 18 new employees contracted by FEDEXPOR with AID funds.

11. 16 computers; 11 printers' 8 packages of software; 2 copiers; 16 voltage regulators; and two vehicles provided to FEDEXPOR by AID funds.

12. 9 cooperative agreements with associations and organizations.

13. Total Export Sales By Sub Sectors 1991 and 1992

Metal mechanic	$ 19.144	$ 33.483
Ceramics	$ 1.645	$ 2.256
Food Processing	$ 152.425	$ 145.556

14 Non-Traditional Exports in Ecuador

	1988	1989	1990	1991
Primary	458	427	440	599
Processed	226	207	211	236
Total	684	634	651	835

I: BACKGROUND AND INTRODUCTION

The Federation for Ecuadorian Exporters (FEDEXPOR) is engaging in some new delivery services for its members by providing intensive assistance to non-traditional industrial export (NTIE) firms and the respective subsectors. USAID/Ecuador provides grant assistance to this effort through a Cooperative Agreement signed between FEDEXPOR and USAID/Ecuador on September 12, 1991. This grant project comes under a larger USAID/Ecuador funded Trade and Investment Project (518-0094) that was approved in August 1991. The whole project includes related trade and investment issues and institutional arrangements with PROEXANT, Fundación Ecuador, and Louis Berger International.

The grant agreement is for a total $2,426,000 with $1,991,000 AID grant and $445,000 counterpart funding. The project has four sub-components and respective total budgets as follows: Technical Assistance ($1,201,000 of which $979,800 is for Berger International in a separate AID contract for technical assistance); Institutional Strengthening ($630,000); Market New Products ($423,000); Training ($62,000); Audit ($3,000); Investment Promotion ($98,000); and Miscellaneous ($19,000).

The AID grant funds directly to FEDEXPOR are for institutional strengthening with salaries and equipment while the Berger International contract is for programming and systemic institutional strengthening.

Project funds support FEDEXPOR's following output areas:

1. Macroeconomic and legal framework strengthened

2. Comparative advantage for NTIE industries. Support for ceramic, metal mechanic, and processed foodstuff subsectors within the non-traditional industrial sector.

3. NTIE Targeting of sectors

4. Guilds and associations strengthened

5. FEDEXPOR strengthened.

FEDEXPOR organizes its activities around four service deliveries, as follows:

1. Technical Assistance

2. Commercial Information

3. Market Promotion

4. Dialogue and Policy Issues.

These include standard delivery instruments such as seminars, studies, trade fairs, trade missions, commercial information, and publications.

The project purpose in the Cooperative Agreement is to "provide quality services for export promotion and provide institutional support to FEDEXPOR to carry out the activities of this agreement." The USAID Project Paper for Trade and Investment (518-0094) has its purpose the same general statement as well as specific purpose indicators of (1) annual increase in net additional export earnings in subsectors in which Ecuador has a comparative advantage, and (2) newly employed or productively employed in firms receiving project support.

USAID/Ecuador requested this special evaluation at this time for a number of reasons. First, FEDEXPOR has been working under this grant agreement for the past two years. USAID/Ecuador and FEDEXPOR signed an initial cooperative agreement for two years through September 11, 1993, and have renewed that agreement through September 30, 1994. It seemed appropriate for USAID/Ecuador to take a look at FEDEXPOR's efforts at this time before launching into the final year of the project.

Secondly, certain questions have been raised by USAID/Ecuador concerning project activities (input), results (output), and purpose levels impact. Those questions form the basis for this evaluation and are found in the Scope of Work for this evaluation in Appendix A. That appendix also has more in-depth background about the project that will not be repeated here.

This evaluation was conducted in a 24 day effort during the period September 13-October 15, 1993.

II: METHODOLOGY

There are three levels of questions and issues requested by USAID/Ecuador in this evaluation. First, there are four questions at the activity level regarding seminars, technical assistance, studies, and FEDEXPOR delivery mechanisms. Second, there are four questions related to result/output level issues regarding institutional strengthening of both FEDEXPOR and the guild/associations, comparative advantage of NTIE sectors, targeting of NTIE sectors, and technological transfer through guilds and associations. At this level we assess effectiveness, relevancy, and sustainability. Finally, USAID/Ecuador requests assessment of purpose/impact level issues of employment and export increases related back to project interventions.

This evaluation, therefore, used several different data collection activities to get answers to these questions, as follows:

- An inventory of seminars, technical assistance, studies, and FEDEXPOR deliveries under the project. Detailed information is found in appendices D, E, F, and G.

- Open-ended interviews with USAID, FEDEXPOR, client exporters, chambers/guilds/association leaders (Annex B) using an interview schedule (Annex H).

- Review of project documents and other relevant materials (Annex C).

The approach used is to assess activity level delivery instruments that produce results/output levels and in turn produce purpose/impact levels. This framework follows directly the principles of the logical framework for project design, implementation, monitoring, and evaluation.

One problem found was the lack of project indicators. This is being rectified now but has not been implemented to date. This evaluator wrote some indicators without quantity, quality, time (Appendix I) to guide in assessing achievements on each of the three levels. There was no monitoring nor tracking systems in place at the time of the evaluation. Therefore, there can be some discretion about the definition of what constitutes, for example, "institution strengthening", or "impact."

The paper follows the accepted rapid appraisal mechanisms of analyzing open-ended questionnaires using simplified content analysis. The report format uses the standard AID evaluation approach of findings leading to conclusions and the conclusions leading to recommendations.

III: FINDINGS

This chapter provides the body of this report with findings at the activities, results, and impact levels. A special introductory assessment on design and strategy is made because this finding encompasses and affects the whole project.

A. Design and Strategy

There are similarities but also significant differences found in USAID/Ecuador's Project Paper, the Cooperative Agreement, and FEDEXPOR annual reports and work plans related to the NTIE project. These have implications regarding perceptions concerning design, strategy, and ultimate impact desired from this project.

The Cooperative Agreement states that the project purpose is to "provide quality services for export promotion and provide institutional support to FEDEXPOR to carry out the activities of this agreement." The emphasis is on "service" and "institutional support." That agreement contains minimal design and strategic implications for supporting a subsector and minimal emphasis on "results" and "impact."

The USAID Project Paper for Trade and Investment Project (518-0094) has two project purposes, as follows:

> " To provide quality export and investment services and support the institutional development of a viable Ecuadorian trade and investment promotion organization." and
>
> " To facilitate Ecuador's transition towards an outward-oriented growth strategy through the adoption of appropriate policies and administrative measures, and the provision of export and investment promotion services."

The objectively verifiable indicators at the purpose level include these two indicators, advocated by USAID/Ecuador:

> " $4 million annual increase in net additional export earnings generated by the Trade and Investment Project in subsectors in which Ecuador has a comparative advantage.
>
> 7,000 workers (65% women) newly employed or productively employed in firms receiving Trade and investment project support."

The general objective of FEDEXPOR for the period October 1, 1993 to September 30, 1994, elaborated in their draft 1993-94 Work Plan is to consolidate actions started. They have for this period three general objectives:

1. Promotion of the production of industrialized products for export.

2. Promotion of changes in macroeconomic and structural policies to permit Ecuador to compete in international markets and with competitive international prices.

3. Implement an institutional strengthening program necessary to fulfill the above objectives.

FEDEXPOR's approach is to increase trade and employment through the increase and diversification of export production. General approaches made in their draft work plan are:

- Global trade advisory services;
- Strengthening of FEDEXPOR;
- Elimination of laws and terminating certain restrictive regulations;
- Technical support in metal works, ceramics, and processed food stuffs;
- Technology transfer;
- Provision of consultants and specialized market studies and commercialization of export products.

That document, their latest attempt at a strategy, has serious confusion, contradictions, and poor understanding about the design and strategy that FEDEXPOR should use in project implementation. Strategic issues are not elaborated at all in most FEDEXPOR documents and only peripherally in others.

The result found in interviews is that for some FEDEXPOR officials USAID/Ecuador is supporting an "institution building" project with no other intention than internal FEDEXPOR strengthening. For other FEDEXPOR officials the project is to provide broad commercial information, market promotion, policy studies and trade fairs that support the entire export community. Another group of FEDEXPOR officials view the project as a focused effort to support no more than 30 to 40 NTIE firms in the three subsectors of ceramics, food processing, and metal mechanic.

Most FEDEXPOR officials stated they did not know how the four project activities are to produce five results (outputs) that will in turn produce two purpose level impacts. FEDEXPOR officials stated time and again that they make little distinctions of the importance of each project activity, how project activities need to be supportive of each other, sequence of activities, and a strategy that could produce the results desired. To their credit, they are aware of this deficiency.

FEDEXPOR officials and directors stated that there are serious contradictions, interpretations, and misunderstandings within FEDEXPOR regarding such issues as 1)

focused interventions versus general inclusion interventions; 2) customized services for specific firms versus standardized services for many firms; 3) equity issues versus efficiency; 4) general seminars for the general public and exporters versus specialized training for NTIE; or 5) emphasis on production, commercialization, or marketing to assist a NTIE sub sector. These are only a few examples made by FEDEXPOR officials.

The strategic options are spelled out in the Project Paper and apparently decisions made for this project have not been transferred well to FEDEXPOR. (It should be stressed that this evaluation was made at a time when there is no FEDEXPOR Executive Director and one of the acting executive directors was quite ill.) Many FEDEXPOR officials are new to FEDEXPOR, most have little export promotion experience, and only a few have been involved with project implementation of the complexity of the NTIE project.

This preamble finding influences the more specific findings assessed at the activity and results levels.

B. Activities

FEDEXPOR provides services to its members in four general areas of 1) Technical Assistance; 2) Commercial Information; 3) Market Promotion; and 4) Dialogue and Policy Issues. Their framework is adopted for discussion and specific USAID/Ecuador questions are included within this general framework. FEDEXPOR institutional strengthening is addressed first as this is required to provide the services while gender issues are discussed at the end of the activity level section.

1.FEDEXPOR Institutional Strengthening

FEDEXPOR began in September 1991 with AID financing to bolster its own institution as a first step before offering new services. First, FEDEXPOR set-up additional offices in Manta, Machala, Cuenca, and Ambato. It hired 18 new employees using project funds to carry out the NTIE project. FEDEXPOR also purchased equipment and vehicles to support their activities. FEDEXPOR work plans document this first stage of institutional strengthening with its emphasis primarily on setting up infrastructure.

The second part of institutional strengthening emphasizing systemic programming and quality services is to be supported with the Berger International technical assistance. The Berger International work began 16-18 months after the NTIE Cooperative Agreement was signed in September 1991.
(This second FEDEXPOR phase should not be confused with the Project Paper second phase that includes consolidation and having FEDEXPOR work under the Fundación Ecuador umbrella.)

This FEDEXPOR second stage was launched with Berger's "image, membership,

services, and sustainability" study presently in draft stage. FEDEXPOR will supposedly now place emphasis on membership, self-financing schemes, organizational structure refinement, and other income earning schemes that will provide it the opportunity to achieve sustainability.

FEDEXPOR members, directors, and most association officials who know FEDEXPOR give positive ratings for levels of growth and service during these past two years. FEDEXPOR officials believe they have a product to offer their clients and staff to work with members.

The FEDEXPOR 1993 semi-annual report states that the first phase of institutional strengthening has come to end by having fulfilled the following activities:

a) Established an organizational structure;

b) Established technical groups and technical committees for the different subsectors;

c) Having set-up six FEDEXPOR offices in six cities;

d) Having set-up foreign trade centers in Miami and Hamburg;

e) Having increased its membership; and

f) Having established a network and information system in its six offices.

The draft 1993-94 Action Plan states that the second phase begins 1993-94 with the following activities:

a) Establishing a public relations campaign to increase the image of FEDEXPOR in the country;

b) Satisfying members and getting new members through membership service and public relations;

c) Finalizing the network systems with their computers, audio visual equipment, and office equipment; and

d) Providing additional training for their professionals.

FEDEXPOR has some ambitious plans for the period 1993-94. According to their draft 1993-94 Work Plan they plan to have activities with:

a) Open up work in other sectors with support from CICOM, ALADI, GTZ

and other international organizations;

b) The Andean Programs for Export Promotion (PAPE) will support in new areas such as textiles;

c) They expect continued assistance from ALADI especially in seminars in investment promotion;

d) They expect CEE support for new Ecuadorian exporters.

These new efforts are beyond the AID financed project and demonstrate that FEDEXPOR has the capacity to get international recognition for its work.

2. Technical Assistance

FEDEXPOR's technical assistance broad category service includes advising members on specific technical questions and broader areas of technical assistance related to the Andean Pact, ALADI, and legal advisory. The discussion here is limited to the NTIE AID financed activities.

The International Executive Service Corps has provided eight advisors for 179 days of technical assistance to about 40 firms in 1992 and 1993. The work was initiated under a USAID/Ecuador and IESC contract for $80,000. These advisors collaborated in all target subsectors. Appendix E has details of specific activities and results.

The IESC technical assistance mechanism was used as a "bridge" until the long term technical assistance advisors were contracted. It is not contemplated to continue these activities in the future but rather they will be taken over by Berger International.

These advisors have, for the most part, worked within beneficiary firms. Their advisory strategy was to spend from a range of two hours to 15 days per firm. There was no set agenda for their work as they walked and talked with the firms' general manager, technical directors, and employees of each firm. Each advisor normally wrote specific technical reports on observations or on a specific technical issue.

There is high levels of recognition attributed to most advisors solving or mitigating immediate firm production, commercialization, or marketing problems. Technical assistance receives good attributions for contributing to increased result level accomplishments with those firms attended. Both FEDEXPOR and the firms in general view this intervention in a positive light.

Four problem findings were uncovered. First, is the minimal time allotted for some firms to get resolutions on concrete problems. Some firms interviewed would have preferred much more time with the advisors. Second, was that on several occasions there

was a mismatch of advisor expertise with firm needs. This occurred when the specific advisor brought to Ecuador had specific skills that could not be related to the Ecuadorian export firms. Third, is the lack of eligibility criteria for selecting firms to receive technical assistance. Two firm owners were somewhat disturbed that they did not get more assistance. Four, was the poor Spanish language capability of the advisors. Several firm owners reported poor communication causing less effective technical assistance.

3. Commercial Information

FEDEXPOR's commercial information service includes producing its directory, statistics gathering, publications, and its new information system. Discussion is limited to AID financed project activities.

FEDEXPOR before AID financing had a commercial information program for its members and other clients but this has increased considerably as a result of this project. The commercial information service now includes information on sales opportunities for exporters, potential distributors for specific products, market price information, and rules and regulations affecting certain products. On the offer side FEDEXPOR members are entered in the computers and can be sorted by products and regions for foreign buyers interested in contact exporters of Ecuadorian products. This information system is available in all six FEDEXPOR centers. Their newly installed computers also have specific import and export information for Ecuadorian products.

In the Quito and Guayaquil offices visited there is widespread use of this commercial information system. The Guayaquil office tracks 15-20 visits per day. Though not tracked formally, FEDEXPOR estimates 15,000 annual visits by exporters nationwide to the six offices for an average 57 contacts per day. They estimate another 20,000 annual telephone requests for information or 77 such requests per day.

FEDEXPOR client members interviewed indicated general satisfaction with these new commercial services. A few members indicated that the information is too general and requires more specific data. FEDEXPOR has not tracked whether these activities have lead to results or imports.

4. Market Promotion

FEDEXPOR's market promotion service consists of market analysis for potential exporters, information about diverse markets, financial contacts, collaboration with Ecuadorian embassies, trade missions, trade fairs, and organization of conferences and seminars. The discussion here is limited to project activities.

a. Seminars

FEDEXPOR reports having provided 35 seminars with AID funds; 11 seminars with other financing; and collaboration in other seminars with FEDEXPOR speakers during the past two years. FEDEXPOR does not distinguish well the differences among training courses, seminars, conferences, "charlas", and FEDEXPOR participation in a seminar sponsored by someone else. The information provided in Appendix D has FEDEXPOR's lists of seminars. Analyzing Appendix D there are 46 training events with a total of 656 hours and 1,870 participants. This means an average duration of 15 hours per event and an average 41 participants per event.

Seminars have been offered in all three subsector of metal mechanic, food processing, and ceramics. Some IESC advisors provided one or two day seminars at the end of their consultancy. Other Ecuadorian institutions and instructors have been used for training.

Two types of courses/seminars are offered. First is a broad standardized training event offered to wide audiences in such general areas as production, export marketing, preferential commercial treatments, la maquila, Andean trade perspectives, and other similar broad-based seminars. Second is a specialized technical training workshop in a specific technical area and with a more tightly controlled participant group. Recent examples are the auto clave course in Quito and Guayaquil and the recent refrigeration course in Quito.

FEDEXPOR report no overall strategy or plan for these seminars. Annual work plans and progress reports treat seminars the same and demonstrate no apparent plan.

Seminar participants give average ratings for both kinds of seminars. Firm officials interviewed stated the utility of specific specialized technical training. Their concern was that FEDEXPOR seminars lack specific objectives, training materials, and targeted audiences.

b. Trade Fairs

FEDEXPOR has participated in eight international trade fairs for 96 days duration and six national trade fairs over an 18 month period. Appendix G lists these trade fairs. Some had FEDEXPOR and affiliate stands while others had FEDEXPOR support of Ecuadorian exporter stands.

Trade fairs provide an opportunity for exporters to either view other exporters in action and/or participate in international fairs with their own products. Trade fairs also provide opportunities for personal contact.

The trade fairs have mixed reviews from exporters and observers interviewed. On the one hand about half of the fairs were well-prepared, Ecuadorian products shown well, and good results with sales and contracts. The other half of trade fairs had medium to low preparation, average displays, and according to some exporters portrayed Ecuador in a bad light.

One key issue related to trade fairs is that some exporters and a few association leaders maintain that some Ecuadorian products are not ready to be displayed at trade fairs. They insist that production levels are low, not dependable if they received contracts, and poor quality affects other exporters.

There is some evidence that a few exporters use the trade fairs well to make contacts, find distributors, and sign sales contracts.

c. Trade Missions

Seven trade missions were made outside Ecuador and five trade missions received in Ecuador during the past two years. These are listed in Appendix G. Most of these have been to other Latin American countries.

Almost all exporters interviewed these trade missions are important as service wanted from FEDEXPOR. They want contacts, names of brokers, distributors, and want to get assistance. A few admit they are lazy, want to export, but do not know to go about it.

There is some good evidence that these trade missions were planned and executed well. There is some evidence that these missions have laid foundations for future NTIE possibilities in neighboring countries. There is some evidence that sales contracts were made in these trade missions. Immediate direct results and impact are always difficult and there is a requirement for follow-up.

5. Dialogue and Policy Issues

FEDEXPOR engages in studies, policy analysis, seminars and other activities for the purpose of strengthening macroeconomic and legal frameworks that will help the export sector.

a. Studies

FEDEXPOR has produced seven studies that are legal briefs, laws and regulation background papers, policy background papers, informal analytical papers, and macroeconomic analyzes. Appendix F lists these studies. A draft Berger International document on FEDEXPOR's image, membership, services, and sustainability is the first full scale study dealing with a substantive area outside the legal framework.

FEDEXPOR studies go beyond specific project-related issues and are involved in studies that will affect global trade and investment environment. There has been more interest in specific studies related to legislation and macroeconomic environment instead of specific subsector studies. Each study of 15-40 pages normally has proposed legislation and its justification. These studies are distributed to appropriate government offices, associations, and the National Congress.

FEDEXPOR attempts to provide specific studies that will alleviate or mitigate a specific problem. For example, for the next year 1993-94, FEDEXPOR is planning studies in 1) legislation and regulations regarding sanitary registers; 2) maquila legislation; 3) opening up of ventanilla unica; and 4) studies on improving documentation for export.

At project inception sub sector studies were to be for each NTIE subsector in the project. Somewhere or somehow a decision was made not to do these studies and FEDEXPOR has not sponsored any subsector studies as anticipated in the project design. These studies would have been used for strategic planning for each sub sector. Exporters interviewed would support specific studies to resolve a specific bottleneck issue. For example, confectionery exporters unanimously requested studies on distributors and market opportunities for expanded chocolate sales.

There is consensus that the limited FEDEXPOR studies have been useful when tied to pending legislation or to resolve a specific problem. Some FEDEXPOR directors believe this is the most important service that FEDEXPOR can offer its members. They would still be welcomed to understand the subsectors.

b. Laws and Regulations

The background papers have led to important results in passed and pending legislation that could affect the NTIE sector positively over the long run. Appendix F lists this legislation.

It is difficult to attribute successful passage of legislation but FEDEXPOR has played a good role in this process.

6. Gender Issues

This project never gave any considerations of gender in the design and implementation of the delivery services nor results and impact desired. There is some late interest in collecting information about gender issues. Therefore, there is no evidence of gender issues taken into account in planning nor implementing the NTIE project.

The consensus finding, however, is that positive actions have been made that would affect women in Ecuador in a positive light. Exporters interviewed stressed that women are excellent employees for handling certain tasks in all three subsectors. Some

firms have overwhelming emphasis on hiring women. There is also good informal information that spread effect employment affects women well.

C. Results

FEDEXPOR expects five results (outputs) from its activities in 1) macroeconomic and legal framework strengthened; 2) comparative advantage industries established; 3) NTIE industries targeted; 4) Guilds and associations strengthened; and 5) FEDEXPOR institution sustained. Each result is assessed here.

1. Macroeconomic and Legal Framework

Ecuador is in a recession in mid to late 1993. This affects negatively the export community. Those interviewed coincided that the single most important factor affecting exporters is the overall economic situation in Ecuador. Inflation still hovers around 50%. The Government of Ecuador has made exchange rate stability an important instrument in its fight against inflation. As a result, the sucre has appreciated in real terms, which has made exports less competitive.

Ecuador has made good strides toward opening up its economy, relying less on protectionism, and establishing mechanisms that would affect positively the Ecuadorian exporter. Those interviewed who know of FEDEXPOR's work in policy issues have good praise for those efforts.

One good example is the Export Facilitation Law that has assisted in cutting down red tape for exporting, establishing the ventanilla unica, applied the unified inspection system, and eliminated the cargo reserve law. FEDEXPOR is presently assisting in developing six other types of export laws and regulations that, if passed and executed, would have salutary effects for exporters.

It is a general consensus by exporters and FEDEXPOR directors that FEDEXPOR needs to continue to place more emphasis in this result.

2. Comparative Advantage Industries

The three sectors and their respective subsectors selected for the NTIE project were: 1) Processed Foods a) Sea Foods, b) Confectionery, and c) Preserves; 2) Metal Mechanics; and 3) Ceramics. The DAI comparative advantage study is the feasibility study cited by FEDEXPOR or USAID for selecting these sectors. Two other sectors 1) Wood Products, and 2) Textiles were scratched from the project for policy reasons.

Appendix J provides a short technical review of comparative advantage for the country and these three subsectors. The findings indicate advantages and disadvantages for each of the three NTIE subsectors selected for this project.

The project has assisted perhaps 50-60 individual sector firms directly and perhaps another 50-60 other firms indirectly in enhancing their comparative advantage. This has been done primarily through technical assistance directly to the firms and to some degree indirectly through the passage of legislation that would assist individual firms over the long term. There is recent evidence in the past six months that training events are now more focused to assist individual firms increase production and have quality control.

According to guilds and association leaders interviewed, FEDEXPOR has done some work to strengthen the three sectors thus far in the project. Those interviewed are not sure though that this should be a proper role and responsibility for FEDEXPOR. The technical institutions such as CEBCA, ASOMETAL, and the associations like the Camaras de Pequeñas Industrias state their organizations have closer relationships to the export firms and are in a better position to provide technical assistance to strengthen the sectors and make the firms more competitive.

Although it is difficult to rank comparative advantage strengthened, the subsectors ceramic and confectionery appear to have benefitted most from project services. In both cases there appears to be a more focused approach to support those sub sectors. Next would be food processing which has received technical assistance and seminars to increase production and quality control. Last is the difficult metal mechanic sub sector that still requires considerable assistance to get production quality high enough to export more fully than present.

3. NTIE Targeting Industries

A well-structured targeted program would have a strategy that strengthens selected firms in production, commercialization, and market promotion. These factors would go together hand in hand. Such a program would also have customized services and emphasize efficiency over equity.

The project has two different target strategies. These are rather nebulous strategies but they nevertheless exist. First, FEDEXPOR provides broad and standardized services to all FEDEXPOR members. This is done with seminars, commercial information services, policy dialogue, and to some degree market promotion. Second, FEDEXPOR provides customized and targeted services to the three sub sectors through direct technical assistance, some training events, and some market promotion activities. FEDEXPOR officials maintain that they must do both even though results will most likely be affected in a negative fashion.

In the last six months FEDEXPOR has begun to put in targeting for the three NTIE sectors. FEDEXPOR officials affirm only most minimal emphasis on targeting. To the contrary, a spread effect, inclusive, broad based support, and emphasis on small and medium scale pre-export and sector exporters has been used. There is more emphasis

on numbers of firms involved rather than a target strategy. USAID/Ecuador has also been advocating this approach.

There is moderate level evidence that the FEDEXPOR activities in the past two years have strengthened the NTIE sector in Ecuador. The four indicators used show moderate levels of completion. However, the results are a "drop in the bucket" in magnitude as project activities only reach perhaps ten percent of the NTIE clients.

4. Guild/Association Strengthening

Collaborating with guilds and associations as a means for technology transfer has been somewhat de-emphasized in this project than the original design. There have been some results of subsector guilds assisting their sectors better but because of de-emphasis these results are piecemeal. Relationships are generally satisfactory, especially in Quito, Cuenca, and Ambato. There may be negative results because of FEDEXPORs' frictions with certain guilds and associations in Guayaquil.

FEDEXPOR has been a reluctant partner in its picking and choosing of guilds and associations. A complex set of circumstances with institutional relationships, turf battles, personalities and egos, all come to play in this drama of FEDEXPOR guild/association relationships.

5. FEDEXPOR Institution Sustainability

There are moderate result levels in FEDEXPOR strengthening its internal operation. This has been done almost exclusively by "purchasing" the expertise through new employees rather than training. The assessment of indicators shows some capability to assess specific production, commercialization, and marketing issues in specific sectors; adequate support for specific sectors; and high support in general information for exporters. The exporters need for very specific information and contacts for distributors and brokers is being satisfied well. USAID funding has made a major difference in this organization as it transforms itself into a modern association.

FEDEXPOR documents refer to two phases of institutional development. First phase concerns internal strengthening with new personnel, equipment, opening offices, and setting up the information system. The second phase bolsters the staff and their functions with the assistance of Berger International.

FEDEXPOR is very dependent in the short term on funding decisions from AID. The Berger International "image" draft study indicated that FEDEXPOR relied on 73% of its total budget from AID funds. The other 27% budget comes almost exclusively (83%) from membership dues and a small fraction from other contracts.

There is only slight optimism that FEDEXPOR can sustain itself at the present

levels after AID funding terminates in September 1994. In the last six months or so there have been good strides to recruit new members but these new funds would not support present operating expense levels after September 1994. Yet at the same time FEDEXPOR stumbles badly in Guayaquil and loses members of its board of directors and export members. And according to the cited Berger study, 43 of the largest 100 Ecuadorian export companies are members of FEDEXPOR.

D. Impact Findings

The ultimate test of an institutions' worth is by measuring its facilitation of impact at the purpose level. This is measured by the dual indicators of increased employment and increased exports. As explained elsewhere, FEDEXPOR does not have a monitoring and tracking system in place so that the following observations must be of a general nature. FEDEXPOR had just established project indicators and a monitoring and evaluation system just prior to this evaluation so that it was not possible to obtain specific impact data for this evaluation. This may be possible perhaps in the next six months.

1. Employment

Several recent studies by CEBCA, the World Bank, and the United Nations affirm that the non-traditional industrial sector is increasing employment annually at about eight percent per year. This is positive considering Ecuadors' unemployment and underemployment combined hover around 50% of the economically active population.

Every firm interviewed stated that positive increases in employment of personnel was being made each year. All three sectors have demonstrated some increased employment in the past two years. Women employment levels have increased more than men. There is some evidence that employment is at different labor levels of laborer, technician, and administration. Some good examples are in sales directors, marketing directors, and production supervisors.

2. Exports

Central Bank data shows that non-traditional value added industry exports are increasing steadily each year. Ceramics and metal mechanics subsectors have increased steadily in export sales in the past three years. The chart in the Project Brief shows that Metal Mechanics export sales rose from $19.1 million in 1991 to $33.5 million in 1992; ceramics rose from $1.6 million in 1991 to $2.2 million in 1992. Food Processing declined from $152.4 million in 1991 to $145.5 million export sales in 1992. However, data to July 1993 indicate that 1993 food processing sales may reach $200.0 million in 1993.

Many firm owners interviewed stated that they had increased export sales in the past two years. In one case an exporter affirmed that his sales increased because of a

new product that was promoted by the technical assistance advisor from FEDEXPOR. In all other cases, exporters attribute their success to their own initiatives and not to FEDEXPOR assistance. At this point it is too early to make such attribution affirmations.

There have been good export sales of Ecuadorian products made from contracts negotiated at FEDEXPOR affiliated trade fairs. These Ecuadorian firms are not necessarily NTIE targeted firms but would generally be members of FEDEXPOR. In this sense, FEDEXPOR has made a good contribution to assisting in making contacts among exporters and buyers.

In the same vein, FEDEXPOR officials report a good deal of export sales generated from the commercial information service. Both exporters and FEDEXPOR officials interviewed state affirmatively that increased sales have been made because of this commercial information service.

IV: CONCLUSIONS

A number of conclusions are suggested by the findings in Chapter III. The conclusions presented represent an effort to explain the relevant data and findings in a larger context. The reader may agree with the findings and could take issue with some of the suggested conclusions. They are grouped in five major areas.

A. Design and Strategy

Design and strategic planning at FEDEXPOR are below levels they are capable of achieving. This sad conclusion is made based on their record to date of not providing crisp and professional planning for implementation with their limited resources.

Other USAID-funded export promotion projects in other Latin American countries have integrated and focused strategies. The Project Paper also has powerful statements and analysis regarding the need for focused planning and implementation. Somehow this never got translated to the FEDEXPOR officials.

In fairness to FEDEXPOR officials, a good majority are new FEDEXPOR employees and focus their attention on their own individual delivery instruments. Some other veteran FEDEXPOR officials have left the organization. The lack of an executive director at present may account for some current problems but this lack of focus has been with FEDEXPOR since project inception.

This weak strategy hinders project results. There is no guarantee that the project activities as planned will produce results.

Another issue of focus is FEDEXPOR attempting to be at least two different organizations at the same time. A recent AID central funded study on export and investment promotion noted that there are four different models for investment and export promotion, as follows: 1) a central government unit perhaps within a Ministry of Industry and Commerce; 2) an independent private entity such as Fundacion Chile; 3) a membership organization like FEDEXPOR; and 4) a project implementation unit such as PROEXANT in Ecuador. FEDEXPOR mixes its role as a member organization (commercial information to members, buyer contacts for exporters, laws and regulations affecting members) and a second role as a project implementation unit (providing technical assistance).

B. Delivery Instruments

FEDEXPOR project delivery at the activity level are functioning adequately but this institution has the potential to improve their service activities and thereby increase their effectiveness considerably.

Service/delivery instruments executed well are the standardized commercial information systems and dialogue and policy issues servicing all members. Activities less well focused are those customized services of technical assistance and market information (seminars). They require more thoughtful planning.

There is some question whether the delivery instruments are designed to produce the desired results. Delivery instruments lack the focus that is required for more effective results.

C. Strengthening NTIE: Comparative Advantage/ Targeting

The three subsectors of NTIE require separate treatments and strategies because all three have different specific needs and are at different levels of development. The ceramics subsector appears to have good quality products, abundant raw materials, but needs a major push in marketing to increase export sales and to make an intervention be cost effective. Metal mechanics has limited quality production in Ecuador but the firm owners have accepted a secondary niche appropriate for their product quality. Food processing subsector has an excellent opportunity to expand if it can assure good suppliers of raw materials and can keep its quality controls at adequate levels and then expand its marketing. Food processing export sales levels are high enough and diversified enough to warrant continued support.

FEDEXPOR's implicit strategy of supporting macroeconomic and legal foundations should be applauded. It is worthwhile for them to make this service much more explicit.

D. Guilds and Associations

FEDEXPOR's relationships with guilds and associations is precarious. It might establish good to excellent working relationships with one organization one week and then falter with another group the following week. Their precarious situation with sector guilds and associations does not attest to their long term institutional stability.

The guilds and associations are in good positions to work more directly with the specific subsectors. They have technical expertise in subsector issues and have a more closely related vested interest in improving a given subsector. It is in FEDEXPORs' long term interest to make sure that these guilds and associations are viable and provide good support to NTIE firms.

E. FEDEXPOR Sustainability

FEDEXPOR's possibilities for self-financing over the short term are quite precarious. There should not be much optimism that increasing memberships or dues will solve their short or long term cash flow problem for meeting operating costs.

Self-financing is not sustainability but rather only part of sustainability. A larger and broader view of FEDEXPOR's sustainability must be made. Thanks to AID funding and hard work by well-meaning FEDEXPOR employees and directors, this organization is perhaps at the peak of its history for providing services to its members. At least 50% of its present services never existed two years ago.

V: RECOMMENDATIONS

The principal recommendations outlined here concern FEDEXPOR's future operations and issues in the near term future. These recommendations reflect judgements and need to be discussed among interested groups in the future of FEDEXPOR. Again, one could agree with the findings and conclusions but not fully accept the recommendations.They are the solutions to the five major conclusions.

A. Design and Strategy

FEDEXPOR has the capability, with Berger International assistance, to revamp its design and strategy as it enters its second phase of operation under the USAID funding mechanism. This is not a re-design of the project but rather a systemic effort to make sure that all activities are planned well and follow a strategy. This new strategy should be result-driven along the lines of a logical framework design for producing results.

This new effort should be done immediately and with all senior FEDEXPOR staff and if possible FEDEXPOR directors. The results should be placed in their Action Plan 1993-94. This should be their blueprint for action over the next year. The Action Plan should have a strategy for fund raising, membership drive, and self-financing following many of the recommendations of the Berger International "image" study. FEDEXPOR, with Berger International assistance, needs yo have several workshops or retreats to promote within the organization a better understanding of the FEDEXPOR "mission" or vision.

Even though the Cooperative Agreement between FEDEXPOR and USAID/Ecuador was just recently amended, the USAID Mission may consider amending the Cooperative Agreement again to reflect some of the recommendations set forth in this report. For example, it would be helpful that the Cooperative Agreement reflect stronger emphasis on results and impact at the output and purpose levels respectively. The new indicators could be included in such an amendment. Specific language could be made that emphasized FEDEXPOR committing itself to sustainability, strategic plans, and revised delivery systems.

B. Delivery Instruments

FEDEXPOR's five delivery instruments/ services need to be more focused to obtain better results. The revision of these instruments/services would obviously be required to achieve Recommendation No.1 above. Therefore, a complete revision should be done immediately.

The first task is to explore other ways of delivering services then are being used now. FEDEXPOR should investigate instruments/services that are used effectively in export promotion projects in other Latin American countries. They can also think about

new ways to serve their members. Their thinking should also be result-driven.

Other Latin American countries with export promotion programs have used very different delivery approaches than tried in Ecuador and with good results and impacts. One is impressed with the variety of delivery instruments that have potential for effectiveness.

In the Dominican Republic, for example, there is much tighter eligibility criteria for firm participation in the export promotion project. There they require the export firm to develop its own organizational development and needs plan with assistance from project advisors. The firms elaborate the kinds of assistance they need to become more competitive in exporting NTIE. With the plans in hand, about 150 firms, project officials are able to plan annual activities that support the firms more directly. Delivery services are tightly focused on those needs. The results have been positive in terms of increased export and employment.

The second task is carefully evaluate each instrument in terms of its effectiveness, relevance, and timeliness. This evaluation can help but FEDEXPOR needs to evaluate its instruments critically and make the changes necessary.

The third task is to plan that the instruments are congruent, strategic, focused, supportive one to another, and will produce the desired results.

The FEDEXPOR draft 1993-94 Work Plan has planned five studies, six technical assistance areas for 310 days, and 23 seminars. These are listed in the annexes. The mere listing of these future events in a work plan makes no sense in effective planning. These events must be scrutinized carefully to assure that they are needed and how they will contribute to outputs. It is obvious that this rigorous planning has not been done.

The five studies must have clear objectives, study methodology, dimensioning, and intended use of the study. Technical assistance strategic planning must have specific behavioral or performance objectives, content, methodology, audience, delivery, terms of reference, and expected outcomes. The 23 seminars planned must have the above criteria and in addition must have specific training materials that will be used. Finally, these three interventions must have a strategy that is focused and complementary.

C. Strengthening NTIE:Comparative Advantage/ Targeting

FEDEXPOR needs to provide a holistic, integrated, focused, and targeted affirmative actions for each of the three NTIE subsectors. This is going to require much effort and change than the present status quo. It requires a systemic review of each subsector, starting with a mini-study of each subsector, to determine the kinds of actions required for each subsector.

FEDEXPOR should consider designating subsector specialists who have full responsibility for planning and implementing interventions for that subsector. This is done partially now by default but needs to be official. These FEDEXPOR officials would take on additional responsibilities to assure that subsector programs work well. This would not require additional costs as this would mean simply designating present FEDEXPOR officials specific tasks of supporting designated subsectors.

D. Guilds/ Associations

FEDEXPOR should strengthen its relationship with the guilds/associations in a win-win proposition. One FEDEXPOR official should have a primary responsibility to assure guilds/associations participation in the NTIE project. FEDEXPOR should establish very specific performance objectives and expected results from its work. .

FEDEXPOR should explore a wide variety of ways to include guilds and associations. This could include, for example, conducting joint studies of mutual interest, co-sponsoring seminars and workshops such as was done with sea food processing workshops with FEDECAM; channeling technical assistance through the guilds and associations; and in general responding to guilds and association needs.

E. FEDEXPOR Sustainability

FEDEXPOR should establish immediately a Sustainability Plan that should take effect no later than January 1, 1994. This plan should take into consideration and include the principal recommendations of the Berger International "Image" study. The need to increase membership, increase dues, and charge for technical assistance are worthy goals and should be pursued. Those efforts of and by themselves are not enough to obtain sustainability.

New strategies of sustainability are required.

First, FEDEXPOR should make a vigorous effort to obtain an endowment, a debt swap, or other long term funding to purchase or build its own headquarters and branch offices. Income for operating expenses can be obtained from rentals.

Second, FEDEXPOR should make an aggressive plan to get more contracts. Contracts should be obtained to conduct export-related studies, seminars, and other activities in which an overhead should be used to finance operating expenses.

Third, cooperative agreements can be obtained from other donors or governments to support additional subsectors or one of the five FEDEXPOR services similar to that at present with AID funding.

Completing these five recommendations will not be easy. Fulfilling them will place FEDEXPOR on the competitive edge and will mean that FEDEXPOR is serious about serving Ecuador's export community and making a significant contribution to the country.

Finally, USAID can play a positive role in fostering the changes required in this report. The institution has substantial corporate experience in export promotion worldwide and especially in Latin America that can be brought to bear on this project. It has access to information, studies, evaluations, experiences, advisors, and other resources that can be used positively in the next year. It was not always there at the beginning with its full service but can rectify that now and begin to have a full partnership role that can bring about the recommendations stated in this report.

APPENDIX A: SCOPE OF WORK

TERMS OF REFERENCE FOR THE EVALUATION OF THE TRADE AND INVESTMENT PROJECT, NON-TRADITIONAL INDUSTRIAL EXPORTS WITH FEDEXPOR

Background

On September 12, 1991, USAID/Ecuador signed agreements for the Trade and Investment Project (T and I), encompassing a grant to the International Executive Service Corp. (IESC), and a grant to the Ecuadorian Federation of Exporters (FEDEXPOR). A grant to the newly established Fundación Ecuador was to be pursued at a later stage. Planned obligations were not to exceed ten million dollars (US$ 10,000,000) in grant funds over a six years period from date of authorization to help in financing foreign exchange and local currency costs for the project. The planned life of project is approximately six years from the date of initial obligation, that is, September 30, 1997.

The project consists in providing technical and financial support to develop Ecuador's capacity to promote export and investment expansion and, in the course of the project, to provide selected, direct export and investment assistance services.

The Trade and Investment Project consists of three components: 1) export promotion services; 2) investment promotion services; 3) institutional strengthening and policy dialogue. The project is USAID's chief vehicle for accomplishing Strategic Objective No. 1 (to increase non-traditional exports and employment). An initial two-year Cooperative Agreement was negotiated with FEDEXPOR for export promotion services to industrial products. USAID/Ecuador contracted, on behalf of FEDEXPOR, the international expertise necessary to develop and carry out unique industry specific business development strategies and contract programs.

Article I - Title

Project: Trade and Investment
Cooperative Agreement 518-0094-A-00-1108-00

Article II - Objective

The purpose of this contract is to use the services of a consultant to conduct an evaluation of the Non-Traditional Industrial Exports (NTIE) component, under the Trade and Investment Project.

The contractor's findings, conclusions and recommendations will provide a clear understanding of the impact of this project component in promoting expansion of NTIE

products.

Article III - Statement of Work

The activity to be evaluated is the Non-Traditional Industrial Exports component of the T and I Project, being implemented by FEDEXPOR from September 1991 to the present. This evaluation will measure progress achieved toward the goal and purpose of the component and major accomplishments. This sub-project is composed of several activities, which will be examined, particularly with regard to the impact and sustainability, as detailed below.

Purpose: The purpose of the evaluation is to determine the relevance, significance, impact and sustainability of the project component. Specifically, the evaluation should measure whether the sub-project purpose was achieved. The sub-project purpose is "to increase exports and employment in Non-Traditional Industrial Exports." The evaluation should also measure progress in other sub-project activities, such as the institutional strengthening of FEDEXPOR and recommend areas of major attention in the future. In addition, the evaluation will answer the following questions:

1. Is Ecuador's potential and comparative advantage to produce and export non-traditional industrial products sufficiently large to justify USAID's investments?

2. Are the non-traditional industries targeted by the project the most appropriate to accomplish the sub-project objective?

3. What negative impacts have resulted from the project?

4. Are the effects of both components of the FEDEXPOR institutional strengthening and expansion of NTIE likely to become sustainable development impacts?

5. Seminars: How many seminars were conducted? What did the seminars accomplish? What were the topics? Who taught the seminars: Did FEDEXPOR reach the stated output levels by June 30, 1993? Determine and describe the reasons for any lack of progress.

6. Increase Exports and Employment. We need to measure the impact of this component on the increase of NTIE and employment and on the achievement of SC-1 indicators and program outputs.

7. Technical Assistance: In what areas has technical assistance been provided? What did it accomplish? To what groups of organizations has the technical assistance been provided? Determine and describe the reasons for any lack of progress in this area.

8. Studies: How many analyses were conducted? Was sufficient analysis of subsectors performed for the USAID and FEDEXPOR to make the most informed decisions regarding the non-traditional industrial sector to be supported? What were the topics? How have the results of the analyses been utilized?

9. Gender Concerns: During the execution of their task, the evaluation team should take into consideration the gender concerns.

(The rest of the Scope of Work provides details concerning methods and procedures, reports,relationsnips and responsibilities, work days ordered, performance period, budget, and special provisions.)

APPENDIX B: PERSONS INTERVIEWED

USAID/Ecuador

Peter Lapera	Commerce, Trade, and Investment Officer
James Watson	Export Trade and Investment Officer
Edgar Guillén	Project Manager, NTIE/FEDEXPOR
Carlos Torres	Project Coordinator, Program Office

FEDEXPOR

José Augusto Bermeo	President
José Tamariz	Vice-President
Raúl Jamed	Executive Director, Acting, Guayaquil
Julio Carrera	Executive Director, Acting,
Grace Luna	NTIE Project Coordinator
Hugo Cerón	Director of Research and Analysis
Catalina Castellanos	Technical Assistant
Edmundo Brown	Industrial Technician
Gorki Acosta	Chief of Information Systems
Veronica Sion	Director of Commercial Information
Teresa Perez	General Accountant and Administration
Teodoro Jaramillo	Regional Director, Cuenca

Clients/Exporters

Jose Polit	Envases del Litoral, Guayaquil
Mauro Intriago	Marivel, Guayaquil
Marcelo Hidalgo	INDECSA, Guayaquil
Marco Fontana	CREMINO, Guayaquil
Jose Augusto Bermeo	Extractos Andinos, Quito
William Palacios	PRECITEC, Quito
Raúl Mendizabel	VYMSA, Quito
Gino Gavelli	Gacelmon, Cuenca
Juan Vicuña	Gacelmon, Cuenca
Edgar Abad	Productos Artisticos de Ceramica, Cuenca
Bolivar Bernal	La Europea, Cuenca

Chambers, Guilds and Associations

Fausto Ayala	Technical Director, CEBCA
Augusto Celin Pazos	Director, ASOMETAL
Patricio Egues	CAPEIPI
Kurt Freund	Cámara de Industriales de Pichincha

Alfonso Pozo	Cámara de Industriales de Pichincha

Others

Joseph Burke	Chief of Party, Berger International
Carmen de Carpio	Director, IESC/CISE

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APPENDIX D:LIST OF SEMINARS

This list of seminars, courses, charlas, conferences, expositions is compiled by this evaluator from information provided by FEDEXPOR. It is incomplete and mixes different types of training events together.

By counting all training events, we found 46 events with 656 hours of instruction, and with 1,870 participants. This means average duration is 15 hours and average participants are 41 per event. These numbers ar eschewed though by the large number of participants in public conferences.

1992

1. La Maquila

   Dates: February, March, May, July, November, 1992
   Participants: Held in Quito, Guayaquil, Cuenca, Machala, and Manta respectively. 33 participants.
   Professor: CORMODEX

2. Preferential Commercial Mechanisms in the United States

   Dates: April, June, July, August, September, 1992
   Participants: Held in Quito, Guayaquil, Cuenca, Machala, and Manta

3. Total Quality

   Dates: Course in two modules provided in Quito and Guayaquil for total of 12 days. October 26- November 20, 1992

   Participants: 139 participants. 31 men and 108 women
   Professor: Ecuadorian Corporation for Total Quality
   Results: A few firms expressed that they have started using total quality programs in their firms.

4. New Alternatives and Opportunities to Broaden Markets and Attract Investments in Sea Products with Value Added

   Dates: December 1-2, 1992
   Participants: 60
   Results: The FEDEXPOR 1992 Annual Report stated positive results as follows. One company noted that it has increased its shrimp by $250,000 per month. Another company changed its focus after the seminar to export value added fish products. Four companies

decided to buy equipment to produce shrimp with value added. Another four companies reported to FEDEXPOR that they decided to conduct market studies of value added for fish processing while another financial institution entered into a joint venture.

5. Financial Mechanisms of CAF for Foreign Trade

Dates: Guayaquil
Professors: CAF

6. New Concepts in International Marketing

Dates: Guayaquil
Professors: CENDES

7. International Seminar on Trout Culture

Dates: June 29- July 3, 1992 Cuenca
Participants: 32(31 men; 1 women)
Professors: Marcelo Ferrada
Firms: FEDEXPOR; Proexant

8. Law for Facilitating Exports

Dates: April 8, 1992 Cuenca
Participants: 40 (23 men; 17 women)
Professors: Ing. Arturo Calderon, Central Bank of Ecuador

9. Ventanilla Unica

Dates: June 17, 1992 Ambato
Participants: 50 Camara de Producción de Tungurahua
Professors: Patricio Guarderas; Francisco Chiriboga

10. Law Facilitating Water Transport

Dates:
Participants: 50

11. Food Processing

Dates: October 14-16, 1992 Quito
Participants: 70(20 women; 50 men)
Professors: Politécnica de Quito

Content: International symposium with co-sponsors from Sweden
Results: Provided good information for technology of food processing

12. Negotiating and Expediting Exports

Dates: March 19-22, 1992 Cuenca
Participants: 37 (Proexant, Banco Pacifico, Banco Continental, SECC
Professors: 10 professors

13. The Challenge of Andean Integration

Dates: April 1-2, 1992 Quito and Guayaquil
Participants: 70 total (45 Quito; 25 Guayaquil
Professors: Dr. Diego Anzola Chiappe
Content: Possible obstacles to Andean integration
Results: Reported good discussion of salary levels, labor laws, free zones, exchange rates, and inflation

14. Export Financing

Dates: July 28-30, 1992 Quito, Guayaquil
Participants: 35 and 51 respectively
Professors: IDB, CFN, CAF
Content: Analyze financial credit and learn new role for CFN
Results: Learned new lines of credit and new financial system

15. Commercialization of Exportable Products

Dates: Machala
Participants: 15
Professors: FEDEXPOR staff

16. Export of Handicrafts and Non-Traditional Agricultural Products

Dates: August 28-30, 1992 Loja
Participants: 36 Universidad Técnica de Loja

17. New Export Regimes

Dates: Quito, October 27-29, 1992
Participants: 43 (Custom officials, Central Bank)

18. Draw Back

Dates: November 26, 1992 Quito
Participants: 34 (Private and public sectors)
Content: Diffusion information about new "drawback' law

19. New Products for Export

Dates: November, 1992 Ambato
Participants: 80 people
Professor: Kenneth Crocker
Firms: Faculty of Food of the University of Ambato and SECTAL
Content: Provided seminar after the technical assistance. Also gave same course in Cuenca for three hours to faculty and students of the University of Cuenca.

1993

1. Vegetable Processing

Dates: January, 1993
Participants: Camara de Industrias de Guayaquil 33 people.
Professor: Kenneth Crocker
Content: Procedures to assure quality in new products. Four hour course.

2. Conditions of Access to Markets: Tariffs

Dates: February 16 and 17, 1993 Quito and Guayaquil
Participants: 42 in Quito and 47 in Guayaquil
Professor: FEDEXPOR staff
Firms: Proexant seminar
Content: FEDEXPOR participated with speaker in a Proexant training event.

3. Die Casting and Molds

Dates: February, 1993
Participants: 36 Participants. Escuela Politecnia de Chimborazo
Professor: Louis Auer

4. New Regimes of Export and Ventanilla Unica

Dates: Guayaquil, 24,25 February, 1993
Participants: 173 persons
Professors: Various expositions
Firms: Officials from custom, port authority, Central Bank, and exporters.

Content: Explain and diffuse information about the new law regarding exports.
Results: Received different opinions about the new law so that adjustments can be made.

5. Custom and Port Services

Dates: March 16, 1993 Quito
Participants: 183 participants
Professors: Various expositions; conferences, lectures
Firms: Sponsored by the Camara de Comercio de Quito and the Camara de Industriales de Pichincha.
Content: Expositions on need to modernize the port authority and customs procedures.

6. Organization and Operation of Trading Companies

Dates: Quito, March 22 and 23, 1993; Guayaquil March 24 and 25, 1993; Cuenca March 29 and 30, 1993
Participants: 35 Quito; 20 Guayaquil; 18 Cuenca. 55 men and 18 women.
Professor: Rubén Daniel Avaro of Centro de Comercio Internacional CICOM.
Content: Channels of International Commercialization: the Trading Company

7. Physical Distribution

Dates: March 25, 1993 Quito
Participants: 20 (18 men and 2 women)
Professors: Seminar organized by CEUTICUR
Content: One day meeting with various expositions.

8. Auto Clave Management

Dates: Three seminars. May 12-14 (Cuenca); June 2-4 (Quito); June 16-18 (Guayaquil) 1993
Participants: 20 Participants each seminar. Total 60
Professor: Escuela Politecnica Nacional
Firms: Broad representation of firms in all three cities.
Content: Auto clave procedures. Sterilization of cans and jars. Practical visits to plants.
Results: Interview reports of changes in procedures in several plants because of seminar.

9. Packing, Wrapping, and Labeling of Food Products

Dates: Two seminars: Quito July 22,23, 1993; Guayaquil July 27,28, 1993
Participants: 33
Professors: Private company managers
Content: Metallic, plastic, cardboard, and glass packing materials and modern labeling
Results: Modern use of packaging material for exportation

10. Cool Room and Refrigeration Systems

Dates: September 28,29, 1993 Quito
Participants: 55 (53 men and 2 women)
Professor: Escuela Politecnica Nacional and private consultants
Firms: Exporting and local companies of several industrial sectors
Content: Equipment, specifications, operation and maintenance of cooling systems
Results: Improve efficiency and operation circles of compression systems

SEMINARS PLANNED FOR 1993-94

1. Strategies for International Commercialization of Goods
2. Incentives for Export Promotion
3. Export Consortiums
4. Restructuring of Ecuadorian Ports
5. Investment Promotion
6. VII Congress of Food Science and Technology
7. Successful Export Experiences
8. Short-Term Courses in Specific Export Technique Topics
9. International Trade and Commerce
10. Draw Back, Maquila, and Joint Ventures
11. Food Plant Operators
12. Laboratory Techniques
13. Modern Methodology Inspection Seminar
14. Latin American Export Management Seminar
15. Ceramic Packaging
16. Perspectives on the Shrimp Sector
17. International Trade Channels
18. New Sea Food Products Development and Distribution
19. Canned Food Production and Distribution
20. Modern Food Technology
21. Exports of New Food Products (3 times)

APPENDIX E: LIST OF TECHNICAL ASSISTANCE

1. Ceramics — Ralph Brigham

   Dates: October, 1992 5 Days

   Activities: Problem solving with four firms in Cuenca.

   Results: FEDEXPOR reports mixed results.State that stay too short period of time and little time with each firm. This also confirmed with exporter interviews.

2. Ceramics — Chester Davis

   Dates: October - November, 1992 31 Days

   Activities: Worked only in Cuenca and with 15 firms. Concentration on problem solving with specific firms.

   Results: Two firms affirm changing production modes. A couple of firms start process to form National Institute for Ceramics. Mixed results. Spent too little time with some firms. Did not get to real issue of problems in two firms.

3. Processed Vegetables — Kenneth Crocker

   Dates: November, 1992 20 Days

   Activities: Provided technical assistance to 11 firms and technical institutions. Determined adjustments needed for processed foods. Worked with Ecuavegetal, OLEICA, La Rosita, CAPACIF, Jorge Salame, Jorge Roman, Universidad Técnica de Machala, ESPOL, and the Camara de Industrias de Guayaquil. He also worked with Extractos Andinos for 6 of the 20 days. Mr. Crocker also presented a seminar to 37 exporters.

   Results: Four firms attest to changes in plant operations and quality of products and also strengthening their control systems. Good reviews of work in changing procedures.

4. Ceramics — Trevor Glucksman and Kate Glucksman

   Dates: January, 1993 20 Days

Activities: Created a promotional package for Azuay ceramic products. Evaluated the potential for ceramic production and export in Manta, Loja, and Puyo.

Results: Reported that promotional catalogue design was made and in place and could be used in future. Criticized for making tourist trip around country. Evaluation not too good of work.

5. Metal Mechanic Louis Auer

Dates: February, 1993 20 Days

Activities: Provide technical assistance in Quito, Ambato, Cuenca, and Guayaquil. In Quito with PRITEC; in Ambato with Ecuamatriz, Plasticos PAG, Plasticos Brothers, Plasticos PIA, and ECUATRAN; in Cuenca with Austrometal, Colegio Técnico Salesiano, INDURAMA, and MOB Landivar; in Guayaquil with Electrodomesticos Durex. Very specific problem solving activities. Mr. Auer also ran a seminar.

Results: FEDEXPOR reports that some firms making changes in operations. Another company changed its molds. Good reviews for TA in Quito. Seminar well received.

6. Food Processing: Chocolates Bernard Verbeek

Dates: February- March, 1993 31 Days

Activities: Provided direct technical assistance to Guayaquil firms of INDECSA (15 days), La Universal (8), Marivel (5), CREMINO (2), and La Perla (1). Wrote total of 48 technical reports regarding specific changes that should be made in production, commercialization, and marketing.

Results: In interviews, very high levels of impacts reported by three general managers. State putting into place the recommendations, making production changes,

7. Food Processing: Sea Food Products Gerald Greber

Dates: May- June, 1993 20 Days

Activities: Direct technical assistance to sea food processing firms in Guayaquil and Manta. Those are Fresman, MABIOSA, VERSEX, Industria Mar

Lubar, and Ecuafresco.

Results: Inconclusive. Reports of some problems with accepting ideas and also that firms did not take advantage of his expertise well.

8. Trade Fairs John Shoaf

Dates: August 23-September 12, 1993 15 Days

Activities: Training and orientation regarding setting up trade fairs. Worked in Quito, Guayaquil, and Cuenca.

Results: Mixed reviews of results and impact. Appreciated in Cuenca in setting up ceramic fair for New York. Less effective working on general trade fair concepts.

TECHNICAL ASSISTANCE PLANNED 1993-94

1. Food Processing: Seafood

   Dates: 20 Days
   Activities: Work with five firms in developing new seafood products and their commercialization. Technical assistance at plant sites in Esmeraldas, Manabi, Guayas, and El Oro. Also provide a seminar of 20 hours.

2. Food Processing: Preserves

   Dates: 20 Days
   Activities: Work with five new firms in fruit and vegetable preserves; especially artichoke and baby vegetables. In Azuay and Tungurahua. Also provide 20 hour seminar.

3. Certificate ISO 9000

   Dates: 150 Days
   Activities: Work with many different firms in certificate ISO 9000 determinations.

4. Metal Mechanic

   Dates: 80 Days
   Activities: Make diagnosis of possible new metal mechanic products. Work with four firms in Quito and Guayaquil. Also CEBCA for three months in preparing new product study.

5. Metal Mechanic: Galvanized Products

   Dates: 20 Days
   Activities: Work with six firms in Quito and Guayaquil with technical assistance in galvanized products.

6. Decorative Ceramics: Oven Drying

   Dates: 20 Days
   Activities: Provide technical assistance to three firms in oven drying. Also conduct an eight hour seminar.

APPENDIX F: LIST OF STUDIES AND PENDING LEGISLATION

STUDIES

1991-1993

1. Drawback
2. Ventanilla Unica
3. La Maquilla
4. Trading Companies Law
5. Macroeconomic Analysis Ecuador 1991
6. Macroeconomic Analysis Ecuador 1992
7. Macroeconomic Analysis Ecuador 1993
8. Study of Export Legislation

STUDIES PLANNED 1993-94

1. Tomato Paste Study
2. Balanced Food Market Study
3. Statistic Analysis and Prices
4. Jelly Commercialization Study
5. Colombia Food Processed Study

PENDING LEGISLATION

These are legislation issues FEDEXPOR officials are working on at present time.

1. Export Facilitation Law

   Passed legislation. Contemplates easing export procedures; creation of the ventanilla unica; application of the unified inspection system; and eliminates the reserve cargo law.

2. Private Export Development Law and Trading Company Law.

   Pending legislation. Contemplates application of credit insurance for exporters; implements norms, requirements, and quality for export products; improves port policies; finances of the plan for private export development; and creates a scheme for setting up trading companies.

3. Project for Regulation of the Monetary Board in favor of Debt Swap to Support Non Traditional Exports

   Pending. Legislation in stand by until discussed by the national government.

4. Project of Industrial Deposits

   Pending. This is FEDEXPOR's support for the new customs service law proposed by the national government.

5. Modification of the Maquila Law and Regimes

   Passed. FEDEXPOR tracking and monitoring.

6. Modification of Free Zone Laws

   FEDEXPOR monitoring and adjusting.

7. Draw Back Legislation

   Passed May, 1993. FEDEXPOR is monitoring and adjusting.

APPENDIX G: LIST OF TRADE FAIRS, TRADE MISSIONS, AND COOPERATIVE AGREEMENTS

INTERNATIONAL TRADE FAIRS

1. EXPO 92 Sevilla, Spain April 20- October 12, 1992

   Activities: FEDEXPOR has a 25 sq. meter stand in the Ecuador pavilion. Provided information about Ecuadorian products.

   Results: Fair aimed principally at selling Ecuador and not products.

2. Bogota International Fair Bogota, Colombia, July 15-26, 1992

   Activities: Supported the participation of the Camara de la Producción de Tungurahua with 10 firms.

   Results: International contacts for the firms.

3. International Food Salon Paris, France, October 22-26, 1992

4. Foodpack of the Americas Miami, Florida, USA January, 1993

5. European Sea Food Exposition,Brussels, Belgium April 20-22, 1993

   Activities: Supported FEDECAM with $4,500 for promotional posters. Twelve Ecuadorian firms represented.

   Results: FEDECAM identified 11 projects for joint ventures. Some participants got sales and other contracts.

6. GONDOLA, Bogota, Colombia, June 9-11, 1993

   Activities: First event that FEDEXPOR coordinated directly the participation of Ecuadorian firms in an international trade fair. Eight firms participated.

   Results: Survey made showed 79 opportunities in different commercial sectors. One firm made a sale of $2,000,000.

7. SIAL Fair No Date

   Activities: FEDEXPOR had a stand inside the Ecuador pavilion to show Ecuadorian products and get commercial opportunities.

8. Latin Industry Exposition 1992

Activities: FEDEXPOR, with the Camara de Industriales de Pichincha, participated in promoting Ecuadorian products.

Results: Made 55 commercial contacts.

NATIONAL TRADE FAIRS

1. Banana Fair, Machala, Ecuador, September, 1993

Activities: FEDEXPOR stand promoting ceramics, processed foods.

Results: Provided information about FEDEXPOR and the products.

2. EXPO Colombia 93 Quito, Ecuador February 10-14, 1993

Activities: United 370 Colombia firms interested in doing business in Ecuador.

Results: Survey showed 100 opportunities made in different sectors.

3. EXPO Metal 93, Quito, August, 1993

Activities: FEDEXPOR participated in this fair. Sixty national firms and 20 international firms.

Results: 135 meetings held with $300,000 reported sales.

4. Andina Trade

Activities: FEDEXPOR stand and exposure of products for 60 affiliates in three stands. Additionally, FEDEXPOR made conferences about international commerce.

5. Agro Industrial Fair Ambato, No Date

6. Duran International Fair, Duran, October, 1993

TRADE FAIRS PLANNED 1993-94

1. ANUGA Cologne, Germany October 9-14, 1993

2. FISA, Santiago, Chile, October, November, 1993

TRADE MISSIONS TO OTHER COUNTRIES

1. Matchmaker, Rotherdam, March 20-April 10, 1992

   Activities: Seminars and conferences to make contacts with Directors of CBI and to get project assistance to Ecuador.

2. Lima Forum February 8-9, 1992

   Activities: FEDEXPOR participated in a forum about the role of export promotion in the context of open trade.

   Results: FEDEXPOR will be the counterpart of the Andean Export Promotion Program supported by CEE.

3. Colombia-Ecuador Encounter, Bogota, February 24-26, 1993

   Activities: 132 Ecuadorian businessmen had encounters with Colombian businessmen.

   Results: Signed the FEDEXPOR-FENALCO agreement at that encounter.

4. Venezuelan-Ecuadorian Encounter, Caracas, July 26, 1992

5. CIEC Mission April 15, 1992, Bogota

   Activities: Learned about the Colombian International EXPO Center.

6. Ceramic Negotiation Center, May, 1992, USA

7. Caribbean Trade Conference, Miami, December, 1992

TRADE MISSIONS TO ECUADOR

1. FEDEXPOR-Colombian Businessmen Encounter, Quito, February 12, 1993

   Activities: Studied Colombia-Ecuador export-import problems.

2. CBI Director Visit, Quito, February 4-7, 1993

   Activities: FEDEXPOR coordinated visit of CBI Director in his interviews with 12 businessmen and possibilities to export to Europe.

3. Brazilian Mission, Guayaquil, March, 1993

   Activities: Promoted canned tuna and got Ecuadorian interest in producing oranges.

4. Venezuela Mission, No Dates

5. China Mission, Ambato, 1993

   Activities: Received technical assistance on artichoke and ceramic production.

COOPERATIVE AGREEMENTS

1. FEDEXPOR-Camara de Comercio de Machala
   September 27, 1991
   Exchange information.

2. FEDEXPOR-FEPROTUR
   November 11, 1991
   Promote image of Ecuador and exchange information.

3. FEDEXPOR- Camara Nacional de Pesqueria
   October 4, 1991
   Interchange information and statistics.

4. FEDEXPOR- Camara de Pequeños Industrias de Azuay
   May 13, 1992
   Exchange of information.

5. FEDEXPOR- SECTAL
   June 4, 1992
   Exchange of information.

6. FEDEXPOR- Ministry of Commerce and Trade (MICIP)
   No Date
   Exchange of information, coordination of trade missions, and trade fairs.

7. FEDEXPOR- Camara de Industriales de Pichincha
   October 8, 1992
   Make studies of the Andean Group and interconnection of data.

8. FEDEXPOR- FEPROTUR- Fundación Ecuador
   December 10, 1992
   Promotion of exports to the United States.

9. FEDEXPOR- National Federation of Commerce of Colombia- FENALCO
   February 26, 1993
   Exchange of commercial information.

APPENDIX H: INTERVIEW SCHEDULE

The enclosed is the interview schedule guide used for clients and project members. It follows the Scope of Work questions and the findings.

A. Actividades del Proyecto

1. Seminarios

   Cuantas? Temas? Relevancia? Aplicación? Impacto? Problemas?

2. Asistencia Técnica

   Areas de asistencia técnica? Duración? Logros con asistencia técnica? Problemas?

3. Estudios

   Número de estudios? Nivel de analisis? Suficuente para poder tomar decisiones? Temas del analisis? Utilización de resultados del estudio? Problemas?

4. Servicios de FEDEXPORT

   Tipos de servicio; Utilidad de servicios; cambios en los servicios; problemas

B. Resultados del Proyecto

5. Cuál es la potencial ecuatoriano y ventajas comparativas en productos de industrias no tradicionales?

   Empresas han mejoradas?
   Capacidad de proyección mejorada?
   Exportadores entrenados?
   Sistemas de mercado mejorada?
   Nichos del mercado establecidos?
   Colaboración de cámaras y asociaciones funcionando mejor?
   Información mejorada?

6. Hay mejoramiento de nichos del mercado y Acciones Dirigidos (Target)

   Mas producción en areas especificas?
   Mejor calidad y control de calidad?
   Sistemas de apoyo para las industrias especificas?

7. Hay efectos negativos del proyecto?

   Hay empresas/clientes quienes han tenido problemas de apoyo de FEDEXPORT?
   Información no aceptado?

8. Cuales son las posibilidades y potenciales de la sostenibilidad de FEDEXPORT y la industria no tradicional en el futuro?

   Apoyo de cámaras y asociaciones?
   Industrias no tradicionales sostenidas?
   Leyes, regulaciones, politicas funcionando?
   Crédito disponible?
   Aumento de producción para las industrias no tradicionales dirigidas?
   Trabajadores sostenidos en las industrias selecionadas?

9. Cuales son las posibilidades y potencial para FEDEXPORT de tener sostenibilidad y apoyar a las industrias no tradicionales?

   Institución fortalecida?
   Mejoramiento y sostenido sus servicios?

C. Impacto del Proyecto

10. Cual ha sido el impacto del proyecto sobre empleo?

    Aumento de empleo en industrias no tradicionales?
    Nuevos trabajadores?
    Sub-contratos?
    Efectos multiplicadores?

11. Cual ha sido el impact del proyecto sobre la exportación?

    Aumento de exportación?
    Mercados secundarios?
    Ganacia?

D. Recomendaciones

APPENDIX I: PROJECT INDICATORS

These indicators were developed by the consultant as criteria for assessing progress made at the activity, result, and impact levels.

Activity Indicators

1. Seminars

   No. of courses, seminars made. Classification by types of seminars and training. Activities and results. Progress.

2. Technical Assistance

   No. and kinds of technical assistance. Participants/clients. Activities. Results.

3. Studies

   Types of studies. Rationale of studies. Level of analysis and sufficient to make decisions. Topics of analysis. Use of studies.

4. FEDEXPOR delivery services

   Information services; market promotion; trade fairs; policy issues; publications.

5. FEDEXPOR institutional strengthening

   Equipment and supplies; opening of offices

6. Gender Issues

   Determinations in policy for gender issues; Targets based on gender.

Results-Product Indicators

1. Macroeconomic and NTIE Environment Strengthened

   - Laws and regulations passed
   - Credit accessibility increased
   - Export environment improved

2. FEDEXPOR Institution Sustainability

   - FEDEXPOR providing better services

- O Structural organization strengthened
- O Level of financial self-sufficiency
- O Image improved

- O FEDEXPOR provides technology transfer to increase exports
- O "Soft" and "hard" technology transfer made
- O Promotion made in Andean Pact and ALADI markets

3. Guilds and Associations Strengthened

- O Participation with CONAPEI and COPEINC
- O Camaras and associations assist the exporters and provide technology transfer to sub-sector firms
- O Technical assistance to CAPEIPI, ASOMETAL, SECTAL, CAPIA fulfilled
- O Food processing, metal mechanic, and ceramic technical institutes strengthened
- O NTIE recognized by traditional exporters
- O Camaras and associations working closer collaboration. (CAF,ALADI, CENDES, CEBCA, CONAM, GTZ, other chambers)
- O Fundación Ecuador support

4. Ecuador potential and comparative advantage to produce and export NTIE Products

- O Firms strengthened who are exporting or are "export-ready"
- O Production capability strengthened. Firms ready on quantity, quality, and delivery to export so that dependable
- O Exporters trained for NTIE
- O Market systems improved and in place for NTIE
- O Information base for decision makers established and functioning
- O Volume and production increased for target products
- O Workers sustained capability to produce
- O Quality improvement

5. Targeting Made for NTIE

- O Market niches identified and exports developed for specific non-traditional industries
- O Rationale for picking better potential industries in place
- O Support system for targeted industries working (study of potential, input assistance, laws and regulations, technical assistance, training, credit, quality control, standards)
- O Trade fairs and brokers used

Purpose/Impact Indicators

1. Employment

- O Number of new jobs created in specific firms
- O Number of increased at higher levels- productivity of workers in new positions and at higher salaries
- O Increase diversification in the firm
- O Increased benefits and morale
- O Number of new jobs created in specific sectors
- O Increased levels of informal economy, secondary effects, contract out, multiplier effect to other non-related jobs (EX: inputs, suppliers)
- O New firms founded- established in given markets
- O Gender issues and employment

2. Export

- O Levels of export increase to same market niche in 1) Latin America and 2) US, Europe, Asia
- O Increase sales export new markets in Latin America and 2) US and Europe
- O Secondary sales to larger producers. Evidence of sub-contracts.
- O Profit increases in sales. Volume increases and also profit.

APPENDIX J: COMPARATIVE ADVANTAGE ANALYSIS

This appendix note summarizes salient points assessed in reaching findings and conclusions regarding comparative advantage analysis.

Ecuadorian industry as a sector share of the GDP has remained constant for over two decades. Both the Development Alternative Comparative Advantage Study and the Camaras de Industrias de Pichincha study coincide that the Ecuadorian industrial sector is weak but that this sector also has the potential to be the principal generator of technical progress and the key to "national competitiveness and access to global markets." Ecuador relies on natural resource comparative advantage and labor-intensive commodities with limited added value.

The Development Alternative Comparative Advantage Study reports that Ecuador has "high external exposure, a lack of integration between industrial sectors and between these and other sectors of the economy, dependence on imported capital goods and raw materials, high geographical concentration, low capacity to generate employment, and high dependence on credit (DAI: 1991, P.14)." The DAI report also states that Ecuador's manufacturing exports are much smaller as a percentage of GDP than in other small developing countries. A World Bank study in 1988 quoted in the same DAI report, showed that in 1987 Ecuador's manufacturing exports to industrial countries equaled less than two percent of total exports.

There are somewhere between 2,000- 3,000 industrial establishments in Ecuador. The largest numbers of firms are in foodstuffs, beverages and tobacco, metallic products, machinery and equipment, and textiles, apparel, and leather.

There have been several recent studies regarding Ecuador's comparative advantage in NTIE industries. To cite a few studies reviewed or referenced are the Development Alternatives INC study for USAID/Ecuador (1991), the Camara de Industriales de Pichincha re-industrialization study (1990), the World Bank study on Ecuador's industrial base (1990), the United Nations Development Fund study (1990), among others. There are some commonalities among the conclusions of these studies but also some serious gaps and divergences.

Several international studies (DAI, ONUDI, World Bank) coincide that Ecuador has a comparative advantage in natural-resource-base goods. Almost all Ecuadorian exports in the last 20 years, according to these studies, originated in natural-resource based industries. Their performance does not have to depend upon the industrial capacity of the local economy. The example used commonly is fish processing that only relies on cleaning and cooking.

Ecuadorian industry is considered less competitive in those industries where the elements for overall growth are generated internally in the production of intermediate

and capital goods. According to the ONUDI report (ONUDI, 1989, P.6) reported in the Development Alternative report "manufacturing exports are relatively minor as a percentage of total exports, and are directly linked to natural comparative advantages and exogenous variables, for which no significant progress is required. Ecuadorian industry is focused to exhibit weakness in augmenting its competitiveness in a sustained form, because it lacks the capacity to achieve technical progress (DAI, 1991, P.17)."

The DAI study (DAI, 1991, PP 13-36) provides an excellent overview of Ecuador's potential comparative advantage in NTIE. Their conclusion, after reviewing several recent documents, is that "Ecuadorian exports are predominantly natural resource based and exhibit low technical development, local added value, and inter sectoral integration. The key indicators of international competitiveness of a given industry are the use of local inputs versus the use of imported raw materials, the use of labor and employment generation, and the capacity to generate foreign exchange earnings. Alternative comparative advantage indicators show certain industries exhibiting better export promotion potential than others. Such results generally coincide with the findings of other research groups (DAI, 1991, P. 36)."

I. Ecuador Comparative Advantage

A. Labor Costs

1. Availability of Labor. Ecuador considered to have abundance of low skilled labor. Unemployment and underemployment around 45 percent.

2. Minimum Wage Level. Unskilled labor is low but increase with social benefits and severance pay. Less than Costa Rica and Mexico; slightly lower than Colombia and Venezuela; more costly than Peru and Bolivia.

3. Segmentation. Scarcity of skilled workers.

4. Labor Laws. Overprotection of labor. Stability rights. Political union movement.

5. Labor Productivity. Low trained at low levels. High school drop-outs. Qualification of labor force similar to Colombia. Higher labor productivity in fish processing; processed meats and fish; lowest in marketing and equipment industries.

B. Transportation, Infrastructure, and Services

1. Ocean Transportation. Adequate to satisfy existing demand.

2. Transportation Costs. Considerably high because of older fleets; low traffic volumes impede achievement of economies of scale.

3. Customs System. Complicated; lack of security; lack of automatization in port operations causing delays and increased operating costs and merchandise losses.

4. Air Transportation. Lack of sufficient storage space for cargo. No refrigerated chambers.

5. Motor and Railroad. Transport costs are 30-35% of value of final product.

6. Overall Transport. Limited by having only Pacific Ocean ports. Difficult land transport to ports. Linkage problems difficult transportation modes.

C. Energy

Hydroelectric resources are plentiful. One of the least expensive in the world although this is changing with recent regulations. Comparative energy costs lower than in most Latin American countries.

D. Communications

Telephone systems deemed poor service and poor compared to other Latin American countries. Telephone lines hard to get.

E. Natural Resources

Some products can use all natural resources in country. Also good mineral resources, agricultural land, forests, and maritime resources.

F. Import Dependency

Some products have low impact dependency. Industries with high input dependence include metallic products, marketing and equipment, and basic metallic industries.

G. Capital Intensive Goods

Ecuador is not considered competitive in capital intensive goods. Becomes weaker when industrial processes become more complex, require increased technological

capacity and more efficient use of productive factors.

II. Metal Mechanic Comparative Advantage

A. General

1. There are around 300 firms total in country. 450 principal products are made. Most firms are small and medium.

2. Subsector has about 15,000 employees. Indirect sector employment is said to be 4:1. There is about eight percent increase in jobs per year.

3. DAI study states average of $4.5 million exported per year of non-traditional metal mechanic of about $33.4 million total metal mechanic in 1992. Represents small fraction of total export in the industrial sector. Subsector exports about 80 products. The DAI study identified 21 good products for export.

4. General tendency for subsector to get sub-contracts for parts and elementary machinery and tools. There is considerable indirect export.

B. Advantages

1. Market niche established at second level quality and sub-contracts.

2. Low salary levels, unskilled workers needed only and abundant supply of workers throughout the country.

3. Good fabrication involving cutting, molding, soldering. Piecemeal work, parts, simple machinery, and gadgets. Can produce good parts for different applications.

C. Disadvantages

1. Lack of proper financing policies that support the subsector. Difficult for many firms to get credit.

2. Institutional structure and legal framework to guide actions in multilateral negotiations. This is so even though subsector has good association support.

3. Limited export volume and lack of commercial contracts.

4. Limited export promotion.

5. Need to import raw material. Perhaps biggest disadvantage.

6. Limited development of foundries for both iron and steel.

III. Ceramics

A. General

1. Twelve larger firms; 20 smaller firms. 8 of 12 larger firms are exporting. Almost all ceramic exports from Cuenca.

2. Ceramic exports $2.5- $3.0 in 1993. Principal export to Andean Group but also increasing to United States and Europe.

3. Labor intensive industry and artisan level with hand painted products. There are perhaps 400-500 different kinds of product.

B. Advantages

1. Quality of product is considered excellent. High prestige in international market. International observers compare ceramics high compared to European ceramics.

2. Raw materials generally available in country and abundant supply.

3. Abundant low skill labor in country. High interest workers to do labor intensive artisan-type work.

4. Apparent good international market for lamps, vases, gift items, and tableware.

C. Disadvantages

1. Low level "export-mind" of firm owners who prefer to produce and not sell.

2. Low level contacts for distribution.

3. Rudimentary equipment in some firms if there were major expansion.

IV. Food Processing

A. General

1. About 85 firms in food processing; 20 in fish processing; and about 10 in confectionery products. Great majority are small firms with 15-20 employees.

2. Export sales in 1992 were $145.5 million. This is down from $152.4 in 1991. The 1993 are up and could go over $200.0 million.

3. Firms located all over Ecuador but good concentrations in Guayaquil, Quito, and Cuenca. The fish processing firms in Guayaquil and Manta. Confectionery almost exclusively in Guayaquil.

B. Advantages

1. Raw materials are available in country. Supply is good in all three subsectors and high quality. Small problem with supply and quality of berries and tomatoes.

2. Abundant low level labor force. Adequate levels of suppliers of raw materials.

3. Available plants and reported under utilization of plants. Could expand with minimal difficulties.

C. Disadvantages

1. Uneven availability of specific raw materials. Tomatoes are high cost.

2. Need expansion of operating capital to expand outputs.

3. Reported monopolies in cans and glass containers.

4. Need to import machinery.

5. Low levels of quality control.

6. Low levels of value added.

7. Ecuador produces same products as elsewhere in latin America. Need new products. Competing with neighbor countries for same markets.