



Partnership for Productivity
International

A SMALL ENTERPRISE DEVELOPMENT PROGRAM FOR ECUADOR:
INSTITUTIONS BACKGROUND PAPER

under the
SMALL BUSINESS CAPACITY DEVELOPMENT PROJECT
(Contract No. DAN-5317-C-00-3085-00) for USAID Ecuador

Prepared by:
Partnership for Productivity/International
Gino Lofredo
Liza Valenzuela
Miguel Maldonado

Prepared for:
Private Sector Office
U.S. AID Mission, Quito,
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TABLE OF CONTENTS

A. INTRODUCTION	
A.1 Objectives	2
A.2 Scope	3
A.3 Sources	5
B. CONTEXT	
B.1 Changes in the Economic and Policy Environment	8
B.2 Institutional Context	11
B.3 Human Factors and Public Attitudes	13
C. SECTORAL NEEDS	
C.1. Organizational and Representational Needs	17
C.1.1. Influencing the Policy Making Process	17
C.1.2. Other Private/Public Relations	18
C.1.3. Strengthening Autonomous Service Institutions	20
C.2. Specific Operational Needs	21
C.2.1. Credit	21
C.2.2. Technical Assistance	25
C.2.3. Training	28
C.2.4. Legal Assistance and Labor Relations	29
C.2.5. R & D and Access to Information	31
C.3 Women in the Small Enterprise Sector	32
D. POLICY AND STRATEGY IMPLICATIONS	
D.1. Influencing Sectoral Development Policies	44
D.1.1. Broaden Constituency Base	44
D.1.2. Strengthen Representational Organizations	45
D.1.3. Participation in Policy Making Bodies	46
D.1.4. Concientization of the Small Entrepreneur	47
D.2. Credit: Availability, Access and Assistance	47
D.2.1. Credit Availability	48
D.2.2. Access to Available Credit	49
D.2.3. Autonomous Credit Institutions	50
D.3 Technical Assistance	52
D.3.1. Universities and Politechnicals	53
D.3.2. Multidisciplinary teams	53
D.3.3. College-leavers Program	54
D.3.4. College Women and Women Entrepreneurs	54

D.3.5. Public/Private Cooperation	54
D.3.6. Representational Organizations as Technical Assistance Brokers.	55
D.3.7. Direct Plant Experience for Professionals	55
D.4. Technology Policy	56
D.5. R & D, Trade and Technology Information	56
D.5.1. Libraries/Documentation Centers	57
D.5.2. Publications/Bulletins/Manuals	57
D.5.3. Mass media	57
D.6. Labor Relations	58
D.6.1. Economic Approach	58
D.6.2. Legal assistance	58
D.6.3. Labor/Management Dialogue	59
D.7. Inter-Institutional coordination	59
ANNEXES	61
Annex 1: INSTITUTIONAL PROFILES	
Section 1. Financial Institutions	62
Banco del Pacifico	63
Banco Nacional de Fomento	65
Cooperativa de Ahorro y Credito de la Pequena Empresa (CACPE)	68
Banco de Cooperativas	70
Corporacion Financiera Nacional (CFN)	71
Federacion de Cooperativas de ahorro y Credito (FECOAC)	76
Fundacion Ecuatoriana de Desarrollo (FED)	79
Fundacion Eugenio Espejo	81
Inter-American Development Bank (IDB)	83
Sistema de Corporaciones de Garantia Crediticia (CGC)	84
Section 2. Government Technical Assistance Institutions	85
Centro de Desarrollo Industrial del Ecuador (CENDES)	88
Centro Nacional de Promocion de la Pequena Industria y la Artesania (CENAFIA)	90
Comision Ecuatoriana de Bienes de Capital (CEBCA)	94
Consejo Nacional de Ciencia y Tecnologia (CONACYT)	95
Consejo Nacional de Desarrollo (CONADE)	96
Direccion Nacional de Asesoria Tecnica Industrial (DINATI)	99
Instituto Ecuatoriano de Normalizacion (INEN)	100
Junta Nacional de Defensa del Artesano (JNDA)	101

Ministerio de Industrias, Comercio e Integración (MICEI), Dirección General de Pequeña Industria y Artesanía	103
Organización de Comercialización de Productos Ecuatorianos (OCEPA)	107
Servicio Ecuatoriano de Capacitación (SECAP)	108
Universities and Politechnical Schools	112
Section 3. Non-Governmental Technical Assistance Institutions	114
Catholic Relief Services (CRS)	114
Centro de Promoción Empresarial (CEFE)	115
Cooperativa de Promoción Industrial (COOPRIN)	116
Desarrollo Juvenil Comunitario (DJC)	117
Foster Parents Plan International	119
Instituto de Investigaciones Socio-Económicas (INSOTEC)	121
International Voluntary Services (IVS)	124
Peace Corps	125
Other Institutions	126
Section 4. Representational Organizations	128
Camaras de Pequeños Industriales de Pichincha, Azuay y Guayas	129
Federación Nacional de Comerciantes Minoristas (FENACOMI)	132
Federación Nacional de Camaras de Pequeños Industriales (FENAPI)	134
Camaras Provinciales y Nucleos Cantonales de Pequeños Industriales.	139
Annex 2: Partial Listing of Women's Organizations in Ecuador	146
Annex 3: List of Persons Interviewed	157
Annex 4: Bibliographical Sources	167

A. INTRODUCTION

INTRODUCTION

Objectives

This paper, an assessment of the institutional capacity and service delivery to Ecuador's small business sector, is part of a larger study contracted by the AID Mission in Ecuador. It is one of two papers prepared as background for the formulation of a strategy and program of action for the Mission's Private Sector Office. The first analyzes the economic situation of the small enterprise sector; this, the second, presents the institutions which work with small enterprise.

The terms of reference for this component of the study are as follows:

1. Review, in a critical and comprehensive manner, the services provided by private and public sector organizations to the small business sector.
2. Review and evaluate the management and institutional capacities of public and private sector organizations which provide services to the sector.
3. Review and evaluate bilateral and multilateral assistance to the sector.

4. Review the role of women in small enterprise and the aptness of public and private agencies to address their assistance needs.

5. Review of the policy, technology, and institutional constraints to the sector.

Scope

For purposes of this study, we have limited the discussion of small and medium businesses to those economic activities which are non-agricultural and primarily urban-based. Agro-industry is covered only in so far as it falls under the category "small industry."

All three sectors--commerce, industry and services--have been discussed. However, the small industry sector, because of the dynamic role it plays in terms of job creation and increased value-added, has received somewhat more attention.

What is meant by small and medium sized enterprise? This was perhaps the hardest issue to tackle because definitions of small and medium enterprise in Ecuador differ from institution to institution. Some differentiate size on the basis of the number of employees, others according to the amount of their fixed assets. Still others

attempt to combine multiple factors, such as number of employees and gross value added. To complicate matters further, there are several terms used to describe a given size category. "Artisan," "micro-enterprise" and "informal sector" are used interchangeably by some institutions. And some institutions limit their definition to a particular type of activity, such as "industry," and ignore others.

The chart below illustrates some of the opinions as to the definition of small enterprise:

INSTITUTION	EMPLOYEES	FIXED ASSETS
MICEI		
artisan		>S/725,000
small industry		>S/19 million
FOPINAR		
artisan		>S/725,000
small industry		>S/19 million
CENAPIA		
artisan	1-15	
small industry	16-19	
medium	20-49	
large	50+	
INEC		
small	1-9	
medium	10-49	
large	50+	
FED		
micro-enterprise		>S/400,000
LABOR MINISTRY		
artisan	1-9	
small	10-49	
medium	50-99	
large	100+	

We have not chosen among these alternatives, and although we considered developing a new definitional framework, we opted not to do so for two reasons: first, because the task would have been time-consuming--a project in itself; and second, because we would have had a statistical problem attempting to fit the existing numbers on sector sizes into the new framework.

In this paper we utilize three main terms to describe the small enterprise sector. They are: 1) "micro-enterprise" (activities of the informal sector, especially retail); 2) "artisan" (activities in which manual labor is predominant over capital, where fixed assets excluding land and buildings are generally less than S/725,000, composed primarily of industry and service); and 3) "small industry, commerce and services" (where fixed assets excluding land and buildings are less than S/19 million and the number of employees is less than 20).

Discovering the number of businesses in each category was still another problem. In general, we suspect that government estimates, based on censuses and surveys tend to be low and that those of the representational bodies, such as the chambers, are high.

Sources and Methodology

The information for this paper was derived from a variety of

sources, both written and oral. Personal interviews were by far the most important source. All are listed below:

1. a survey of over 200 small industry entrepreneurs in Quito and Guayaquil (refer to survey and findings, annex of economics background paper)
2. previously written studies and documents
3. interviews with officials of the institutions profiled
4. documents and brochures on the institutions profiled
5. informal interviews with entrepreneurs in Quito, Guayaquil, Santo Domingo de los Colorados, Quevedo, Babahoyos, Machala, Loja, Zamora, Yantzaza, Gualaquiza, Azogues, Cuenca, and Riobamba.
6. interviews with leaders of the national and local chambers of small industry and commerce.

B. CONTEXT

B. CONTEXT

Since the late 1970's the small and medium enterprise sector has had to adjust to a series of changes in the economic and policy environments. These changes continue to challenge the abilities of entrepreneurs and of the private and public institutions which serve them.

B.1 Changes in the Economic and Policy Environment (1)

The oil boom period of the 1970's created an economic environment in which small enterprises in manufacturing, commerce and services multiplied and expanded. They supplied a growing domestic market protected by a tariff structure intended to encourage import substitutions. A legal framework providing for economic incentives and institutional support also encouraged their expansion.

Since the end of the economic boom small entrepreneurs have had to adjust to a series of changes in the overall economic environment and to a significant reorientation in macro-economic policies.

The recession which began in the late seventies drastically reduced domestic demand for consumer goods, housing and services thus curtailing the principal driving force for the sector's earlier expansion. Starting in 1981 in response to the balance of payment and debt crises, the government tightened the overall availability of credit.

(1) The trends referred to in this section are discussed in depth in chapters I, III, and IV of the Background Paper Economic Aspects of the Small-Business sector in Ecuador.

Despite the relatively small share of the credit normally absorbed by the small scale enterprise sector, estimated at 3% of the total for 1984 (2), and its largely domestic inputs and markets, the sector was not exempted from the credit restrictions.

Starting in March 1982 and as part of the response to the external sector problems the government initiated a series of currency devaluations and imposed tighter import restrictions. Although these measures did not affect the small scale enterprise sector as seriously as they did larger industries, small industries and artisans had to adjust to shortages in certain imported inputs and to operating under a more inflationary environment.

While few comparative statistics are available, there appear to have been a significant number of closures and bankruptcies among small scale enterprises from 1979 to 1982. Even those firms which survived the economic contraction were forced to cut back on the number of employees. They also maintained substantial levels of unused production capacity which seems to have persisted up to the present. Finally, the climactic problems of 1983 worsened the impact of the previous shocks raising inflation mostly through increases in food prices.

During the same period but more visibly during the past year, government policy has favored the reduction of real

(2) Camara de Pequenos Industriales de Pichincha, Report 1984

protection levels for a broad range of products and equipment including some produced by small firms. Although it is difficult to determine the precise impact of the import substitution protections of the 1970's and the current trade liberalization on the small scale enterprise sector, there is little doubt that small producers are having to adjust to a more competitive environment and they are not always doing so successfully.

There has also been a shift of emphasis among policymakers with regards to the "leading" sectors and activities expected to drive economic recovery and growth. Although the changes so far may be more rhetorical than real, there are clear indications of consistent government interest in the needs of the large commercial and industrial firms, and in export oriented agro-industry. This new emphasis need not necessarily damage small enterprises and could actually be guided so as to create incentives for new lines of production complementary with the emerging growth strategies. But sector leaders are concerned that these opportunities for integration of the small enterprise sector with the new leading industries are not receiving sufficient attention in the policy making process (3).

While the gradual recovery of 1984 and 1985 has encouraged a degree of optimism among small entrepreneurs, there are signs that the current expansion is not as dynamic as that of the 70's and businesses are being cautious. For

(3) See Section D.4, Technology Policy, pages 43 and 44

example, employment does not seem to be growing as rapidly as the rise in production levels would indicate.

B.2 Institutional context.

The economic growth of the 1970's was accompanied by an equally unprecedented expansion of the role of central government. Dozens of public sector agencies emerged during this period financed by the oil resources. Ecuador grew not only in economic terms but also in the complexity of its social and institutional relations.

The majority of the institutions examined in this paper did not exist in the 1960's. Even the Camaras, Asociaciones and Nucleos de Pequeños Industriales (4), the principal representational organizations of the small scale manufacturing sector, have been organized only in the last decade and with considerable support from the central government. Moreover both public and private sector institutions relevant to small scale enterprises emerged in a rapidly changing environment to which they had to adjust often with insufficient resources.

Our survey and interviews confirmed that the majority of small entrepreneurs who would technically qualify for the tax and tariff benefits and services provided for by current legislation did not take advantage of these incentives. There are many partial explanations for this trend, complex procedures, inadequate incentive structures, services inappropriate for the needs of the small entrepreneur,

(4) See Institutional Profiles Annex, Section 4

ignorance of the law, among others. The central fact remains that the entrepreneur tends to operate outside the institutional and legal framework designed to support his operations.

We found that the small entrepreneur perceives public sector institutions as unresponsive, overcentralized, inefficient and bureaucratized. They complain that these are not present when and where they are needed and that some among them are financed from taxes levied directly on the sector. Practically every study of public institutions dealing with small industry recommends increased coordination among the various agencies to avoid duplication of efforts and greater efficiency of services.

The problem affects all the public sector. As this paper is being written the daily papers are running a series of exposes on governmental bureaucracies which badly need administrative reform and simplification(5). There is no lack of awareness of the problem, nor is there insufficient rhetoric proclaiming its urgency. But the programs to address it have been ineffective. The problems with public sector institutions have been exacerbated by budget cuts which reflect in lower real salaries and fewer resources.

It is interesting to note that complaints about the quality of institutional performance do not extend necessarily to their professional staff. For example we learned of several instances where an individual entrepreneur

(5) El Comercio, April 21 through 30th, 1985

or a private organization failing to obtain the desired services through a public institution hired a member of its staff directly and considers the relationship very satisfactory.

B.3 Human Factors and Public attitudes.

In discussing the needs of the small enterprise sector there is a tendency to criticize the public institutions intended to serve it and to idealize the virtues of the average entrepreneur. Small businessmen are sometimes portrayed as the ideal allocators of resources, whose contribution to society is only hindered by inadequate policies, excessive controls and regulations, distortions in the market place and an incompetent bureaucracy.

Survival and Entrepreneurship Any attempt to characterize the small scale entrepreneur must distinguish among groups within the sector. First, most micro-entrepreneurs and independent artisans and many "small industrialists" are motivated by survival needs. They start or keep a small business because they see no better opportunities in the labor market. Their behavior is closer to "self-employment" than to "entrepreneurship".

Second, those who because of the size of their operations or the number of employees can be called entrepreneurs are motivated fundamentally by a sense of self-interest. This makes neither good nor bad "allocators of resources". And self-interest does not always coincide with community or public interest. Many entrepreneurs we met

seemed willing to bend or break any law or regulation for which compliance could cost him a few Sucres, so long as they do not expect to be caught. This is not stated as a moral judgement; the prevalent attitudes towards society, government and its institutions ought to be taken into account in developing any development strategy for the sector.

Regulations and Irregularities There is widespread diversion of credit from the subsidized lines of Fondos Financieros and Fopinar into commercial, consumer and other unauthorized operations according to Banco Nacional de Fomento officials and borrowers. A significant portion of the small enterprise workforce, as much as two thirds according to our estimates, does not receive the benefits of the Social Security (IESS) system (6). Large scale enterprises routinely "break up" their operations into smaller units that qualify for tax, tariff and salary benefits under the Ley de Fomento de la Pequena Industria y la Artesania. Contraband and unreported exports are widespread.

Clearly the tax and tariff structures are often unrealistic or obsolete so that their reform is indispensable if compliance is not to be equivalent to economic suicide. In addition, there are clear signs that the government is assigning priority to enforcing certain laws. But, the problem extends to the also widespread participation of government functionaries and public institution employees in these irregularities. If these practices continue the trend

(6) See Chapter II, Section 2, Economic Background Paper

may become difficult to reverse.

The issue is critical to the implementation of any system of sanctions and incentives intended to support the overall strengthening of the sector's performance and thus needs to be addressed explicitly in any serious strategy.

Professionals and technicians One effect of the economic growth of the seventies has been the increased access to education and an unprecedented growth in the number of university graduates. The alphabetization campaign of the 1970's reduced illiteracy to around 10%. There are qualified professionals in most disciplines available in Ecuador, in fact many are unemployed or underemployed, but there is also a shortage of the field/plant oriented technicians and professionals. These are the professionals most needed to perform the direct technical assistance and training for the small and medium size enterprises. Even fewer are available to work in the secondary cities and other new development poles outside the main metropolitan areas. In contrast, the work force seems to be well qualified, at least few employers mentioned it as a critical concern.

Self-made managers A problem among employers themselves is that the majority are self made "manager/industrialists" with little formal education or training in management and administration. These "unskilled manager/owners" are often unable to take advantage of existing incentives, to identify the constraints that affect their firms or to take adequate corrective actions.

C. SECTORAL NEEDS

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C.1 Organizational and Representational needs

C.1.1 Influencing the policy making process

The increased complexity of the economic system, its integration and institutionalization, combined with the increased impact of policy decisions on the small enterprise sector has made the individual entrepreneur more aware of the need to influence and to participate in the policy making process.

This concern surfaced in interviews with entrepreneurs of all sizes and from all regions. There is a realization that they can no longer function in relative isolation of the major decisions being taken on economic issues. The adjustment pressures they have had to confront have also increased the need to interact and get assistance from public sector institutions and local, provincial and national governments.

These perceptions have led to increased interest in and support for the representational organizations, particularly the Camaras Provinciales and Nucleos Cantonales de Pequeños Industriales, Trade Associations or Asociaciones Sectoriales, Organizaciones de Artesanos and the Asociaciones de Comerciantes Minoristas, and their respective Federations.(7)

While these organizations now have a large, growing and quite motivated membership they often lack resources,

(7) See Representational Organizations, Section 4, Annex 1

organizational and technical assistance and the experience to implement programs and to make themselves heard in the local or national scene. In evaluating their performance one should keep in mind that they are in historical terms very young institutions, although due to the intervention of the State they enjoyed since their formation constitutionally-sanctioned rights to participate and be represented in policy-making bodies of key institutions.

The system of sectoral representation in government decision making through the Camaras de la Produccion -- the Chambers of Commerce, Industry, Construction, Agriculture, Small Industry and Artisan Guilds is well established in Ecuador.

However, for the small scale enterprise sectors this representation has been less influential and more formal than that of the larger economic sectors. There is a will among sector leaders to exercise these rights in more forceful ways. Inevitably these efforts contribute to occasionally tense relations between representational organizations and government institutions. These tensions need not be seen as a negative characteristic of the system. Rather they are symptoms of an emerging positive dynamic between government and constituencies which if properly managed can become a driving force for reform and improvement of the system's operations.

C.1.2 Other private/public relations.

But interaction between the small enterprise sector and

public institutions is not limited to influencing "macro" policy decisions. The small entrepreneur has to deal with municipal authorities, the police, public utilities; they need operating permits and licenses, a road paved or water delivered, legalized title to the land they own or occupy and so on.

During our visit to the Nucleo Cantonal de Pequeños Industriales de Quevedo, which has about 100 members, we learned that most of those attending the meeting had problems with the local power company which demanded payment of some 1 million Sucres in advance for the installation of transformers for each individual plant. The participants offered a number of possible solutions to the problem: lease arrangement, spreading payment over one or two years assuming corresponding interests, and others. However the problem was more institutional than technical, they needed help in relating to the utility company, and were asking representatives of their national federation, FENAPI, to help them resolve the issue. (8)

In other encounters the groups needed assistance in their dealings with the Municipio around the possible development of a "Parque Industrial" for small scale industries. In several places relations with the local branch of the Banco Nacional de Fomento had been strained for a variety of reasons. Elsewhere entrepreneurs were having difficulties arranging for training courses with SECAP and

(8) See Provincial Camaras and Nucleos, Section 4, Annex 1

CENAPIA and did not know how to proceed.

Public/Private sector interaction is not limited to the institutions one normally associates with the sector. In Santo Domingo de los Colorados, the Asociación de Madereros de Santo Domingo has to deal with the Ministerio de Recursos Naturales to address issues related to cutting, replanting, and transport of wood products. In Zamora, where there is potential for small scale mining, entrepreneurs need assistance in getting the proper authorizations to start operating.

For this full range of private/public interactions the "Gremio" organizations need direct assistance and training. While the larger Camaras have the experience and resources to address many of these problems, the smaller Camaras and emerging Nucleos and Asociaciones need more intense outside support to manage effectively these relatively new interactions.

C.1.3 Strengthening autonomous service institutions:

In the Camaras and Nucleos, among incipient organizations of micro entrepreneurs as well as in the trade associations we detected an interest in creating autonomous mechanisms to provide direct services to their membership. For example there are more or less institutionalized efforts to purchase supplies jointly in different sectors to cut costs and guarantee access. We found joint efforts to "get information" needed by a group of entrepreneurs with a common problem.

In the Provinces of Azuay and Pichincha there are functioning Cooperativas de Ahorro y Credito para la Pequena Industria and incipient Corporaciones de Garantia Crediticia which despite problems of capitalization and organization represent a emerging trend of self help initiatives which need additional external assistance (see profiles). Similarly, very small entrepreneurs in the Guayaquil suburbs are working with the Fundacion Eugenio Espejo developing autonomous training and technical assistance programs sometimes in conjunction with public institutions and sometimes independently.

Those involved in these autonomous efforts emphasize that they do not perceive these new institutions as substitutes for public agencies but rather as mechanisms to complement public sector activities and facilitate access to the services they provide. For example, the savings and loans would like to access Central Bank rediscount mechanisms; organizers of the Corporaciones de Garantia Crediticia want government participation in the system.

C.2 Specific operational needs

C.2.1 Credit.

One of the major concerns expressed by entrepreneurs - both those interviewed and those who completed the formal survey - was the need for access to credit.

Insufficient credit availability.

A study conducted by the Camara de Pequenos Industriales de Pichincha (CAPEIPI) claims that there have been significant cuts during 1984 and 1985 in the relative share of credit aimed at small industry through Fondos Financieros as a result of Central Bank policies.

Our own economic study retraced the evolution of the share of credit for the small scale manufacturing sector (see Section 2 of Chapter IV, Economic Background Paper). In 1972 the share of total credit to small industry and artisan sectors was 1.24%, it increased to a peak of 4.32% in 1976, decreases until 1981 and resumes a modest increase when the FOPINAR program comes on line. Then according to the CAPEIPI study drops to 3% in 1984. Credit to small industry and artisanry relative to total credit to the manufacturing sector follows a similar pattern.

The differences between entrepreneurial perceptions and the data available may be attributed to a more rapid expansion of demand, to diversion of credit or may simply reflect reactions to the general credit tightening policies of the past three years. Entrepreneurial perceptions are supported by some regional managers of the Banco Nacional de Fomento who point out that they encounter periodic liquidity crises in their credit lines for small industry and artisanry.

Difficulties for the very small borrower.

For very small enterprises the credit problem is more

severe and is compounded by the absence of lender institutions interested in or capable of handling the small loans involved. The micro enterprise sector depends almost exclusively on so-called street credit at rates oscillating around 10% per month and for which no statistics are available.

Such private credit programs as FED/PRODEM in Quito and PROCREDEM in Guayaquil while impressive and important as experimental pilot programs are minute in relation to the overall demand for credit from micro enterprise sector. The network of Cooperativas de Ahorro y Credito also supplies an important share of loans to this sector. About 63.3% of the S&L's 166,852 outstanding loans averaging 60,000 Sucres are estimated to go to small entrepreneurs in "Production" and "Commerce".

Interest rates. In discussions of credit, the "cost of money" was not mentioned as a critical issue at least as long as it remained within certain "reasonable" limits. More important to the entrepreneur were the processing time of applications, repayment time of loans, grace periods, and excessive demands for business and personal guarantees. A 1981 study by ILDIS/CONADE found that entrepreneurs were willing to pay higher rates "in exchange for greater access and better service from the credit institutions".

Delays in processing. The credit issue most often mentioned in personal interviews was the delay between application and first disbursements. While Banco de Fomento

officials often state that the process takes only a few weeks, from the point of view of the applicant it takes between 3 and 6 months.

Processing time for loans reflects insufficient overall availability of credit, which is evidenced in processing delays. The Banco de Fomento also faces a freeze in personnel and wages and its efforts to modernize and automate lending procedures and record keeping have not yet resulted in better service to its clients.

Importance of the Banco Nacional de Fomento. Despite the numerous complaints about the functioning of the BNF, most entrepreneurs feel it is the most important credit institution for small enterprises. Approximately 50% of the credit to the sector is channelled through the BNF, the rest coming from private banks and Savings and Loans Cooperatives.

Inexperienced and untrained borrowers. There are also "demand" side constraints to credit access, the most important being lack of technical and administrative experience on the part of borrowers. These often lack the skills necessary to complete the required documents for credit applications. They are frequently unaware of the lines of credit available to them, the terms for which they can ask, the amounts and limits, etc. These problems are more acute among the smallest entrepreneurs.

Misuse of credit lines. In contrast there is the opposite problem among larger and more experienced borrowers. One BNF official who attended a meeting of the Camara de

Pequenos Industriales bitterly complained about the misuse of PIA credit for unauthorized purposes. The practice is widespread and often takes place with the participation and complicity of corrupt "inspectores de credito". The Camaras and Nucleos condemn these activities but do little about them in practice.

Autonomous Credit institutions. As we have mentioned above there is a growing interest in developing credit institutions to serve directly the SME sector. However there are legal and technical issues that need to be resolved before they can become fully operational (see FECOAC, CGC, and CACPI profiles). The Camaras and Nucleos in which these initiatives are taking shape need specialized organizational and technical assistance.

C.2.2 Technical Assistance:

In our survey of over 200 entrepreneurs in Quito and Guayaquil and in the informal interviews in secondary cities, technical assistance was the second most requested service after improved access to credit.

Management assistance and training: The majority of entrepreneurs describe their technical assistance needs in vague and general terms: administration, equipment, quality control, marketing, training. Most often all or several of these come up as problems of the same firm. Professionals and technicians with practical experience in technical assistance note that the entrepreneur's initial identification of the problems is often inaccurate. This, they note, is in part a

reflection of the lack of managerial skills that characterizes many small entrepreneurs. They are self-made managers who, when their firms grow beyond a certain point simply do not have the skills to address the new problems. Lack of management skills affect all other aspects of a small enterprise operations. Development of managerial skills ought to be both the starting point and the end objective of a technical assistance program for small entrepreneurs.

Specificity of technical assistance needs. Concrete technical assistance needs are sector, region and size specific. Studies done by INSOTEC in several branches of activities and provinces (metal working in El Oro, Food Processing in Manabi, Guayas and Tungurahua, Woodworking in Pichincha, Construction materials and ceramics in Pichincha) found that roughly 50% of the firms used technical assistance and that of these most was in the form of private consultants. Most of those who did not use technical assistance did not do so for lack of financial resources.

Consultancy approach to technical assistance. The most effective technical assistance interventions by public or private agencies are those targetted to an individual or small group of entrepreneurs and their firms. Inevitably the design of such an intervention requires a basic diagnosis of the firms and their owner/managers to adapt a basic assistance or training package to the specifics of their situation. Thus the technical assistance needs for the sector require services approaching the individual or group

consultancy rather than the pre packaged "off-the-shelf" response. (see INSOTEC profile)

We heard many complaints about the ineffectiveness of much of the "standard" technical assistance available. Many such packages are designed by technicians and professionals with very limited direct exposure to the real operating physical and human environment of the small enterprise. Technicians and professionals need the direct plant consultant experience as much as the entrepreneur does.

These technical assistance consultancies are the most difficult to organize and the most expensive to deliver. Yet they may be an indispensable component for effective interventions. Therefore in our view the development of consultancy type technical assistance capabilities and mechanisms to finance them should be a priority component of any strategy for the sector.

Timely delivery of technical assistance. For technical assistance to be effective it has to arrive in time. We were told of many instances in which by the time technical assistance arrived from public sector institutions, the firm had gone bankrupt. Timely delivery of the consultancy service requires decentralized mechanisms so that the services are available locally or at least not beyond the Provincial level.

Technical assistance to micro enterprises. The technical assistance needs of the micro entrepreneur are on a different scale than those of the small industrialist. Organizing access to small loans, to merchandise for vendors

and supplies for small scale manufacturing are the key areas for which the micro enterprise needs technical assistance. But the micro entrepreneur also needs basic training in cost analysis, management, improving production techniques and marketing.

The experience of the Fundacion Eugenio Espejo programs in the Guayaquil suburbs has shown the extent to which these needs are inter-related for the micro entrepreneur. Their programs address credit, technical assistance and training needs in an integrated approach at the neighborhood level.

The most effective credit access mechanisms have been tested by the AITEC model programs and by some Savings and Loans cooperatives. Some collective merchandise purchasing mechanisms for small vendors and merchants in the basic foods sector have been tried by FENACOMI. Among artisans there are some joint purchase mechanisms for supplies and raw materials.

C.2.3 Training: While we believe that the direct consultancy component of technical assistance is an indispensable first step, the needs remain for relatively standardized training programs, seminars and conferences. The topics most often mentioned were:

- Credit Access and Management
- Cost accounting
- Quality control and quality improvement methods
- Management and administration
- Imports and exports
- Marketing

For the small industry sector, the needs for technical

assistance in general and for training in particular are routinely channelled through the Camaras and Nucleos. The large Camaras normally have a staff person or a member who coordinates with public or private agencies for the organization of training seminars or courses according to the demand from the membership. FENAPI in turn has been assisting the smaller Camaras and Nucleos to coordinate such efforts. But this often exceeds the Federation's limited resources and time. The Camaras clearly seem to be the best institutions to intermediate training services.

Entrepreneurs point out that the training services provided by SECAP are not designed to meet the needs of the small and micro enterprise sector. There is a clear need for greater interaction between those designing SECAP's seminars and entrepreneurs and their organizations, with the participation of those private institutions like INSOTEC and Creative Associates who have developed some training expertise within the sector.

C.2.4 Legal assistance and labor relations

Most small entrepreneurs encounter legal problems they have difficulty resolving. The issues range from taxes, to labor relations to property and real state problems. Most of the large Camaras have legal advisors and even some of the Nucleos have such a person informally advising the members.

The limited access to legal assistance for most small entrepreneurs tends to compile problems. For example, unwillingness to register an employee with the social

security system exposes the employer to countless legal problems, fines amounting to several times the unpaid contributions and the overall deterioration of labor relations in the firm.

Labor problems came up quite consistently in the formal survey and personal interviews as an operating constraint for small firms. The most common explanation for the situation is that the labor legislation and minimum wage structure applicable to the sector "does not reflect equilibrium in the labor market". While this may be the case, it does not help resolve the problems.

Professionals who have worked as consultants with small entrepreneurs point out that many of the labor relations problems are not so much related to the direct and indirect labor costs of labor but rather to the less tangible "management of the work environment". They note that small entrepreneurs got used during the 1970's to very high rates of return on investments due to the generally favorable economic environment. These high returns are no longer attainable in the current economic environment. The small entrepreneur has been seeking to protect the old returns through squeezing the labor component of his operation. It is estimated that since mid 1982 there has been a drop in real wages of approximately 15%.

The path to less conflictive labor relations is not non-compliance with labor legislation but more appropriate management of the workplace, improvements in productivity and

improved communication between labor and management. To start this process there is a need for increased awareness, legal and labor relations assistance. There have been some experiences in this respect by INSOTEC which is now developing a set of "how to" manuals for the small industry sector on labor hiring and taxes and has conducted mediation efforts in labor management conflicts.

C.2.5. R&D and access to information: The small entrepreneur has a broad range of unfulfilled needs of practical information. We found they have very limited access to trade publications, catalogues, market information, etc. Their needs however are quite elementary. Yet the kinds of materials that the specialized public sector agencies produce tend to be more abstract, more theoretical, of undetectable practical applicability. Even when the content of some research document could be of immediate use to the entrepreneur it is likely not to reach the potential user for inadequate distribution or because no one has pointed out its existence to the user.

The Camaras and nucleos are the natural place for this exchange of information, yet with the exception of the large ones they do not have the resources to create a library of periodicals and other pertinent practical materials. To the extent that the Camaras have produced bulletins for their members they have overlooked the information needs of the user and emphasized instead "institutional news".

WOMEN ENTREPRENEURS AND INSTITUTIONAL ASSISTANCEIntroduction

This section discusses the role of women in the small-scale enterprise sector in Ecuador. Because of various social, and economic factors, women are economically disadvantaged. Nevertheless, they are generally active as entrepreneurs and have the potential to contribute to the economic development of the nation. This section will briefly review the general economic situation of Ecuadorean women, discuss the institutions which work with female entrepreneurs and with women in general, and finally suggest strategies for increasing their access to business-related services.

General Situation

Ecuadorian women are generally disadvantaged in their level of education, their access to jobs, their level of income and their access to public services, when compared with their male counterparts.

Women are less educated than men. In 1982 the illiteracy rate for women was 16%, compared with 12% for men. Although the number of women between 15-19 years of age who have received some secondary education has increased during the last decade, as of 1982 it was only 69%. Studies in the same year by the Frente de Promocion e Integracion de la Mujer (FPIM) conclude that women comprise only 37.5% of the population with 4-6 years of higher education. Thus, although the educational situation of women has improved considerably in the last decade, women as a group still suffer an educational disadvantage.

Women tend to be concentrated in jobs requiring lower skills. The occupations with the highest percentage of women are those classified under "personal services;" most of the persons employed here are "domestics" in urban households. According to the 1982 labor statistics, 22.3% of the women employed were in "personal services." The chart below indicates the breakdown of occupations by percentage:

ECONOMICALLY ACTIVE WOMEN BY OCCUPATION - 1982

Professionals and Technicians	77,782	16.1%
Directors and Managers	1,729	.4%
Sales (Commerce)	62,699	12.9%
Clerical Workers	59,075	12.2%
Agriculture et. al.	58,717	12.1%
Mining, Transport and Manufacturing	69,474	14.3%
Service Workers	108,222	22.4%
Unclassified or New Job Seekers	46,713	9.6%
	484,411	100%

SOURCE: FPIM, n.d.:9

ELABORATION: the authors

Although 16.1% of those economically active are professionals, only .4% are in management positions. Over 12% work in offices as secretaries and receptionists or in other office capacities, primarily in the urban centers. Artesan and agricultural-related activities employ 36.4% and these jobs are primarily rural. Finally, 12.9% work in commerce,

¹presumably most of these in the "informal sector". Since many of the women in this sector make a living as street vendors or part-time workers at home, it is likely that the census figures underestimate the number

²actually employed here.

Women's incomes are generally lower than those of men. There have been few studies on this subject, but a 1975 study by Finn and Jusenius concludes that "...the position of women in terms of incomes is worse than that of men. While only 12% of male workers earned between 200 and 300 Sucres per month in 1966, almost 30% of women were found in this low income bracket..." "In 1966," Finn and Jusenius continue, "the average salary for employed Ecuadorean women was only 55% of the average salary of Ecuadorean men." (Luzuriaga, 1980:75). Information as recent 1979 suggests that income differentials persist. A study of income distribution in Quito and Guayaquil revealed that 44 to 50% of women earned under S/3,000, while among men only 21% earned under that amount. Although the situation had probably improved by 1985 due to the rising educational level of women, it is certain that the income differential still persists.

It is hard to determine whether the discrepancy in income levels is due exclusively to educational factors, or whether women are also paid less for comparable work. According to Luzuriaga "women generally receive lower incomes than men who are in similar jobs" (Luzuriaga, 1980:74). Yet, because of their traditional role as mothers, it is likely that women also seek jobs for their flexibility and proximity to the home rather than for their income potential. Women's lower income is probably due to a combination of factors including education, sex-discrimination and the search for less demanding and more flexible jobs.

Women Entrepreneurs

According to the 1982, 21.3% of economically active women are in

business, 2.9% as employers and 18.4% as independent workers. Most of the independent workers are in the informal sector. A majority of them labor in the home--making clothes or artisan products--or selling basic foods. The money these activities bring often complements the wages of the husband; family survival is the major goal. Female heads of household are generally in the worst situation since they must support the family with their incomes alone. Many of these are forced to leave the home and work as street vendors or market vendors. Such activities still offer a flexible schedule, and the children can also "come along." It is typical to find children sitting next to their mothers at improvised "confites" stands in urban market-places.

Until recently the informal sector has received very little attention from development institutions, and the women in it even less. For a variety of reasons--cultural, economic and social--they have generally participated less in the country's economic development and have had less access to public services. Although empirical studies have not approached the subject in depth, pieces of evidence indicate that this is indeed the case. For example, rarely does one find women in the directorial positions of informal sector associations (such as the associations of commercial retailers), organizations in which women do participate when the tasks of the home allow. More than a few Grupos Solidarios of the FED/PRODEM program have one male leader and 5 or more female members. Since women have less influence in these "representational" institutions, their specific needs are less likely to be addressed.

The case of credit is a particularly good example of sexual disadvantage. Experience shows that women tend to borrow less from formal

channels. Even in our survey of small industrialists, the 20 women entrepreneurs surveyed (10% of the total) had less credit experience than the average male surveyed. Some reasons for women's limited access to credit are suggested in "Improving Women's Access to Credit in the Third World" (1984) by Margaret Lycette. Lycette feels that credit application forms are often "particularly cumbersome for poor women," and that "women are less likely than men to be able to satisfy collateral requirements for both legal and economic reasons." Moreover, institutional lenders usually prefer a small number of large loans to a multitude of small ones. Women engaged in small-scale activities are of less interest to them. It is not surprising that women therefore tend to be the prime borrowers of the informal credit mechanisms--i.e. the "chulqueros." These "loan sharks" charge very high interest rates, and the debts accrued daily often surpass an entrepreneur's net profit.

Interestingly, however, women^Y_X tend to be better borrowers than men. Programs operating with informal sector businesses in various countries have found that they repay their loans more reliably. In addition, the women engaged in small-scale family owned operations are usually the ones who do the bookkeeping and keep track of the finances. Thus they often have more financial "savvy," a fact which should be emphasized to financial institutions.

To summarize, women, and especially women entrepreneurs, have greater problems accessing the technical and credit services they require. On the other hand, they are also probably the majority of participants in the informal sector, and they have proven relatively reliable loan subjects. If indeed informal sector businesses can grow (and "graduate") into

small-scale enterprises, it seems worthwhile to give greater encouragement to income-generation activities of women.

Institutions

Institutions which have worked with women have tended to be socially or politically oriented rather than concerned with economic development. Scores of organizations of women exist under the aegis of political parties or within the "poblaciones."* The primary activities of such groups are political, concentrating on election drives and the like. There are two other types of organizations which have been primarily social. One has organized women for "social functions" (teas, bazaars, benefits). The other has focused upon educational activities. In particular the Centro de Promocion de la Mujer (Casa de la Mujer in Quito) offers workshops on a variety of topics of interest to women, including nutrition, health, parenting and literacy.

To our knowledge, at least three "women's" institutions have worked with women entrepreneurs in income-generation activities. These are: the National Women's Office, the Comision Interamericana de la Mujer, and the Instituto Nacional del Nino y la Familia (INNFA). In each case, the level of activities has been low and the number of beneficiaries small.

The National Women's Office, created in 1980 under the Ministerio de Bienestar Social, has struggled to find an institutional role. Understaffed, with few resources, badly managed, it will probably not become a prime force in income-generation activities. Its principal economic activities have been provision of credit (to both women and men) willing to establish a "tienda asociativa" within a community. The

* See Partial Listing of Women's Organizations in Ecuador in Annex 2.

Guayaquil office has received no attention from the Quito headquarters and so far has managed to fund only 5 stores, provide an unspecified but small number of loans to artisan women, and offer occasional workshops.

Although it was created in part to coordinate all Ecuadorean projects for women, the National Women's Office maintains no relations with private women's institutions.

The Comision Interamericana de la Mujer is funded by OAS and AID and has developed women's income-generation projects in Ecuador and Bolivia. Its activities are predominantly rural. In Ecuador it assists women's agricultural activities (pig-raising, etc.) in 5 communities in the Sierra. On the basis of its experience it has published a useful book on income-generation for women. The CIM is a small operation with limited funding but is also dynamic and interested in implementing new projects. Recently, the CIM-and-Overseas Education Fund representative in Ecuador traveled to Guayaquil to visit groups of women organizing collective production activities. This effort should be reviewed for inclusion in any AID small business program.

The Instituto Nacional del Nino y la Familia is nominally private but receives multilateral funds (UNICEF) and is associated with the present government through its president, the wife of the Ecuadorean President Febres Cordero. INNFA has received substantial amounts from UNICEF. Part of these funds have gone to income-generation activities for women, particularly as credits for establishing community stores selling basic foodstuffs. INNFA has been very active in Guayaquil and its suburbs (where the Febres Cordero administration enjoys most of its popular support).

In addition to these three "women's" institutions, another organization should be mentioned--the Catholic Church. Though traditionally male-dominated, over the years the Church has been developing women's centers associated with the local parishes. Today, it has 551 centers with over 28,000 women participants. The centers have begun some basic income-generation activities (primarily pig-raising and confection of clothing) and many of them have expressed wishes to organize more formal enterprises. Catholic Relief Services plans to hire a consulting team in July of this year (1985) in order to determine the appropriate structures for the businesses, the possible activities to be undertaken, and the mechanisms of assistance (such as credit). This too is an effort which has tremendous potential and should be considered for support. On the other hand, the Catholic Church is a "traditional" and "social" institution and perhaps not best suited to administration of a serious income-generation effort. For example, the organizers feel credits should be granted interest-free, or be heavily subsidized, because the recipients are "poor" and cannot afford to pay high rates. This contradicts the view which prevails among institutions with direct experience in business development programs.

Finally, another program deserving mention in this context is the FED/FRODEM (see institutional profile) component specifically focussed upon women. This is one of the first efforts to encourage the participation of women in a credit program not designed exclusively for them. A full-time staff person funded by AID through the International Center for Research on Women (ICRW) is seeking new women borrowers and designing workshops. The Fundacion Espejo in Guayaquil runs a credit

program similar to that of the FED and is also interested in developing an component focussing directly upon women, which comprise a large number of its beneficiaries.

To our knowledge, these are the main institutions which assist the income-generation efforts of women entrepreneurs. There are also other institutions which should have substantial numbers of women beneficiaries because of the sectors in which they are active--for example, the credit institutions, such as the FOPINAR, Fondos Financieros, the Savings and Loan Cooperatives and the Banco del Pacifico, which offer loans to artisans and micro-and-small scale enterprises. However, the lack of sex-disaggregated data among these institutions does not permit an evaluation of their ability to reach women, and this area requires further exploration.

Strategies

Women entrepreneurs have been largely ignored by the institutions providing services to the small-scale enterprise sector. Yet women are good loan subjects and take seriously the training and technical assistance offered them. Before any specific strategies are developed, the potential contribution of women to the Ecuadorean economy needs to be recognized, and the desire to serve them needs to be present. It is here that AID can play an important role--by funding research and seminars that will bring to the forefront the potential and needs of women entrepreneurs.

In general, women entrepreneurs do not seem to require their own development programs; rather, they need information, specifically designed

for them, which encourages their participation in such programs. Most important is probably information about credit. CENAFIA, for example, has made efforts to communicate information on credit to the artisan sector, though it did so through traditional channels--the associations--which may or may not reach many women. Ideally, information should be communicated through organizations which do reach women, such as CEPAM, and disseminated in areas where women work, such as market places.

Credit services need to be coupled with technical assistance and training. Financial institutions can and should refer women to additional services. Ideally, entities such as SECAP, CENAFIA, and perhaps women's organizations such as CEPAM, would work closely with the financial institutions and offer assistance and training to their clientele. These workshops or consulting services could be partially covered by the loan charges.

Women not receiving credit from the financial institutions should also have access to technical assistance and training services. Entities such as SECAP and CENAFIA can work together with institutions active in the informal sector, enter into "Convenios" with them and offer courses on subjects of special interest to women. Organizations which have traditionally worked with women and which are familiar with their special needs should be encouraged to offer seminars and workshops for business owners and new entrepreneurs. Women in the associations and chambers should seek to expand the membership of women in these associations and in this way begin to develop a stronger representation in these bodies. Eventually such associations could develop (paid) service arms providing services specifically for women entrepreneurs, such as child-care

programs that will improve women's access to services and thus contribute to the nation's development.

NOTES

1

The Junta Nacional de Planificacion of Ecuador defined the informal sector as:

"Activities which produce goods and services in a particular form of production characterized by small-scale operations, scarce technology in the production process; the enterprises which in an important part are constituted by one person of low productivity or income, and/or where the relatives of the entrepreneur work without remuneration. Definitely, the sector groups those workers who do not execute their activities in organized enterprises." (Luzuriaga, 1980:73)

2

Women are active in the "informal sector." In 1975, PREALC estimated that 37% of those working in it were women. And in 1978, JUNAFILA estimated that in Pichincha alone, they accounted for 47%. These figures are confirmed by the two main informal sector credit programs, FED/PRODEM in Quito and Fundacion Espejo/PROCREDEM in Guayaquil. In these programs, 65% of the members of the "Grupos Solidarios" are women, as are 35.6% of the micro-entrepreneurs receiving loans. (Refer to the institutional profiles of these institutions in Annex I).

D. POLICY AND STRATEGY IMPLICATIONS

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D.1 Influencing sectoral development policies.

Macro economic policies can decide whether the small enterprise sector can or can not fulfill its economic potential. The sector's potential contribution to production and employment discussed in depth in our Economic Background Paper makes it an important factor in any development program. As such it ought to be seen as a participant in the process and not as an outside opponent. To increase the sector's ability to participate and influence the policy making process the strategy must support efforts to:

D.1.1. Broaden the constituency base

The different sub sectors of small entrepreneurs through their representational organizations should develop common program objectives and jointly approach the policy making process.

There are three main organized branches within the small enterprise sector: the vendors and small merchants, the artisans and the small industrialists. Each of these has its own network of representational organizations: the National Federation of Retail Merchants (FENACOMI), the Asociaciones, Camaras and Confederacion de Artesanos, and FENAPI network of small industrialists organizations. These organizations together could represent perhaps more than half a million small entrepreneurs.

These organizations have different degrees of cohesion and their influence varies greatly. However they

have many common needs and face similar policy concerns. Until now their interaction has been limited and not always harmonious. A policy strategy should encourage contact and joint program and lobbying efforts among these constituencies.

The social base of the sector could also be broadened further by exploring specific points of agreement with other social strata. In particular with organized labor and possibly with the Camaras de Industria and Camaras de la Construccion.

D.1.2. Strengthen representational organizations

The FENAPI and FENACOMI networks as well as the individual Asociaciones, Camaras and Nucleos have reached a significant level of institutional development but have a long way to go to be able to deliver the lobbying and assistential services required by their constituencies.

The pilot institutional support program with FENAPI has been a rich experience. Continued and expanded support is recommended. A similar approach, as modified by experience ought to be extended to the other sub sectoral networks among artisan small merchants organizations. Such programs would have to be larger and more complex. However they can be started as with FENAPI on a pilot program level.

The experience of the large Camaras de pequena Industria and of FENAPI indicates that the best method to enlarge and strengthen these organization is to increase their capacities to provide concrete services to their memberships. This in turn will enable them to perform more

effectively their strictly representational functions.

Decentralized service delivery capabilities have the greatest potential to be pertinent and timely in response to the needs of the entrepreneurs. Without underestimating the potential in the central federations, support for development and expansion of service delivery mechanisms also should go directly to the local Asociaciones, Camaras and Nucleos.

The weaker groups in the networks are caught in a vicious cycle whereby they can not provide services because they do not have the resources, and they do not have resources because they can not attract a membership willing to pay fees sufficient to finance the services. This impasse can be broken through a service oriented outside intervention.

D.1.3. Participation in policymaking bodies

The representational networks have by law the right to participate in a broad range of decision making collective bodies throughout the state apparatus. We noted in discussing FENAPI that it lacks adequate resources for effectively representing the needs of the sector in multiple decision making bodies it has the right to participate in Ecuador, not to mention in international organizations.

There are at least three key policy making instances in which FENAPI is not yet represented and should be: the Junta Monetaria, the key point for sectoral credit allocations, in the tariff setting process, and in SECAP the principal training institution of the country.

However we note that in relation to the other artisan and small scale commerce networks, FENAPI is well represented. Perhaps a way to encourage cooperation among them could be for using FENAPI's representation to voice common policy concerns on behalf of the other organizations.

To improve the effectiveness of this representation FENAPI and the other representational networks need additional staff, technical assistance and general institutional resources.

D.1.4. Concientization of the small entrepreneur

Support for the small enterprise sector can not have as its sole objective raising profits for the individual entrepreneur. Depending on the attitudinal framework in which the sector operates it can either contribute to the social and economic democratization of Ecuadorean society or accentuate its power inequalities. It can strengthen attitudes of conciliation and tolerance or encourage inequities and polarization.

Precisely because of its social and economic potential the sector needs to assume responsibilities in community development, education, civic programs, etc. These attitudes are already present in many initiatives evidenced through the activities of several Camaras and Nucleos and they deserve support.

D.2. Credit availability, access and assistance

A strategy to address the credit needs of the SME sector could have three components: 1) to guarantee the availability

of adequate credit supply, 2) to improve the borrowers ability to access the credit available, and 3) to support the formation of autonomous credit institutions.

D.2.1. Credit availability

The credit allocation priorities of the Central Bank have not taken into account the needs and economic potential of the small enterprise sector. Interest rates are not a decisive concern of the small borrower. There are clear indications of the willingness to pay higher rates in exchange for access and better service from the lending institutions. This might allow for decision makers to allow greater flow of unsubsidized credit to the sector.

However the problem is not so much the need to end subsidized credit to the small enterprise sector. Rather it is the need to avoid subsidizing large commercial and industrial concerns, both private and public, whose social and economic contributions are of debatable value. There are many large enterprises which have not been able to overcome their serious financial problems. Rescuing them could absorb many times more funds than all the combined needs of the small enterprise sector.

The existing Fondos Financieros and FOFINAR discount mechanisms are appropriate for channelling credit to the more established firms within the sector but they do not reach the very small borrower. One way to extend their reach would be to make these mechanisms available to the Cooperativas de Ahorro y Credito.

D.2.2. Access to available credit

Training borrower and lender. There is a need for better skills and sensitivity on both sides of the loan counter. The small borrower requires technical assistance to take advantage of existing credit lines. Loan officers also need special training to work with the small entrepreneur. One bank official suggested that perhaps both sides should be trained together.

End credit diversion and lending "irregularities".

In part both problems can be traced to interest rate subsidies. But there is also a need for greater supervision and control of lenders and borrowers. Training will address some of these problems. Greater overall availability of credit at market rates will also help. But more effective enforcement will also be required. And it should be applied to all borrowers large and small.

Modernize the BNF banking procedures. There is a need for automation and systematization which is being addressed albeit at a very slow pace. The banks must review and simplify the loan application processes for small borrowers. The recommendation to create a Sub Gerencia for small industry and artisanry ought to be given serious consideration. Banks must also review guarantee requirements for small borrowers.

D.2.3. Autonomous credit institutions.

Savings and Loans Cooperatives.

Capitalization. There are at least two mechanisms through which to contribute to their capitalization: the Banco de Cooperativas and the Federacion de Cooperativas de Ahorro y Credito (FECOAC). FECOAC has structured its operation so as to permit loans to individual cooperatives for specific lines of credit. Capitalization could be aimed at very small enterprises, small industry or artisan operations. These two mechanisms can also be used to help capitalize new cooperatives.

Technical assistance to new cooperatives. FECOAC and the Cooperativas de Ahorro y Credito de la Pequena Industria in Pichincha and Azuay can provide technical assistance to guide efforts to organize new cooperatives around specific sub sectoral activities, trade associations, Camaras Asociaciones and Nucleos. But these organizational assistance would need initially outside financing.

Legal and policy issues. Finally there is a need for legal, technical and lobbying assistance to address unresolved administration and control issues among the Savings and Loan Cooperatives, their Federation, the Superintendencia de Bancos and the Central Bank. The purpose of this effort would be to establish the accountability of the Cooperatives under the supervision of the Superintendencia de Bancos in exchange for access to the rediscount mechanisms of the Central Bank.

Credit Guarantee Corporations (CGC)

After a long gestation period the legal framework for the establishment of credit guarantee corporations within a public/private system is already in place and the first CGC has been formed in association with the Camara de Pequeños Industriales de Pichincha.

The CGC system is a mechanism for sharing lenders risks combining a closely monitored technical assistance function to the borrower with an insurance mechanism through a mixed public/private Corporacion de Retrogarantia.

Outside support for the system could take the following forms:

a) contributing to the capitalization of the Corporacion de Retrogarantia, as have the Banco Central del Ecuador and the Banco Nacional de Fomento, and possibly a small consortium of private banks.

b) support the capitalization of selected CGC's deemed to have greatest potential and/or others as pilot projects in more difficult environments.

c) work with the Konrad Adenauer Foundation in their well established technical assistance program to help the organization of new CGC's, promote the concept and conduct motivational seminars in cooperation with representational organizations.

Support credit associations for micro entrepreneurs.

The AITEC type credit mechanisms for micro entrepreneurs have demonstrated capabilities to deliver

credit to borrowers normally dependent on street credit. The system has a number of secondary positive effects in terms of social organization, cohesiveness of the sector and mutual support structures. While the system may encounter liquidity problems due to inflationary erosion, the approach and particularly its organizational aspects remain essentially sound.

Outside intervention could support this credit delivery system by:

a) contributing to the recapitalization of the Quito and Guayaquil programs.

b) evaluate the FED/ICRW women's project for possible application to other programs.

c) support pilot expansion of AITEC model to secondary cities.

d) Simultaneously with the above support the evaluation of the Quito and Guayaquil programs to identify modifications for new pilot efforts.

e) explore using FENACOMI and Artisan organization's networks to promote the organization of AITEC type credit systems.

D.3 Technical Assistance

The centerpiece of a technical assistance strategy should be support for plant/firm level direct consultancy services on an individual or small group level. The most needed technical assistance services a) are firm, sector and region

specific; b) require an integrated multidisciplinary approach to the firm; and c) need to be promptly delivered.

D.3.1 Universities and Politechnical Institutes.

Academic institutions have an important potential role to play in the provision of technical assistance to the small enterprise sector.

Courses and internships

There are very few if any courses on the small enterprise sector in the business administration, economics and engineering faculties. Most academic institutions are facing severe budget problems and more traditional "prestigious" subjects get priority. It appears that certain faculties would offer such courses if outside financing were available.

The courses could serve multiple purposes: a) generally increase awareness among professionals of the special needs of the sector, b) encourage ongoing research, c) promote field/plant oriented internships or work-study programs as part of a broader technical assistance effort.

D.3.2. Multidisciplinary teams

The integrated character of technical assistance needs of the small enterprise sector has led some experienced professionals to propose the formation of multidisciplinary teams for direct assistance projects and follow up. The high cost of using graduate professionals in such an effort has been a major constraint in the past. College students could in many cases perform these functions as part of work study

programs and possibly in conjunction with course work. The program could be coordinated between the academic institutions and the representational organizations.

D.3.3. College-leavers program

The college drop-out rate in Ecuador is over 80% in many of the technical careers. Most of it is attributable to economic constraints on the students who leave the university to take up jobs. Partnership for Productivity has had a very successful experience in building a technical assistance network for small entrepreneurs using college-leavers in Botswana. The PFP program developed a special training program and service manuals for this project. In Ecuador such a program could be developed through private organizations such as INSOTEC and in cooperation with the Cámaras and Asociaciones.

D.3.4. College women and women micro entrepreneurs

Women are well represented in business administration classes, as they are in social work and psychology. The Fundacion Eugenio Espejo in Guayaquil works with female psychology students to provide remedial education and family therapy as well as to manage aspects of their credit program. Female business administration students and college-leavers might be interested in special outreach and technical assistance programs for women micro-entrepreneurs.

D.3.5 Encourage public/private cooperation.

There is an important body of technical assistance,

consultancy and training experience accumulated by such private organizations as INSOTEC, Creative Associates, private consulting firms and individual professionals.

This experience could target and make available the resources of public sector institutions such as CENAPIA, SECAP, SEBCA, CONACYT and the technical colleges and universities.

Such an approach could combine the flexibility and potential responsiveness of a decentralized private sector outfit with the ample resources available from public institutions.

D.3.6. Representational organizations as technical assistance brokers

The Asociaciones, Camaras and Nucleos of the SME sector organizations are the best positioned institutions to broker technical assistance efforts, to coordinate sub-sectoral consultancies, to communicate specific needs of the individual entrepreneur. For this purpose one or more positions will have to be created.

This role ought to help strengthen these organizations as the entrepreneur begins to receive from them and through them direct services for his firm.

D.3.7. Public/private sector professionals need direct plant experience.

Technical assistance consultants, professionals, trainers and technology experts need direct production point contact with the small enterprises. This could supplement

their theoretical training and contribute to the decentralization of professional services.

D.4 Technology policy

Ecuador's economy continues to change and modernize its productive base. An adequate and aggressive technology policy can make the difference between a stagnant and defensive small industry sector and one which shares a leading role with the emerging new dynamic sectors of the economy.

The artisan and small industry sectors already have the capabilities to support and supply a significant portion of the equipment and intermediate inputs needed, for example, for the agribusiness firms now being created or expanded.

But to do so efficiently the small industry sector needs the support of the state through a coherent policy that encourages and facilitates the disaggregation of technology packages, with appropriate import restraints, an up-to-date technology information service, technical assistance, training and credit support.

Outside intervention can support planning and working level coordination efforts among public sector institutions involved in technology policies such as CEBCA, CENDES, CONACYT and CENAPIA with technical personnel of the Camaras de Industria, Pequena Industria, Artesania and Agriculture.

D.5 R & D , Trade and Technology Information.

Both public and private sector agencies working with SME's have been unable to supply the small entrepreneur with

practical information relevant to the firm's needs.

The small entrepreneur needs current, practical information on trade, technology and marketing often available in foreign magazines, periodicals, catalogues and other specialized trade publications.

Research studies tend to be of little practical value for the entrepreneur and even when they could be of immediate relevance they are not in an accessible format or not available where they may be used.

D.5.1. Libraries/Documentation Centers

The Asociaciones, Camaras and Nucleos are the natural places for such information to be available. However most of them do not have the facilities and except for the large ones they do not have the resources to build a periodicals library, or documentation center.

D.5.2. Publications/bulletins/reprints/manuals

The Asociaciones, Camaras and Nucleos need their own publications for institutional purposes as well as to disseminate management and technical information, to announce training and technical assistance programs, available new services and products etc.

D.5.3. Mass Media

There are at least two mass media experiences relevant to the small enterprise sector: a pilot effort on the part of the daily HOY to give special coverage to economic and sectoral news, and a weekly radio program broadcast through 3 local stations sponsored by the Camara de Pequenos Industriales de Pichincha. These efforts should be

evaluated and supported.

D.6 Labor relations

The labor problem that confronts the small entrepreneur is an economic, a legal and an attitudinal issue which needs to be addressed on all three levels simultaneously.

D.6.1. Economic approach.

Improved management and organization of the work place can lift the pressure of declining returns from the labor/management relations and contribute to a better climate for consensus building and conflict resolution.

Some aspects of current labor legislation such as the unemployment compensation system (estabilidad) are subject to technical improvements which could reduce the risks to the employer. The development of an unemployment insurance system as an alternative is an example of how "technical solutions" could help employers without eroding employee security.

D.6.2. Legal assistance

It is highly unlikely that there will be significant changes in labor legislation in the near future. Small entrepreneurs face a range of issues for which they need legal or paralegal assistance.

The Camaras and Nucleos in varying degrees try to provide such assistance. Some of the legal problems are labor related and are often linked to non-compliance with labor legislation. These efforts should be supported.

D.6.3. Labor/Management Dialogue

Many of the labor related conflicts in the SME sector have to do with attitudes, posturing and prejudices in the absence of opportunities for dialogue. Those familiar with labor/management relations in the sector point out to a number of areas of potential agreement and even cooperation between organized labor and management organizations. There have been some positive experiences in this respect that should be examined.

D.7 Inter-institutional coordination

The problem of lack of coordination among public and private sector agencies and projects assisting the small enterprise sector is apparent from the institutional profiles. There are also many inter-institutional coordinating instances which have not succeeded in reducing duplication or increasing complementarity of activities.

The scope of AID's contemplated involvement in small enterprise development puts it in a privileged position to encourage public and private coordination. But to succeed inter-institutional coordination must be a component of the strategy and built into the design of the project.

Informal planning and working level coordinating groups can be encouraged for each of the projects involving cooperation among multiple public/private institutions by making resources available only to activities endorsed by consensus within the coordinating group. The approved activities are then left for decentralized independent

execution.

Because increased coordination should be one of the objectives of the strategy, the donor agency must retain the ability to suspend or terminate activities that do not meet with cross institutional support. To do this the donor agency must have access to independent progress evaluations.

ANNEXES

Annex 1.1. - Financial Institutions

BANCO DEL PACIFICO

Origens and Objectives

The Banco del Pacifico was founded in Guayaquil in 1972. The bank identified an untapped market, the small and medium sized business, and largely because of this was able to grow rapidly. In response to the requirement that private banks earmark 20% of their available loan funds to development activities, the Banco del Pacifico decided to establish in 1977 an Artisan Loan Fund, which would serve businesses with limited credit guarantees.

The objectives of the fund are: 1) to implement and activate small productive units, 2) encourage savings among artisans, 3) educate the artisan to be a good credit subject, 4) train the artisan individually or collectively in the areas of investment, production, and marketing, 5) project the image of the Bank as interested in the democratization of credit.

Activities

The Artisan Loan Fund operates in six cities in Ecuador providing credit to artisans who have limited access to credit. The Fund has made 3451 credits for a total of about S/150 million (US \$1.3 million) from 1977 through December of 1984. The average loan is S/43,465 (US \$400). Loans are provided for inventory (2 year schedule), for machinery (3 year schedule), and for construction (4-5 year schedule). The interest rate, which stands at 18% in April 1985, is regulated by the government. As security, the Bank does not require collateral, but rather a personal guarantor, and documents which prove good conduct. Payments are made every three or six months. Prior to loan approval as well as after loan disbursement, a Bank functionary visits the business.

The program is administered by a staff of eight, each of which handles 180 to 200 loans. In addition to their loan activity, Bank personnel have also given some workshops for artisans on accounting, administration and technology. The Bank maintains few statistics on its clientele, such as the number of women borrowers.

The Bank has made a study of the impact of its loans from a survey of 100 borrowers. On average, the condition of the surveyed firms was better than before, although the study did not account for inflation.

Although the Bank experienced a decline in loan activity in 1982 and 1983 (the interest rate was regulated at 16.25%, and was resulting in a loss for them), its activity increased in 1984, when the interest rate changed to 18% and the Bank resorted more to the FOPINAR and Fondos Financieros.

Opportunities

The Banco del Pacifico's program is a unique example of a commercial bank's efforts to reach the small enterprise sector. Although persons familiar with the Loan Fund believe that the program is of little priority or interest to the Bank management, it is nevertheless a program which has improved the access to credit of small businesses. It is likely the Bank would expand the program if it were profitable. In this sense, government regulation of interest has served to limit the availability of credit. Further thought needs to be given to the delicate balance between interest rates and credit availability.

BANCO NACIONAL DE FOMENTO

Origins and objectives:

The BNF was created to finance a broad range of productive activities but emphasized from the start agricultural operations.

About 70% of its credit operations remain targetted to agriculture, about 15% on the average for small industry and another 15% for the commerce and services.

Since 1965 through a reform of statutes BNF began to work with small industry and artisans. These operations began with the Bank's own funds and later with special domestic and international capitalizations and lines of credit.

Current structure and resources:

The Bank has 75 branches around the country. These constitute the largest and most decentralized banking network.

BNF has been encountering liquidity problems due, in part, to overall credit tightening from the Central Bank and the Junta Monetaria.

BNF has access to external credit lines and capitalization sources. They have received support from, among others the German KfW Bank, AID, IDB, the World Bank.

Current central and branch structures do not contemplate any specialized instances for serving the small enterprise sector. In this respect a study by ILDIS/CONADE recommended the creation of a "Gerencia Especializada" for this purpose.

The personal characteristics of branch managers, in terms of their interest or lack of interest in the small enterprise sector has considerable impact on BNF relations with the small enterprise sector, particularly with the Camaras and Nucleos. We visited branches where close collaboration took place and others where open conflict was the standard.

The volume of bank activities has grown beyond the ability of the system to handle. We heard complaints from Bank officials with respect to shortage of personnel and administrative resources. The BNF has been engaged in a modernization and automation plan which is discussed in more detail below.

Activities directly related to small enterprise sector:

BNF is the main outlet for the Fondos Financieros and

FDFINAR credit lines disbursing approximately 50% of each, with the rest distributed through a dozen private banks and financieras.

BNF evaluates projects and credit applications and is responsible for supervision and follow up of approved credit lines.

The credit application, approval and disbursement process is the subject of innumerable complaints from Camaras and Nucleo members.

The major issues are:

- * Complexity of application procedures
- * Excessive guarantees demanded
- * Delays in processing applications
- * Credit amounts approved insufficient to complete

projects (inflation factor).

- * Arbitrariness/favoritism in approval/denial process
- * Corruption of inspectors to obtain approvals
- * Lack of flexibility in renegotiation of credits

Bank officials argue that there are:

a) technical reasons for some of the problems (ie inadequate systems and insufficient automation)

b) legal/statutory factors (ie. procedures are centrally established and need flexibility)

c) shortage of personnel and administrative budget.

d) Inability of borrowers to present adequate applications, properly defined projects, feasibility studies, etc.

e) insufficient credit available for the sector which leads to forced delays in processing applications and disbursements.

f) Credit diversion (ie use of PIA/SME credit lines for activities such as commerce, consumption, etc.)

Current Projects:

Since 1982 the BNF has been executing a general administrative reorganization and modernization under a "Master Plan for Systematization and Automation". This Plan was approved in 1982 by the BNF Board and the Comision Nacional de Informatica.

The first phase of the plan is financed by a loan from the IDB. It includes the completion by 1986 of three sub

systems:

- * portfolio management
- * accounts and money transfers
- * internal administration

Part of the automation is already on line however there are "systematization" problems which have not been solved and which contribute to the delays detected in credit operations referred to above.

To evaluate progress in these efforts to modernize the operating systems of the BNF would require a professional review which might identify possible points of technical support.

Inter institutional coordination and Policy issues:

BNF participates in the policy making process around credit issues affecting the small enterprise and agricultural sector within its Board.

The Board is presided by the Ministry of Agriculture (MAG). It includes representatives of MICEI, Finance Ministry (MIFI), Central Bank (CBE), three representatives from the Camaras de Agricultura (one each from the Sierra, Costa and Oriente), and FENAPI.

The Board develops an Annual Credit Plan, overall credit priority guidelines which, for 1985, have not yet been prepared.

Program implications:

To improve access to credit by the small enterprise sector, it is suggested that:

- a) A working group level interaction be promoted between Branches and Camaras, to address operational issues and recommend actions.
- b) Technical assistance be provided to borrowers and potential borrowers on the credit process.
- c) A management level "Sub Gerencia" for small enterprise be created at the branch level.

LACPE (Cooperativa de Ahorro y Credito de la Pequena Empresa)
Quito and Cuenca

CACPE was formed in 1982 with the purpose of "promoting economic and social cooperation among its members" through savings and loans operations.

The members are small entrepreneurs, not only in industry but also in commerce and services. The relatively vague definition of potential members makes them "open" cooperatives.

In both Cuenca and Quito the cooperatives experienced a rapid growth. Within a few months their membership rose to nearly 1,000 in Pichincha and over 300 in Cuenca. But the membership and capitalization then stabilized as they reached most of the members of the Camaras.

Credit operations:

In Pichincha after three years of operations the S&L reached a level of 10 Million Sucres in deposits and the credits given out about 21 Milion Sucres.

In Cuenca the S&L accumulated about 4 Million Sucres in deposits. They lend up to twice as much as kept on deposit.

Of the loans made about 50% are for raw materials and supplies, the rest for housing (16%), consumer loans, equipment, working capital cover the rest.

According to the members the principal advantage of the S&L's is the rapidity of access to loans.

Loan rates are 2% per month (26.8% per year) for 1 to three month loans. For loans over three months the rate drops to 1.75% a month (23% per year).

On savings CACPE pays 8% for a passbook account and 14% for fixed term account. Members participate, of course in profits.

Constraints:

According to the President of the Cuenca S&L, Dr. Pablo Crespo, the constraints to further expansion of their operations are as follows:

a) Insufficient membership. They feel they need to open to wider potential membership to reach equilibrium operational conditions.

b) Lack of access to external capitalization sources. None of the existing sectoral S&L's have had external

capitalization.

c) Lack of access to the rediscount mechanisms of the Central Bank. This is due to the legal structure affecting all S&L's.

d) Their low rates of interest paid on savings compete unfavourably with the new "Polizas de Acumulacion" and is already leading to a depletion of their savings reserves.

e) Because they are new and limited in their operating budgets they do not have an adequate infrastructure.

Inter-institutional relations:

The Quito S&L is affiliated to FECOAC, the Federation of S&L's.

On the other hand the Cuenca S&L is not affiliated and has differences of criteria with both Quito and FECOAC with respect to the desirability of accepting the supervision and control of the Superintendencia de Bancos.

The distinction is relevant in as much as it may affect their ability to access rediscount mechanisms.

On the other hand the Banks perceive the S&L's as a potential competitor for what could be a significant borrowers market.

Both maintain good working relations with FENAPI.

Policy implications and program opportunities:

External contributions to the capitalization of existing S&L's and the creation of a seed capital fund for new ones, are interventions worth considering for an AID program.

The resolution of the legal differences between government agencies, the S&L's and FECOAC appears to be critical for future developments.

COOPERATIVES BANK

The Cooperatives Bank is one of the principal financial entities of the cooperative movement in Ecuador. It belongs to 235 affiliated cooperatives and is also open to the public. Originally its directors expected it to serve as head of the cooperative movement. But mistakes and lack of foresight kept it from assuming this role. Instead, the more aggressive Cooperativa San Francisco de Asis (a FECOAC affiliate) took over as the movement's leader. Eventually the Cooperatives Bank was forced to close its largest Guayaquil office and remained with only 5 branches.

The Bank has deposits of S/808 million and its current loan portfolio amounts to S/1062 million. Because it is legally a bank, it can use the rediscount mechanisms of FOPINAR and Fondos Financieros, which gives it an advantage over the Savings and Loan Cooperatives or the Cooperativa San Francisco de Asis.

CORPORACION FINANCIERA NACIONAL/FOPINAR PROGRAM (Fondo para el Fomento de la Pequena Industria y la Artesania)

1. Origins and objectives:

The 1977 Law creating the CFN ordered the establishment of FOPINAR. It became operational only in 1980 through a loan agreement with the World Bank. FOPINAR began lending in March 1981.

FOPINAR finances fixed and working capital for small industry and artesanry through the banking system and private "Financieras" (Article 35 of CFN legislation).

2. Current structure and resources.

FOPINAR is the Secretariat of CFN and is in charge of evaluating the rediscount applications presented by the financial institutions. After evaluation CFN's "Comision Ejecutiva" approves or rejects the rediscount applications. CFN informs the Central Bank which then rediscounts 90% of the credit approved by the participating financial institution.

Although CFN/FOPINAR statutes do not contemplate the provision of technical assistance, the institution is carrying out such functions with funds from the World Bank and AID (the Dutch Finance Corporation is considering additional assistance for this purpose). All administrative, personnel and overhead costs come from the general CFN budget.

Capitalization of FOPINAR. The first contribution in 1980 included US\$ 4 Million (100 million Sucres) from CFN; US\$ 6 million from the Government (150 million Sucres) and the World Bank with US\$ 20 Million (500 million Sucres), for a total of US\$ 30 Million or 750 million Sucres at the time.

In 1983 there was a second capitalization--the Government, contributing US\$ 10 Million and the World Bank US\$ 40.6 Million.

A third capitalization is contemplated with the same participants. However there are various issues outstanding with respect to interest rates and to the losses incurred due to devaluations. These losses were covered in the past by the Government.

3. Most relevant activities and goals.

FOPINAR established a set of goals for 1986 which became part of the agreement with the World Bank:

- 1) Induce investment for 7,000 M Sucres
- 2) High aggregate value
- 3) Credits for 4,300 M Sucres
- 4) Finance the establishment of 700 to 800 new enterprises
- 5) Finance modernization and expansion of 2,200 to 2,400 enterprises.
- 6) Support the creation of 10,000 to 12,000 jobs.
7. Channel about 60% of the credit outside Quito and Guayaquil.

From 1981 to December 1984, FOPINAR rediscounted 2,546 Million sucres, accounting for 2,671 loans. 10,171 new jobs were created and the investment per each job created was about 500,000 sucres, which is considered average for the small enterprise sector.

The main lines of activities which benefited from the credit lines were the following:

Food products except beverages, 20.53%

Metal working manufactures, machinery and equipment, electrical appliances, 15.77%

Textiles and clothing, 16.4%

Geographical distribution of credit is concentrated in three provinces: Pichincha 30.1% ; Guayas, 19.26% ; Azuay, 9.06%.

Among the rest the main ones are: Tunguragua 5.6% , Manabi 4.99%, Imbabura 4.78%.

Credit by size of enterprise:

Micro enterprises 8.76%

up to 725 000 Sucres 9.47%

725000 to 5M Sucres 54.82%

5m to 12M Sucres 26.95%

The larger enterprises within the sector absorb almost 80% of all credit available through FOPINAR

Size of loans:

less than 1 Million 20%

1M to 3.75 M	38.02 %
3.75 to 6.25M	29.45%
6.25 to 10M	12.53 %

Average loan: 1 million Sucres

The most active financial institutions in the FOPINAR program are the Banco Nacional de Fomento, Banco del Pacifico, and FINANSUR

4. Current projects and capabilities:

In addition to the administration and supervision of the credit program FOPINAR engaged in the following activities:

a) Training: Workshops in financial administration for small industry and artisanry under a Pilot project with AID support. (See Peter Fraser's report, AID); Project Evaluation Seminars with officials of the Financial Institutions administering FOPINAR lines; seminar for Bank functionaries on regulations of FOPINAR and credit parameters; workshop on management motivation for FOPINAR officials and small entrepreneurs in Quito, Ambato and Manta.

b) Promotion of the FOPINAR program, through seminars in 30 localtions in 15 provinces reaching some 1,000 potential applicants.

c) Follow up and evaluation of Financial Institutions participating in FOPINAR PROGRAM (20 institutions).

d) Survey of 100 beneficiaries of the FOPINAR program (Nov. 84).

e) Support for technical assistance programs by other organizations from the "Small Fund" administered by the "Interinstitutional Committee". Grantees were the Camara de Pequeños Industriales in Guayaquil (200,000 Sucres); ILALO (128,000 Sicres) and FENAPI for training (105,000 Sucres)

FOPINAR has a small professional staff. The Evaluation Section has 3 in Quito, 3 in Guayaquil, 1 and 1/2 in Manta and Cuenca, a half time person in Ambato and one in Machala. The Technical Assistance section has 1 full time person in Quito.

In light of the number of beneficiaries, FOPINAR does not have the personnel capabilities to carry out extensive training, technical assistance and evaluation functions.

5. Inter institutional coordination:

The technical assistance function is run in part through a Technical Cooperation Committee which is presided by CFN/FOPINAR and includes representatives of MICEI/DGPIA, CENAPIA and FENAPI. This Committee administers a "Small Fund" for technical assistance with about /S.1 Million.

FOPINAR coordinates also with the Central Bank and with the financial institution disbursing the credit. In addition it trains personnel of the financial institutions and evaluates the projects approved by them.

In terms of direct contact with entrepreneurs for training and technical assistance there is little coordination with other public sector institutions involved in similar activities. Similarly they are not coordinating with the Camaras or with FENAPI to the extent it could be possible.

Insertion in the policy making process: FOPINAR does not have a direct role in the policy making process. Its representation is through the CFN leadership. Thus its influence is circumscribed by that of the umbrella institution. CFN's influence in turn has been affected by performance in activities unrelated to FOPINAR. CFN does not have representation in the Junta Monetaria nor in the Central Bank. Observers point out to the relative reduction of CFN 's influence in policy matters from its heyday in the late seventies.

6. Perceptions on the part of institution leaders. With justification FOPINAR's staff feels the program has met its goals. They recognize problems in the size of beneficiaries and would like to do something about "reaching down".

The third capitalization with World Bank is a priority and they are assigning considerable resources to the effort including trying to meet various concerns raised in terms of technical assistance, evaluation and follow up on projects, and more direct relations with entrepreneurs.

7. Program potential and opportunities.

a) There is a need for a working level coordination with the Camaras and other public sector institutions whose activities overlap with some of FOPINAR's, particularly training and technical assistance.

b) The possibility of capitalization of FOPINAR through domestic resources to supplement World Bank and other external sources should be explored.

c) The inter institutionally managed Technical Assistance fund offers potential as a vehicle for financing projects presented by the Gremios, Camaras, etc. At this time it is under financed with only 1,000,000 Sucres.

d) It is not clear to us that FOPINAR is the best vehicle to carry out the training and technical assistance programs it has taken on. Their methodology for working with entrepreneurs in the pilot project is interesting and should be shared. But which institutions is best positioned to expand such a program?

Federacion Nacional de Cooperativas de Ahorro y Credito del Ecuador (FECOAC).

Origins and Objectives

The Savings and Loan Cooperatives (S&L's) emerged in Ecuador 23 years ago. S&L's have a dual registration requirement by law, one with the Ministry of Social Welfare (MBS) and another with FECOAC.

According to FECOAC there are 768 registered with MBS and only 436 of these are affiliated with the Federation. There are between 500,000 and 600,000 members of S&L's nationally.

Loan Activity

Total assets of FECOAC affiliated S&L's are in the 14 billion Sucres range. The current portfolio of individual loans is about 10 billion Sucres with 166,852 loans, for an average 60,000 Sucres per loan.

The outstanding loans have been utilized as follows: Industry 23.3%; Commerce 40.10%; Housing 13.5% and "Other" 23.10%.

FECOAC's loans to the S&L's amount to 92.6 million Sucres in 27 loans (averaging 3.5 million sucres) which resulted in 1,852 loans to individuals (50,000 Sucres per loan). Of these more closely monitored loans, 48.5% are for agriculture, 39.1% are for "Fecuario"; 2.3% for Artesanry; 6.1% for Small Industry and 4.0% miscellaneous.

FECOAC Evolution & Functions

The growth of the S&L's has been uneven. It stabilized after a rapid increase during the boom period. Interestingly, the general contraction in the economy and the availability of commercial credit led to a renewed expansion in the past two years according to FECOAC President Dr. Klaver Medina.

The functions of FECOAC go beyond "representation" of the S&L's. First, FECOAC assumes responsibilities in promoting the establishment and organization of new S&L's by providing a full range of technical assistance. Second, it provides auditing services. Thirdly, it lends funds to cooperatives from funds obtained through international organizations. And fourth, it represents S&L's before government and international agencies. All services by FECOAC are paid for by the S&L's.

International assistance

FECOAC is affiliated with the Latin American and World

associations of Savings and Loans. FEEOAC recently signed the fourth loan agreement with the IDB through COLAC (the L.A. Association) for US\$ 1.5 million, at least part of which is earmarked for small industry. They are also negotiating with the Canadian agency CIDA to promote new cooperatives, to automate the savings end of the function and to carry out various studies. AID has helped FEEOAC through the Latin American network. The Germans are also financing support for "auditing and follow-up."

Opportunities

There are at least two main approaches to expanding S&L's role in supplying credit to small enterprise: by creating credit lines specifically earmarked for the sector through existing S&L's and secondly by participating in the promotion and organization of "closed" S&L's whose members are small industrialists.

According to Dr. Medina, FEEOAC is capable of assuming both functions. It has already designed and tested mechanisms for organizing new S&L's, including training manuals, qualified extensionists, statutes, lending criteria, etc. It has a diagnosis of existing cooperatives and their potential. Over the years FEEOAC has established a methodology for the promotion and administration functions and it claims to have the personnel for becoming involved in the process.

The initiative to form a S&L's for small industry must emerge from the Camaras and/or from FENAPI. FEEOAC is willing to become involved as a "resource" for the initial "concientization" of the Camaras as to the potential and benefits of a cooperative but can not take the lead.

FENAPI and several Camaras have already been active in trying to get a program off the ground. There are three functioning S&L's for small industry, in Pichincha (Quito), Chimborazo and Cuenca. FEEOAC is in touch with all three. The Pichincha S&L is characterized by FENAPI and FEEOAC as a success (see profile of CACPE).

FENAPI was awarded a grant from AID through Creative Associates which included a program to promote S&L's. The project was subsequently re-structured and due to limited funds this activity had to be dropped. It could be revived for FY86 and include a special fund for contracting FEEOAC's services.

The two options outlined by Dr. Medina (special lines of credit through existing coops and organization of new "closed" S&L's) could be pursued simultaneously. AID funds could be used by FEEOAC to lend to existing S&L's. Such a project would also require technical assistance funds to cover specialized personnel travelling to the Camaras.

Policy issues Since the last quarter of 1984 when the government lifted restrictions on interest rates for "Polizas de Acumulacion", FEEOAC has been involved in an apparently fruitless policy debate with the government. FEEOAC's concerns are simple. The Banks are now offering around 25% interest on Polizas de Acumulacion and lending at 36 to 38%. For the S&L's, the problem is that these saving bonds attract their members who save (as opposed to those who save to then borrow) and deplete their assets (2). Asked if this development would force them to raise their own rates, Medina said that not necessarily but admitted that CAC's with very low rates would have to come up to average. (apparently some S&L's are operating with rates at or below 15%).

A second legal/policy issue affecting S&L's has to do with their registration with the Superintendencia de Bancos thus bringing them under the control of the Central Bank. FEEOAC opposes this move and wants to remain within the environment of the Ministerio de Bienestar Social. One negative implication of the current status is that S&L's are not eligible for the Central Bank's lines of credit (i. e. Fondos Financieros and FOPINAR). On this issue the President of FENAPI, Cesar Frixone, believes that S&L's should come under the Central Bank control and derive the benefits thereof. This issue needs further exploration. One aspect to consider is that the sheer volume of deposits and loans of the S&L's makes them an important part of the financial system regardless of their legal definition.

FUNDACION ECUATORIANA DE DESAROLLO-FRODEM

Origen and Objectives

The FED was created in April of 1968 with the assistance of the National Foundations program of the Pan American Development Foundation. Its purpose is to "improve the standard of living of the marginal sectors by channeling resources into innovative projects in the areas of promotion, organization, training, technical assistance, in order that the beneficiaries assume the responsibility for their own economic, social and cultural development." (FED Brochure) The FED has a staff of approximately 50 employees.

Activities

The FED began its activity in rural areas, where its programs tried to integrate peasants into associations, to stimulate the establishment of collective enterprises, and to train peasants in technical and administrative aspects. The main rural based activities were the development of "Centros de Acopio", livestock and pig-raising, cheese-making, and credit programs. Although its primary emphasis has been rural development, the FED initiated an urban program of credit and management assistance to informal sector entrepreneurs in April 1984. The program--Programa de Desarrollo de Microempresas (FRODEM)--has as its goal the creation of employment and generation of greater income among the micro-enterprise sector. It is based on the AITEC model developed in other Latin American countries.

FRODEM

This program benefits the smallest economic activities in the city of Quito, by providing credit to those who are not considered credit worthy by conventional banks. The program has two subcomponents: micro-entrepreneurs and "grupos solidarios." Micro-entrepreneurs perform activities such as making clothes, or making or repairing shoes. The Grupos Solidarios are composed of persons who retail goods of all kinds, either at a fixed stand or at different street locations. Each component has a director and four to seven promoters. The main service is the extension of credit, but some workshops and technical assistance are offered as well. The credit program, after one year of operations, has exceeded its goals in all aspects. The section of micro-enterprises hoped to loan funds to 450 micro-entrepreneurs. In 10 months the program had lent funds to 549 micro-enterprises. In the Grupos Solidarios component, 290 groups were expected to receive funding; the ten month actual was 355.

Women in FRODEM

Given the high incidence of women in informal sector activities, (the micro-enterprises program has 35% women and the Grupos Solidarios program has 65% women) a project was developed jointly with the International Center for Research on Women (ICRW) to provide assistance in increasing the number of women beneficiaries of the program. AID provided funding of US\$284,989 for a two year period to ICRW to provide technical assistance to the project, to hire a local

women's coordinator, and to provide a US\$50,000 loan fund for women. The goals of the project are: to "provide technical assistance to the FED and AITEC to make the loan program more responsive to the specific needs of women borrowers; construct an evaluation and monitoring system to facilitate the assessment of the project's success; conduct an evaluation of the impact of the lending program on the economic position of women beneficiaries; and, share the lessons of these efforts with other organizations attempting to institutionalize credit mechanisms that are accessible to low-income people, both men and women."

Evaluation

As a program, PRODEM has proven successful. The demand for credit has been great and the project can claim to have assisted in the strengthening of the small businesses and the creation and retention of typically precarious employment.

The FED's PRODEM staff is impressive. They are dedicated and have excellent relations with the persons they serve. We had a chance to see some of the questionnaires which are being completed by beneficiaries of the program as part of the first year's evaluation, and all of them praised the staff for their accessibility and kindness. The executive levels are also impressive, showing a tremendous ability to learn from experience, to adapt programs, and to develop new ideas and approaches.

The FED is currently planning an expansion of the PRODEM program to secondary cities where informal sector employment is high. The plan is to work through local institutions, and for the FED to provide the initial technical assistance. Depending on their ability to select the local institutions, the program promises to be an important contribution to the improvement in the standard of living of marginal urban communities in Ecuador.

Potential Opportunities

The FED with its short yet impressive experience with the urban informal sector is in a position to be able to impart its learning with other institutions in other cities of Ecuador. The planned expansion to secondary cities deserves support.

Their innovative experiment with the women's program also makes the FED a "leader" in the women and credit field. It is suggested that with their learning and that of other organizations such as ALTUR (the consulting team for the Solanda Housing Project) that they offer seminars to bank functionaries on how to improve women's access to credit.

FUNDACION EUGENIO ESPEJO-SEDE GUAYAQUIL-PROCREDEM

Origen and Objectives

The Fundacion Eugenio Espejo is a private voluntary agency which sponsors, funds, coordinates, and administers, research, training, human development and community and enterprise development projects. It was created in Guayaquil in 1980 with the objective of organizing and improving human resources in order to attain an improved standard of living for Ecuadorians. Since then, the Fundacion Espejo has opened offices in three other cities of Ecuador, including Quito.

Activities

The Fundacion Espejo undertakes the following activities: 1) school for administration- Instituto Superior de Estudios Administrativos; 2) programs of civic training- Escuela La Concordia (with funding from the Naumann Foundation); 3) library with a development and administration emphasis; and 4) a pilot program for urban marginal communities which includes: PROCREDEM, credit and technical assistance to informal sector enterprises; CEDUES, a center for special education for children; PRODECOMUN, a research and technical assistance project for urban marginal communities of Guayaquil; and CRESIU, an educational program promoting informal sector entrepreneurs.

PROCREDEM

PROCREDEM was established in May of 1984 with funding from AID. It is based on the AITEC model, which provides credit to micro-entrepreneurs and solidarity groups, and resembles its sister program PRODEM in Quito. The primary differences are that the Fundacion Espejo also provides loans to rural sector businesses, and that it has a more extensive training program. From October to December 1984, the agency undertook 24 courses with about 500 participants. The topics of these courses ranged from business administration (selling, accounting, marketing, quality control), to trade topics (flower shops, making clothes, wood products, silkscreening), to human relations (parent-child relations, education).

The loan program has been a little less active than the PRODEM program, due partly to the fact that it has fewer promoters. As of March 31, 1985, PROCREDEM beneficiaries included 158 micro-enterprise borrowers, 14 solidarity groups with 62 members, and 7 small agriculturalists. 551 loans were extended for a total of S/11,739,158 (or about US \$100,000).

It is interesting to note that the percentage of women in the micro-enterprise and solidarity group components are the same as those in PRODEM in Quito.

The Fundacion Espejo will be receiving a US \$500,000 loan from the IDB's Small Projects Office for PROCREDEM. This is an indication of the growing "respect" that the informal sector programs enjoy among

international financial institutions.

Opportunities

The Fundacion Espejo is a resourceful institution. It has expanded rapidly, thanks to its able leadership and its ability to mobilize international resources. Many of its programs are models which should be studied more carefully for replication purposes. The agency's presence in 4 cities in Ecuador offers a useful infra-structure for the expansion of its programs, particularly those with the informal sector.

INTER-AMERICAN DEVELOPMENT BANK/Small Projects Office

The Inter-American Development Bank provides important sums of money for projects in Ecuador. Most funds are channeled into infra-structure, but one component of the IDB is germane to a discussion of small business development. The IDB's Small Projects Office, created in 1978, is an innovative program which seeks to reach marginal groups and attempts to raise their standard of living through a more effective participation in the national economy. The Bank provides financing as well as technical assistance to non-profit entities such as cooperatives, associations, and foundations, or to selected public sector institutions. In order to qualify for assistance, the projects must: generate employment, raise income levels, stimulate the development of special skills and the use of appropriate technologies, and finally, derive a high percentage of raw materials and semi-processed goods from local sources.

Program Mechanics

IDB funds are provided at highly concessional rates (1% for a period of 40 years and with a grace period of 10 years), and technical assistance (often up to US\$80,000) is provided in the form of a grant. The maximum loan amount is US \$500,000. The difference between the Bank's interest rate and the institution's rate is to be used to cover administrative overhead of the intermediary. Eligible intermediary institutions do not have to provide "collateral," but they do need the approval of the government. Although the requirements for eligibility may seem "soft," the Bank does require extensive administrative and financial controls. These will often delay initial disbursement for months after the loan has been approved. In some cases, these requirements are never met and the funds are never released.

IDB Program in Ecuador

The IDB's Small Projects Office has been relatively active in Ecuador with loans amounting to US\$3.5 million (as of February 28, 1985). Institutions that have received credit are: Central Ecuatoriana de Servicios Agrícolas (CESA) (cooperative fisheries), Cooperativa de Producción Artesanal Atahualpa (artisan cooperatives), Fondo Ecuatoriano Populorum Progressio (FEPP) (agricultural and fishing credit), Fundación Nacional de Clubes 4-F (colegios agropecuarios), FECOPAM (molino de arroz), CAAP (proyecto artesanal-Otavalo), and the Comité del Fondo Ecuatoriano de Prestamos (ECLOF).

Organizations with projects presently under consideration: Fundación Eugenio Espejo (urban credit), Centro del Muchacho Trabajador (job training and placement for youth), and Unión de Campesinos de Vinces y Baba (UNOCAVB) (agroindustry).

SISTEMA DE CORPORACIONES DE GARANTIA Y RETRO GARANTIA CREDITICIA (CGC)

Origins and Objectives

After a long gestation period the legal framework for the establishment of a System of Credit Guarantee Corporations was passed in April 1983, and legalizes the Corporaciones de Garantia and the Corporacion de Retrogarantia.

The system is intended to address the credit needs of small borrowers who lack the personal or business guarantees to qualify for commercial credit, to provide technical assistance to the borrower, and to spread the lenders' risk through what amounts to an insurance system.

Operations

The system has three levels of operations:

1) financial institutions: commercial banks, the Banco de Fomento, Savings and Loans, and Financieras all qualify as lenders within the system. These lend the funds to the borrower.

2) Corporaciones de Garantia Crediticia: These are private membership corporations which can be established by any social or economic group with common purposes or objectives. The first CGC constituted is associated with the Camara de Pequeños Industriales de Pichincha (CAPEIFI). Each of its members contributes to the initial capitalization of the CGC.

3) Corporacion de Retrogarantia: It is a mixed Central del Ecuador, the Banco Nacional de Fomento, the member Corporaciones de Garantia Crediticia and is intended to include the participation of a consortium of private banks. Each of the participants contributes to the initial capitalization of the CRG.

The system operates as follows:

1) The borrower applies simultaneously for a loan and for the corresponding guarantee to any financial institution and to the CGC.

2) If the Bank/Financial Institution approves the loan without guarantee requirements the CGC involvement is terminated.

If a guarantee is needed, the CGC evaluates the project and through its technical assistance unit advises the borrower, modifies project etc.

Annex 1.2. - Government Technical
Assistance Institutions

When the CGC approves the guarantee request it informs the lending institution which proceeds to disburse the funds.

4) The CGC then presents the loan to the Corporacion de Retrogarantia which accepts them without review process.

In case of default, the loss is distributed as follows: Lending Institution 5%, CGC 15%, Corporacion de Retrogarantia 80%.

Because of the obvious risk-sharing aspect, the system has the advantage of encouraging the commercial and cooperative financial system to lend to small borrowers since it almost eliminates the risk factor.

The CGC becomes the provider of technical assistance in the credit application as well as the project development process. The CGC is designed to follow up on its operations and provide ongoing assistance to improve projects and to prevent failures. It is based on a self-help concept in which borrowers and entrepreneurs support each other's operations.

The system is self-financed:

A package of itemized fees as percentages of the loan value is charged to the borrower to cover a) the guarantee risk factor, b) the operation/administration costs of the CGC, c) a reserve capitalization fee and d) a technical assistance fee. The organizers of the system are still adjusting these fees to make the system self sustaining.

Constraints and opportunities:

The main constraint of the establishment of the system, the legalization of the framework, has been overcome. There are at least three aspects which still need to be addressed:

1) While there is a core group of experts associated with the establishment of the corporaciones, there is a need for additional trained staff to assist new efforts to form CGC's and to follow up on the operations of existing ones.

2) There is a need for capitalization of the Corporacion de Retrogarantia. Negotiations are taking place with the private sector banks to determine their role in this system.

3) Similarly there is a need for seed capital in the

capitalization of new corporaciones. The second one in process of organization is associated with the Cámara de Pequeños Industriales del Azuay in Cuenca.

While the CGC System offers ample opportunities for programmatic support all actions ought to be closely coordinated with the Konrad Adenauer Foundation--the entity involved in this process from the beginning.

CENDES (Centro de Desarrollo Industrial del Ecuador)

Origins

CENDES was formed in 1962 as a semi private organization in part as an outgrowth of the Servicio Cooperativo Interamericano de Industrias y Artes Manuales (SCIAM) supported by AID.

In 1977 CENDES was transformed into a public entity attached to the Ministry of Industry. Subsequently, in 1978 CENDES was transformed once again into an autonomous agency (though state-financed).

Structure and resources:

CENDES has 178 employees of which 120 are in Quito, 50 in Guayaquil and two in each of the following offices, Cuenca, Portoviejo, Riobamba and Ambato. About 60% of the staff are technicians.

The greater part of CENDES' budget is provided by the state. In 1984 it received 78 Million Sucres. An additional income comes in from services provided and from external financing for specific projects (these external sources have dropped significantly in the past few years).

External sources include: IFU (Denmark), SBI (Belgium), CIDA (Canada), JUNAC/ONUDI, GTZ/DEG (Germany), INI (Spain), Swedfund (Sweden), Init, (Argentina), ILA (Ireland), Jetra (Japan), OPIC/USA, IILA/(Italy), CESI (France).

Most relevant activities:

During the 70's CENDES produced about 500 industrial projects. In addition, it carried out some 200 studies of industrial projects, marketing, and sectoral. It also claims to have provided direct technical assistance to some 300 enterprises and to have organized 120 seminars and conferences.

CENDES played a critical role in the formation of the industrial parks mixed enterprises.

The industrial parks enterprises are made up of CENDES, municipalities, provincial councils, and regional development institutions. These enterprises gather the capital, buy land, built infrastructure and subsequently lease or sell space. The principal obstacle to industrial parks

development is the initial stage of capitalization. International funding for the capitalization process has been lacking.

Applications for funding to the World Bank and the IDB have gone unanswered.

CENDES is known and respected also for the creation of the Servicio de Informacion Tecnica y Economica (SITE) which in addition to having an outstanding technical library maintains files on patents.

CENDES also has direct investments amounting to 86 million Sucres as follows:

- * Industrial Parks-69 million
- * Steel, Automobile, Training shops, Cement mixed private public enterprises-17 million.

Program Opportunities:

Over the years CENDES has evolved into a service institution directed to medium and large scale enterprises. Most of its projects and studies are aimed at this sector. Nevertheless there are certain activities which can be adapted to the needs of the small sector.

The information service, SITE, has been very helpful to agencies like CENAPIA and this relationship could be expanded. Similarly, CENDES' practical experience could be applied to R&D functions aimed at the small enterprise sector.

The industrial parks have proven most relevant to the needs of medium and large enterprises. However in our conversations with small scale entrepreneurs we found a clear interest in developing parks designed for small enterprises. Therefore CENDES' experience is relevant.

Only two parks are functional at this time: Cuenca (90% occupied) and Riobamba (100% occupied). In addition legally constituted enterprises for industrial parks exist in Ambato, Tulcan, Ibarra and a private one in Guayaquil. Since construction has not yet begun in these there may be room for influencing design to incorporate needs of small enterprises.

CENAPIA. Centro Nacional para la Promocion de la Pequena Industria y la Artesania.-

Origins and objectives:

CENAPIA was created in 1975 under the Ministry of Industry and Economic Integration (MICEI). According to the law and statutes, CENAPIA's legal objectives and functions are to:

- * Provide technical assistance to the small industry and artisan sectors.

- * Conduct industrial feasibility studies to identify opportunities for investment and promote their implementation.

- * Control and evaluate a posteriori credits to the sector.

- * Define priority industrial or artisan activities to receive preferential treatment to benefit from industrial credit lines in accordance with to the Development Plan established by the government.

- * Coordinate its activities with other institutions involved with the artisan and small industry sectors.

Structure and resources.

CENAPIA has a total of 92 employees of which management accounts for 5%, technicians and professionals 55%, administration 25% and support services 15%.

More than half the staff is located in Quito (50). It has 13 employees in Guayaquil, 7 in Ibarra, 7 in Cuenca 2 in Riobamba, 3 in Portoviejo, 4 in Machala.

About 60 to 70 % of CENAPIA's oudbget comes from the 1.5% tax charged by the Central Bank on Fondo Financieros loans. The estimated budget for CENAPIA for 1984 is in the order of 50 Million Sucres. For 1985 they have requested 150 Million but they expect (unofficially) to receive about 100 million. Outsiders are even less optimistic and expect no more than 50 million to be allocated.

Most relevant activities:

CENAPIA has two principal activities: studies and technical assistance.

Et alia

The Departamento de Estudios has prepared 5 studies on "new lines of investment for small industry" over the past two years which include the following sectors:

Milk and soy bean flour; fruit and vegetables preserves; brown sugar and alcohol; dried vegetables and herbs and ceramics.

There has been no systematic effort to disseminate these studies nor has there been a tracking of impact. They are simply "available" upon request.

CENAPIA has prepared profiles and feasibility studies at the request of individual entrepreneurs for applications of qualification with MICEI or for credit applications. They are said to take between 4 and 6 weeks. During 1983 they completed 64 such studies. Similarly, CENAPIA claims to provide assistance to entrepreneurs in developing "investment plans". CENAPIA claims that about 2/3 of the feasibility studies have turned into real projects.

Technical Assistance:

Plant level: In metalworking CENAPIA has been providing individual counseling to entrepreneurs. Also in vegetable canning through its "demonstration workshop" see below.

Seminars: CENAPIA conducts seminars on a range of topics for small industry and artisans: administration (8), finance (4), production (7), marketing (4), accounting for artisans (9), technical assistance in ceramics (4), food processing (5). The figures in parenthesis indicate seminars "programmed" for 1985. As of May 1, 1985 four of these seminars had been conducted.

Promotion and motivation

Under this "Department" CENAPIA organizes "conferencias" and "roundtables", disseminates the results of its studies and encourages the organization of seminars. The April 1985 tour to visit various Camaras Provinciales de Pequenos Industriales by CENAPIA's Director falls under this effort.

Talleres demostrativos:

CENAPIA is best known for its talleres demostrativos. The project started through contributions in funds and experts from UN Agencies (UNDP, UNIDO, ILO). There are talleres in Cuenca (shoe manufacturing), in Riobamba (Textiles and clothing), in San Antonio de Ibarra (woodworking), and one mobile unit for food processing.

While the concept of the "talleres" may have been appropriate as technical assistance and training instruments, there have been problems with personnel, breakdown of machinery, actual operation of the workshops, irregularities in the management of resources and general under-utilization of the resources. The program is currently being reconsidered.

Current projects and capabilities:

CENAPIA's 1985 budget request outlines an ambitious plan of activities which in all likelihood will not be implemented.

CENAPIA appears relatively effective at conducting specialized studies. However it shows serious limitations in the technical assistance, promotion and dissemination of information. Entrepreneurs indicate having had very little contact with CENAPIA officials and few acknowledge having been assisted by the institution.

Officials at CENAPIA place great emphasis on a survey they are currently coordinating--the objective being to find out the state and needs of small industry and artisanry. The Survey is behind schedule. While most sector experts agree that up to date information is indispensable for planning services, there are questions as to the extent which this particular survey can provide this function.

CENAPIA is undergoing a general reorganization. The process seems to have interfered with the general operations of the institution.

Inter-institutional coordination

The new management of CENAPIA is trying to establish control and improve the effectiveness of the institution. They would like to be more responsive to sectoral needs and improve contact with its constituencies.

There are evident signs of conflict between CENAPIA and FENAPI with serious political and program implications damaging to both institutions.

Program potential and opportunities:

CENAPIA has the potential to provide important services to the sector and is legally mandated to carry out this function. It has limited resources, a centralized structure and serious internal organization problems that limit the effectiveness of what otherwise is a highly qualified professional group.

From a political and an operational point of view CENAPIA can not afford to work at cross purposes with FENAPI or with the Comares and Nucleos. Efforts to by-pass FENAPI and "go directly to the Comares", a tactic currently being tried out with the survey, has aggravated the conflict.

Probably the most useful contribution an outside intervention could make would be to help forge an "alliance" between the FENAPI network and the CENAPIA structure.

COMISION ECUATORIANA DE BIENES DE CAPITAL (CEBCA)

Origen and Objectives

CEBCA is an private, non-profit institution which was created in 1976 in order to encourage the usage of domestically produced machinery and to reduce the excessive importation of goods which were being produced or could be produced at home. CEBCA's role is to increase Ecuadorean investments in and purchases of capital goods, basing its actions on the offerings of a variety of national firms, including those which deal with industrial assembly, machinery, and engineering.

The specific function of CEBCA is to provide an opinion as to whether or not a particular machine, equipment, repair piece, or accessory should be imported. This decision is based not solely on whether the good is produced nationally, but also on such aspects as adequacy of national supply, quality and technical attributes, and pricing. In 1985, apparently due to the fact that CEBCA's role is politically sensitive under a conservative government, the agency has been stripped of its legal authority. Its opinions are now discretionary and not binding, and it is the Minister of Industries himself which is now empowered to make the final decision.

Activities

CEBCA's primary contribution has been the compilation of information on the domestic production of capital goods. In this vein, CEBCA has developed a catalog of firms which produce machinery and other capital goods in Ecuador, numerous studies on technological improvements and applications, and an extensive Information Service which allows it to provide technical assistance and counseling in the area of investments and purchasing. Interestingly, many of the firms listed in the catalog are considered "small industry."

Opportunities

CEBCA's current operations plan is very ambitious and non-specific and unfortunately overlaps in some respects with the work of other institutions, such as CENDES, CONACYT, and CENAFIA. Nevertheless, CEBCA with its qualified technical staff, its technical knowhow and its familiarity with the "state" of technology in Ecuador can offer specialized assistance to small and medium sized industry.

Specifically, CEBCA could coordinate with SECAP to provide the technological assistance in the form of a mobil industrial extension program, facilitated by the Camaras de Pequeños Industriales. Perhaps most important, however, is CEBCA's ability to provide a supplier link between small industry and large industry. This offers an interesting opportunity to be considered in a small business development program.

CONSEJO NACIONAL DE CIENCIA Y TECNOLOGIA (CONACYT)

Origens and Objectives

CONACYT was created in 1979 as a public entity under the control of the Presidency reflecting an increased awareness of the role of science and technology in the integrated development of Ecuador. CONACYT's objectives are: to promote and coordinate the development of science and technology; to develop the scientific and technological potential of the populace; to promote research; to establish mechanisms through which to apply technological and scientific knowledge; and finally to consolidate a National System of Scientific and Technological Information.

The institution, which counts with a small staff, performs the task of planner, coordinator, and financier for a variety of studies and seminars on a national scale.

Activities and Resources

CONACYT activities have been oriented to a large degree to assisting the small and medium sized industry. It has funded studies by INSOTEC and the Central University on small industry sub-sectors, and has supported the Centro de Informacion y Servicios Tecnologicos (CIST) of the Camara de Pequenos Industriales de Pichincha. Although the latter is very weak institutionally and in danger of closing, it nevertheless demonstrates the interest CONACYT has in this sector.

CONACYT's budget has been reduced from that of years past. Its current budget hovers around US\$350,000 (S/40,000,000 with an exchange rate of S/116). Although it has lost importance from the prime years of the oil boom, it remains a viable institution. The current Vice President of Ecuador, Penaherrera, serves as honorary chairman.

Opportunities

As a resource allocator and coordinator, CONACYT has an important role to play. It has received funds from AID, UNESCO and other international donors and has been a rather dynamic intermediary. Its small office seems to be non-bureaucratic and able to adequately respond to the concerns of the industrial and manufacturing sectors of the economy. Any program seeking to improve the level and use of technology should necessarily be coordinated with CONACYT.

CONADE (Consejo Nacional de Desarrollo)

Origins and Objectives:

CONADE was created in 1954 under the name of Junta Nacional de Planificacion y Coordinacion Economica with the purpose of advising the Presidency in the preparation of medium and long term development plans.

Although CONADE developed the planning structures for the government and contributed partially to development planning in its first two decades of operations, it was not until 1979 that its five year plan received programmatic attention from the Executive.

However, the general economic crises ensuing around 1981 and coinciding with the war with Peru practically forced the abandonment of the carefully drafted document.

Current structure and resources:

CONADE is made up of representatives from the Executive and Legislative branches, and representatives of the Camaras de Produccion, the trade union sector and the Universities.

CONADE's predecessor, the Junta Nacional de Planificacion, became the Technical Secretariat for Planning of CONADE.

In 1984 CONADE had 373 employees of which 172 were professionals (45%), technicians 60 (18%), administrative 104 (23%) and the rest service and support personnel.

The budget for 1982 was 125 Million; for 1983, 153 Million; for 1984, 175 Million. This indicates an erosion of budget in real terms. This coincides with the perception that its role is also diminishing in political terms.

Most Relevant activities:

Under the Section on Industrial Policy operates the Unidad de Pequena Industria y Artesania (UPIA) created in 1972. Indicative of its relative importance within CONADE is the fact that it has only one professional staff member and one assistant.

However the main research activity on small industry and artisan sectors was conducted under the direction of Edgar Pita and the external support of Peter Meier in the social research division. They have now been transferred to the Industry and Artisan Section.

Most recently the UPIA has limited itself to preparing CONADE's participation in the Comité Inter institucional de

Fomento a la Pequena Industria y la Artesania, presumably in charge of guiding overall policy towards the sector.

The other group has devoted itself mainly to strategic research on the sector. Among its publications are the following:

CONADE/ILDIS Seminar on the Development of Small Industry and Artisan sectors, June 1980

CONADE/ILDIS Current situation of Small Industry in Ecuador August 1980

CONADE/ILDIS, Socio Economic conditions of the labor force in the manufacturing sector , 1982/83

CONADE/ILDIS, Promotional policies for the artisan sector in Ecuador, 1983

CONADE / DITURIS Tourism and the Artisan sector, unpublished monograph.

CONADE/BCE. Artisan Sector and Modernization in Ecuador, 1985.

Current projects and capabilities;

In contrast with the 1979-1984 Plan, the current one for the period 1984/1988 does not emphasize the small industry sector as a priority area for economic development and support policies.

References to the industrial sector in the current plan pay special attention to : agro industry, construction materials for low cost housing, manufacture of essential consumer goods and goods with potential export markets.

On the other hand the current plan emphasizes the need to provide "substantive support" to the artisan sector. The emphasis is on improving quality and designs and support commercialization and broadening markets. The creation of the Subsecretaria de Artesania within the MICEI structure in part reflects this increased interest in the subsector.

But besides the statement of the above general guidelines, CONADE has not undertaken any concrete projects to put in practice these shifts in priorities. CONADE is currently undergoing a reorganization.

Inter-institutional coordination:

In theory, and to some extent in practice, CONADE is thought of as the center piece of interinstitutional coordination and overall planning for state agencies.

Over the past 15 years CONADE's influence over the policy making process expanded considerably. However this influence decreased in part due to personal/power conflicts between the Presidency and the Vice Presidency during the Hurtado/Roldos period.

Under the new administration of Febres Cordero it appears that CONADE is recovering some influence in some areas. In particular with respect to efforts to "rationalize" the public sector, efforts also known as "debureaucratization". For this program the World Bank has just agreed to contribute U\$S 8 million dollars.

Views of key personnel in CONADE:

From a policy and implementation point of view CONADE points to the following critical areas for the public sector to address:

- * Inefficiency in the administration of the Ley de Fomento.
- * Corruption in the administration of the benefits of the law in subsidized credit allocation.
- * Corruption in the authorization of machinery imports, investments and re-investments.
- * Similar corruption in permitting the artificial subdivision of firms to qualify for benefits.
- * Administrative inefficiency and corruption has led to distortions in the productive process and can be linked to capital flight.

Policy implications:

CONADE has accumulated considerable professional, research and policy experience. It has a very small but highly trained core group (Flores, Pita) which could lead the policy making process to address the needs of the sector.

However, without presidential political/policy support CONADE's role will be limited to research. While it has in theory some potential to improve inter institutional coordination, this role will not be practical without active executive branch support.

DINATI (Direccion Nacional de Asesoría Técnica Industrial)

Origins and objectives:

Created in 1979, DINATI objectives are to "plan, direct, coordinate, execute and supervise international technical assistance pertinent to the activities of MICEI..."

Therefore it functions as an intermediary agency for CENDES, INEN, CENAPIA, CEBCA, IIT (Instituto de Investigaciones Tecnológicas, Escuela Politécnica) and any other public sector institutions.

Current structure and resources:

Two separate units operate in DINATI: one focuses on industrial statistics and technological information, the other is devoted to the intermediation of international experts and relations with international institutions.

It has less than 10 professionals.

Relevant activities:

DINATI coordinated a technical assistance project aimed at the small industry and artisan sector which began in 1979 and lasted five and a half years.

The project's principal objective was to provide direct assistance for the rationalization, development and improvement of industrial sectors and services deemed of high priority. These were metal working, small industry, food processing, quality control. To this effect they emphasized "institutional strengthening" of the pertinent agencies.

The project was financed by UNDP for US\$ 2.5 million and the GOE contributed Sucres 80 Million and US\$ 180,000.

Executing agencies: ONUDI and MICEI/DINATI. Beneficiary agencies called "coejecutoras": INEN, CENDES, CENAPIA, IIT, ESPOL, and CEBCA.

The bulk of the financing was used in paying for foreign "experts", some equipment (talleres demostrativos) and training.

Current projects and capabilities:

Additional financing is on the pipeline. DINATI is expected to be "absorbed" fully by MICEI and continue to perform the intermediary functions described above.

INSTITUTO ECUATORIANO DE NORMALIZACION (INEN)

INEN was created in 1970 to standardize technical norms for all products sold in Ecuador. It is empowered to certify product quality but not permitted to control and monitor.

INEN's technical staff also offers occasional training to businesses, in conjunction with SECAP. In a program of support for the small enterprise sector, INEN staff could offer technical assistance and training in quality control as well as provide information on exporting.

JUNTA NACIONAL DE DEFENSA DEL ARTESANO

The JNDA was created in 1953 by the Law in Defense of the Artisan, and is housed under the Ministry of Labor and Human Resources. Its objectives are the organization of the nation's artisans and the "defense" of their interests. The law has two main components: first, it requires that each artisan workshop have a "master artisan," whom it certifies; second, it grants a variety of benefits. The most important of these are: 1) payment of a lower "minimum salary"; 2) payment of lower social benefits for each employee; 3) exemption from income taxes; and 4) access to the FOPINAR and the Fondos Financieros lines of credit.

Since its inception the JNDA has granted 130,000 "master artisan" titles, and 50,000 artisans have qualified for the specific benefits.

The Law in Defense of the Artisan can be called "conservative," because it:

1. protects a class of producers which has low productivity;
2. encourages the formation of artisan associations in which the workers do not participate;
3. legitimizes an environment in which the work laws are not applicable;
4. prohibits the formation of an "enterprise committee"--a labor union at the firm level.

The Law in Defense of the Artisan and the role of the JNDA need to be evaluated closely. At present, the policy of the government agencies towards the artisan sector is unclear. Some artisans are ascribed to the Law in Defense of the Artisan, others to the Law of Development of Small Industry and Artisanry (under a separate Ministry), and still the majority of them are not ascribed to either. In addition, the MICEI has recently implemented a Sub-Secretaria de la Artesania, yet how this new entity will relate to the JNDA has not been determined.

If we are concerned with increasing productivity and with promoting the growth of small enterprises (scale-up), it is questionable how useful the JNDA law is, since it has few growth incentives. It should be noted, however, that the JNDA itself has provided an important function in the promotion of artisan associations around the country. Thus, any recommendation as to how to "rationalize" the public sector's policies and services to this sector needs to take the positive and negative effects of the JNDA and the law into account.

ARTISAN ORGANIZATIONS

The JNDA has promoted the organization of numerous associations

of artisans on a national, provincial and local level. These associations depend heavily on the JNDA and its provincial branches, and are themselves relatively weak. Interestingly, three functionaries of the other government agency working with the artisan sector, the MICEI's DGPIA, have been advising the artisan chambers of Pichincha, Tungurahua, and Guayas. Given the contradictions in the two laws, and the duplication of efforts of the JNDA and the MICEI/DGPIA, the role and function of the artisan organizations is also unclear.

MICEI/DGPiA: Ministerio de Industrias Comercio e Integracion/Direccion General de Pequena Industria y Artesania

Origins and objectives:

MICEI was created in 1973 although it operated under a different name since 1965. The origins of the DGPiA can be traced to 1964 around the "Jornadas Artesanales" which led among other things to:

- * the preparation and passing of the Ley de Fomento de la Pequena Industria y Artesania (Law for the development of Small Industry and Artisanry).
- * Reform of statutes of the Banco de Fomento so it could lend to small industry and artisans.
- * Creation of OCEPA to promote exports of artisan products
- * Creation of SECAP

Objectives of MICEI: to formulate, direct and execute government policy in the areas of industrial promotion, small industry and artisans, normalization, tourism, foreign trade and regional integration.

Objectives of DGPiA: Administer the Ley de Fomento de la Pequena Industria y Artesania, study and recommend its reforms and adjustments.

Structure of DGPiA:

1985 Budget and personnel

MICEI: 522 employees budget 518.4 Million Sucres

DGPiA: 50 employees budget, approx. 20 Million
(35 emp. in Quito) Sucres

About 80% fo DGPiA employees are professionals. Most of the professionals have been with DGPiA about 5 years. A few have been with the agency since its inception. The Director of DGPiA, Mr. Luna had been with DGPiA in a lower position for several years and is a career official of the MICEI.

Activities realized and assessment of effectiveness:

DGPiA played an important role in the initial organization of public sector institutions working with the small enterprise sector. Its contributions include:

- * Drafting the initial Ley de Fomento for the sector.
- * Organized promotional seminars around the Ley de Fomento.
- * Classification of 3,339 small enterprises seeking the benefits of the law.
- * Qualification of about 2,400 firms to have access to preferential minimal salary legislation (about 600 to 1,000 of these overlap with those classified).
- * Published directories of Paquena Industria, as well as statistics on the sector.

The above have been ongoing activities. Given the legal framework that defines DGFIA these initial activities were carried out adequately.

As the Small Industry and Artisanry sector's growth was curtailed starting in the late seventies, the number of firms requesting qualification and classification dropped from about 300 per year in 1976 to about 60 in 1984.

There is agreement that an undetermined number of firms registered with DGFIA are "disguised" large firms seeking the benefits of the Ley de Fomento. DGFIA in effect formalizes this process. It has been said that they have done so in part due to "pressures from above" as well as due to occasional internal "irregularities".

Therefore there is a dual distortion of the classification and qualification process. On the one hand many potential beneficiaries of the law chose not to take advantage of it because "illegality" was simpler or because they did not know of the benefits. On the other hand larger firms take advantage of loopholes or institutional vulnerabilities to do so.

DGFIA/MICEI played an important role in the initial organization of the Asociaciones de Pequeños Industriales which in the past few years have become Camaras and nucleos. Political and interpersonal problems over the years have weakened the relationship between the institution and the network. Today many firms are "classified" but are not members of the Camaras, and many others are with the Camaras but are not registered with the MICEI.

DGFIA asserts that they maintain about 15 employees in regional offices outside Quito, in Loja, Tulcan, Ambato, Cuenca, Guayaquil and Manta. In these offices they claim to provide technical assistance in credit and to perform feasibility studies. However, DGFIA staff admits that "with the most recent reorganization of MICEI we have lost touch

with our regional offices..."

Current projects and capabilities:

The growth of specialized agencies serving the sector, the perceived inadequacies of the Ley de Fomento and the overall contraction in the rate of growth of the sector has left DGPIA with a vacuum of activities.

Despite the relatively reduced workload DGPIA has difficulties fulfilling its obligations. They face the greatest problems in the technical evaluation of projects to qualify and classify new investments, re-investments, etc.

This is in part due to the lack of qualified technical personnel in the broad range of industrial activities they are asked to evaluate.

Recognizing that the list of Qualified and Classified firms they have compiled over the past 20 years is almost totally obsolete, DGPIA undertook in 1984 a Survey of those firms to update the information. The Survey was completed in the provinces of Pichincha, Guayas, Carchi, Tungurahua, Chimborazo y Cotopaxi. The other provinces were not surveyed. The data obtained was not processed "for lack of access to a computer".

Inter-institutional coordination:

The DGPIA is isolated from the decision making process that impacts on the SME sector. This is ironic given that it is the government agency charged with administering policies it has little influence in shaping.

Similarly, DGPIA appears not to be involved as fully as it should in the inter institutional coordinating bodies with CENAPIA and FENAPI, the Banco de Fomento and other pertinent institutions.

Leaders perceptions/institutional plans:

At a discussion meeting on this study with representatives of the government institutions, Dr. Luis Luna presented a list of issues considered critical for the sector. This is available at the AID Private Sector Office.

Potential and opportunities:

The most clearly defined activity of DGPIA is the "classification/qualification" process. There is a clear need to review and update this process and the information already incorporated in the system.

DGPIA does not seem to be designed to fulfill the technical assistance and organizational functions it is

attempting to undertake. It should probably play an advisory role in coordination with other agencies more centered on these activities.

MICEI is constituting a Subsecretaria de Artesania to promote this sector and to work in close cooperation with the Junta Nacional del Artesano. This new development in some sense assigns second place within the MICEI hierarchy to the DGPIA. Some artisan sector representatives have raised concerns about the role of this new agency which some fear would duplicate functions with the Ministry of Labor.

ORGANIZACION DE COMERCIALIZACION DE PRODUCTOS ARTESANALES (OCEPA)

OCEPA was created as a mixed enterprise in 1975. A government agency, the Ministry of Industries, Commerce and Integration, owns 60% of the stocks and 220 artisans own 40%. The purpose of OCEPA is to market and export Ecuadorean products. This is done nationally, through retail outlets in Quito, Guayaquil and Cuenca, geared primarily to the tourist market, and through international distributing schemes. Of the total sales, 70% are derived from exports and 30% from domestic sales.

OCEPA's performance as a firm has been relatively weak. During 1980 and 1981 it incurred tremendous losses which could have led to its ruin, had it not been for the devaluation of the Sucre in 1982. Sales totalled US \$1 million (S/116,277,000 at an exchange rate of S/116 per \$1) in 1984.

Though it is a "mixed" enterprise, OCEPA shows many of the characteristics normally ascribed to the public sector. It is sluggish and does not seem to feel the overriding pressure to perform at high standards. It seems to lack the motivation to increase sales and become more efficient. Its labor costs are very high, comprising about 40% of the total budget. Only 1.5% thereof is used for promotion. For a retail store which depends on international orders, this is very little.

Nevertheless, OCEPA has provided important services to the supplier artisans. Its marketing system, has provided an outlet for the products of many artisans nation-wide; it has helped to improve the product quality; it has promoted the development and export of new goods; it has helped to regulate their prices; and it has exposed Ecuadorean artisan products on an international level through its participation in national and international fairs. Besides its marketing assistance, OCEPA provides artisans with a much needed help--advances, sometimes up to 50%, to purchase raw materials.

It is not clear what future potential OCEPA has for greater assistance to the artisan sector. It appears that OCEPA will continue to make a small contribution to the marketing of products. One suspects, however, that an organization composed 100% of artisans could be a more dynamic and effective distributor.

SECAP (Servicio Ecuatoriano de Capacitacion Profesional)

Origins and objectives:

SECAP was created in 1966 with the objective of providing "intensive professional training for the labor force and mid level technicians for industrial, commercial and service activities". SECAP legally is expected to provide training to the small enterprise sector excluding the artisan and micro sector.

SECAP organizes and conducts an average of 1,500 courses or seminars every year involving between 30,000 and 40,000 trainees. About half of the courses are aimed at the industrial sector and half to commerce and services.

The way statistics are kept it is difficult to identify what proportion of activities is directed at the small enterprise sector. A FENAPI study based on a survey of its members indicated that only 10% of them had had contact with SECAP. This figure may be misleading however as possibly many employees of the SME sector may have benefitted from SECAP training programs before or outside the context of the enterprise.

Current structure and resources:

Until 1980 about 60% of SECAP's budget was financed from the .5% contribution on salaries paid by industry through the Social Security system. Unaffiliated workers, which constitute a significant percentage in the small enterprise sector, therefore do not contribute to the SECAP fund.

Beginning in 1981 SECAP received an increasing portion of its budget from international institutions. This external contribution increased from about 30% in 1980 to 60 % currently budgeted for 1985.

From 1975 to 1983 the World Bank and the government contributed US\$ 4 Million each towards the construction and equipment of the two training centers in Quito and Guayaquil.

A second project for construction and equipment of 11 training centers began in 1982 with US\$ 16 Million from the World Bank and the GOE each.

Other international institutions which participated in support of SECAP activities are:

*UNDP/ILO: to study the professional training programs as part of a world wide program (1978)

* GTZ from West Germany supported SECAP until 1984. A

new program may be agreed upon.

* Spain has helped SECAP since 1982 by providing 2 experts.

* Great Britain supports a training program in electronics since 1983.

* Canada, through the Canadian Commerce Corporation has provided a loan for 4.6 Million Canadian Dollars for the purchase of training equipment in Canada.

* Brazil since 1981 has provided technicians, training and scholarships.

SECAP's 1985 budget is estimated at 1.170 Million Sucres: 270 Million from tax contributions, 35 million from the government, and 700 million from external sources.

SECAP has some 590 employees of which 3% are in management positions, 65% are professionals and technicians, 21.5% are in administration and 11.5% are service personnel. All the professional staff is Ecuadorean and are considered well trained and well qualified for their jobs.

Because of the decentralization of its Training Centers, SECAP's personnel is also more evenly distributed around the country and away from the Quito and Guayaquil areas than is the case for other institutions.

Most relevant activities.

Most SECAP activities take place around its 11 Training centers. The centers already built and equipped are located in Quito, Guayaquil, Ibarra, Riobamba, Santo Domingo de los Colorados. The Cuenca and Loja centers have been constructed and partially equipped. In Ambato, Esmeraldas, Manta and Machala, the centers are not built yet, but land is available.

SECAP training covers two main areas, "Industrial" and "Commerce and Services".

Its Industrial courses include:

- Metal working
- Auto mechanics
- Electricity and electronics
- Construction
- Wood working and furniture making
- Leather and shoes
- Textiles
- Graphic arts

Agroindustries
Road machinery operating
Agricultural machinery

Its Commerce and Services course include:

Mid level management training
Mid level business administration
Support activities to individual firms

We were not able to detect any comprehensive evaluation of the quality of the training services. In the absence of this we can not tell whether complaints from the sector are the result of inadequate training design or lack of access to these courses and seminars.

Current projects:

SECAP's priorities are to complete the training centers and to put them into operation.

Officials indicated they have plans to conduct a survey to identify training needs, a sort of "market survey" for their services.

They have indicated no plans for courses targetted solely to the small enterprise sector despite considerable pressures from FENAPI and the Camaras and Nucleos.

Inter institutional coordination:

SECAP has entered into "Convenios" with CENAPIA and with FENAPI for specific training programs of very limited duration. With CENAPIA from 1981 to 1985 SECAP offered professional training for small industry and artisans, processing of fruits and vegetables, and shoe manufacturing. The FENAPI "Convenio" with SECAP was for training in "industry, commerce and services" for one month.

SECAP's Board of Directors is presided by the Ministry of Labor and Human Resources includes representatives of Ministry of Education, Ministry of Industries, CENDES, CONADE, one employer's representative, and two representatives of the trade unions. The small enterprise sector has no representatives in the SECAP Board.

Potential Program opportunities:

SECAP has the resources, personnel and infrastructure needed to service the needs of the small enterprise sector.

But it has little awareness of the special needs of this sector and has no programs specially targetted to it. Many of the programs it conducts are in principle relevant to the training needs of the sector. The central issue is to determine what activities could be supported to take advantage of SECAP's resources and to guide its efforts to fulfill the needs of the small enterprise sector.

Possibly the most fruitful course of action could be to encourage several "working groups" to define concrete pilot programs for the small enterprise sector. These working groups should have the participation of representatives of the Camaras designated by FENAPI, INSOTEC training experts with field experience with small industry and artisanry seminars, and possibly a Creative Associates program expert.

The role of this working group could be to design a set of pilot training seminars for quick implementation and review. Hopefully the experience from the INSOTEC/FENAPI/Creative Associates seminars could be incorporated into the program and they in turn could benefit from the SECAP resources and experiences.

UNIVERSITIES AND POLITECHNICAL SCHOOLS

A review of institutions affecting the small enterprise sector necessarily includes the universities and politechnical schools. Aside from the technical personnel these institutions offer, the potential ties between research and practice can be critical to the strengthening of small industries.

Capacity of Institutions

In Ecuador there are 16 institutes of higher education which have the capacity to undertake research activities for the benefit of small enterprises. According to the "Inventory of the Scientific and Technological Potential" of 1982, the higher education institutes counted with 419 scientists and engineers, of these 51.8% worked in the province of Pichincha, 14.8% in Guayas, and the remaining 33.4% in other provinces. The institution with the highest number of researchers and engineers is the National Politechnical School (109), followed by the Central University -Quito (85) and the Central University-Guayaquil (46). The Central University in Quito has the highest number of investigation centers (13), followed by the National Politechnical School (9), and finally the Central University of Guayaquil (6). Many of these universities also have schools of business administration.

Current Activities

Links between universities and small industry have not been developed, although the potential for cooperation is substantial. In the area of research, for example, there are a number of projects underway which could benefit the small industry sector. These are: construction materials, industrialization of agricultural and industrial scrap materials; soldering of ferrous and non-ferrous alloys, solar energy for heating and purifying water, development of machinery for the construction industry, etc. Yet, the research has remained removed from the practice. In the area of student training, links between small business and the course-work are similarly absent.

Opportunities

The Consejo Nacional de Universidades y Escuelas Politecnicas--entity which disposes of sizable sums of money for research projects--presents the best mechanism in which to strengthen the relationship between small industry and university research. Research projects are selected competitively once a year. Proposals can be submitted in any of the following areas: health and nutrition, agriculture, technology, socio-economics and politics, education and culture. In the specific area of technology, priority subareas include: improved food production, storage, quality control and distribution; transformation of national raw materials, such as wood, gas, fibres, rubber, and scraps. In 1984, research institutes submitted 245 proposals and 107 were approved for a total of S/339,747,312 (or about US \$2.9 million).

The Consejo, in coordination with CONACYT for aspects pertaining to technology, could act as the liaison between the needs of small industry and the higher education research institutes. Each year, in preparation for the "request for proposal" announcement, the Consejo could sponsor a visit of distinguished professors and professionals to a variety of small industries to assess the "current" information needs of the sector. Once a year, the completed projects would be disseminated through a major seminar, or through simplified publications distributed by the chambers of small industry.

For the schools of business administration, it is suggested that special courses be offered which more closely pertain to small industry, commerce and services. Relevant course-work as well as required internships in a small business would be a means to encourage entrepreneurship among the students and to offer a more practical university education.

CATHOLIC RELIEF SERVICES (CRS)

CRS is an international voluntary organization founded in 1917 and reactivated in 1943. The organization's purpose is to mobilize resources and make them available to local social welfare and development agencies in Third World countries.

CRS in Ecuador

CRS has been in Ecuador since 1958, working closely with the Ecuadorian government and the Episcopal Conference of Ecuador. It has a staff of 6 persons and an annual budget derived from its international network. The principal thrusts of the CRS program in Ecuador have been: health and nutrition, income-generation, and potable water. In the area of health and nutrition, CRS' programs have supported "Mother and Child Health Centers". In the area of income-generation CRS activities have been primarily rural based, with projects such as pig and kiu raising. In the area of potable water, CRS has developed community-based water programs in various communities. In this case, CRS provides funding for the materials, the government provides technical assistance, and the local communities manage the projects.

An Income-Generation Proposal

Over the last 5 years, church promoted women's groups (551 all over Ecuador) have been active in the area of clothes making. In the last year, they have expressed an interest to the Episcopal Conference's social arm, Promocion Humana, in beginning income-generation activities, both agricultural and non-agricultural. This project, which would include a major credit and technical assistance program, is still in the planning stages. CRS will be hiring a consulting team by July of 1985 in order to help them to plan the details. This project is one of tremendous potential, since the total number of beneficiaries could rise to 25,600 women. Although it has potential, the project is also very complex since it would work through 13, often independent and traditional Dioceses. Nevertheless, the program merits further consideration and should be kept in mind in any global small enterprise development program.

CENTRO DE FORMACION EMPRESARIAL (CEFE)

The Centro de Formacion Empresarial (CEFE) was created in 19__ by the Camaras de Industriales de Pichincha, the Camara de Comercio de Quito and by the Asociacion Nacional de Empresarios (ANDE). It is designed as an "integrated training system," through which the skills and techniques of entrepreneurs, managers and employees who work in a business are improved.

The course offerings of CEFE are extensive. Managers have the greatest selection with courses in financial management, quality control, market analysis, collections, planning and evaluation, computers in business, investment analysis, management techniques, production incentives and controls, hiring and firing, and group dynamics. Assistant managers also have a special course and secretaries are trained in better writing and communication.

CEFE training is most attractive to the managers of medium-sized and large businesses--the group which originally created it. Nevertheless, there are possible opportunities for linking CEFE with the small scale enterprise sector. Seminars and courses could be organized in conjunction with the small business chambers. CEFE is perhaps the best training program for the business manager, and its expertise should be used.

COOPERATIVA DE PROMOCION INDUSTRIAL (COOPRIN)

The COOPRIN was created in 1983 with the objective of providing direct services to its members through the purchasing of raw materials. It currently has 35 members.

COOPRIN purchases a variety of metal products and then sells these "on credit" to its members.

This cooperative offers an interesting model which could be promoted through the various business chambers and associations.

DESARROLLO JUVENIL COMUNITARIO (Save the Children)

Origen and Objectives

Desarrollo Juvenil Comunitario, the agency representing Save the Children of Norway and the United States, established its operations in Ecuador in May 1981. DJC operates under an agreement with the Secretaria de Desarrollo Rural Integral (SEDRI) in two selected regional areas: 1) the "parroquia" of Cusubamba in the Salcedo "canton", in the province of Cotopaxi; and 2) the "parroquias" of Anegado, Julcuy, and Pedro Pablo Gomez in the Jipijapa "canton" in the province of Manabi.

DJC has its main headquarters in Quito, with two small offices in each of the project sights. Each of these offices has four employees for a total of 12.

Activities

In 1983, DJC received an operational program grant from AID in order to develop and implement a model of community development and self-sufficiency in the areas of Salcedo and Jipijapa. In each area, a multi-disciplinary team responds to the needs of the communities in the areas of income-generation (productive activities), health and nutrition, education, and institution building. All activities are administered through a main local institution. In the case of Salcedo, it is through the local council; in the case of Jipijapa, through an association of peasant organizations. The principal objectives of these projects are: 1) to improve the quality of life of the peasant families, especially the children, who live in these areas; 2) to strengthen the first and second degree peasant organizations in these areas.

The specific activities undertaken are the following: in the area of production, the promotion of income-generation activities based on agriculture and small enterprises. In the area of health and nutrition, the promotion of an improved diet among the local families, the use of potable water, the prevention of contagious diseases, and the development of plantings high in protein. In the area of education and organizational building, training programs and the organization and revitalization of the local culture. The development approach of DCJ is "integrated" as it seeks to strengthen the leadership base of the local organizations and at the same time implement development projects in these communities.

Opportunities

Although the DJC program is primarily agricultural in nature, the communities they serve become involved in non-agricultural income-generation activities as a means to earn or supplement income. The markets for these products are primarily local, but it is likely that expanding markets will be required for greater profitability. Here especially the DJC program could coordinate with other entities to find new markets. DJC could also coordinate with other institutions which provide special workshops for artisan activities.

What is most important about DJC, however, is that its successful approach is one which can serve as a model for other institutions.

FOSTER PARENTS PLAN INTERNATIONAL

Foster Parents Plan International began operations in Guayaquil and its surroundings in 1962. The agency aims to facilitate the organization of marginal communities so that they can promote their own development and provide a better environment for children. Foster Parents provides funding as well as technical assistance.

In years past, the agency's primary activity was to offer assistance directly to families with children. Through the years, Foster Parents began to realize that the donations received by the families were often utilized for purposes other than the benefit of the child. It was only in the 1980's that Foster Parents decided to alter its approach and to donate funds for projects in the communities in which the children lived, rather than to the families themselves. Since then funds have been invested in community infrastructure projects, schools, and day-care centers, among others. In the last year, like many other voluntary agencies, Foster Parents has begun to focus on projects which generate income and employment opportunities for the beneficiary families and communities both in rural and in urban areas. The main focus of this program is the creation of new enterprises among the unemployed and underemployed. By the new fiscal year, in July of 1985, the program will have 10 staff members.

In the rural areas, the income generation program has already begun. In 1984-1985, 15 new agricultural enterprises were created. Credit is provided through a local Savings and Loan Cooperative, and technical assistance and training is given by one of the many agency promoters to approximately 200 persons. In urban areas the process has been a bit slower. Foster Parents is looking for a financial entity to handle the credit program. It plans to create 5 enterprises in the urban areas before July 1985, and in the next fiscal year 10 enterprises, 4 in rural areas and 6 in urban areas. Credit is provided to up to S/100,000, with emphasis upon smaller amounts in order that the recipients learn to manage their loans. An in kind contribution from the loan applicants is also required.

Foster Parents will be expanding after July of 1985 and will have additional offices in Azuay and Bolivar. Additional staff will also be hired. The Guayaquil office has currently about 300 employees and an annual budget of US\$6 million (S/660,000,000) which must be allocated each year. According to one of its functionaries, a problem is the great pressure to spend the money, with the result that some projects are undertaken hastily and the real socio-economic impact is not evaluated in depth.

This agency has its own plentiful funding. What it may lack is the ability to quickly develop new projects in which to invest. This fact may offer potential for coordination among the institutions operating in the same areas. As an example, Foster Parents could

jointly sponsor programs with other local institutions--it could contribute dollars and some technical expertise and other institutions would "broker" projects to them.

INSOTEC (Instituto de Investigaciones Socio-Economicas y
Tecnologicas

Origins and objectives:

The Camara de Pequeños Industriales de Pichincha and the Konrad Adenauer Foundation (KAF) of Germany helped start INSOTEC in 1979.

Its initial objectives were to strengthen the trend towards democratization in Ecuador through the support of medium size productive sectors, in particular the small industry sector and the Artisan sector.

Current structure and resources:

INSOTEC has a core group of 5 highly qualified Latin American and Ecuadorean professionals. It is a multidisciplinary group made up of economists, engineers, sociologists, educational psychologists and organization

In addition, around specific projects they recruit special consultants and support people as needed.

INSOTEC operates as the principal counterpart of the KAF with which they share office space. INSOTEC's principal funding for small enterprise projects comes from the KAF. Additional project specific funding has come from agreements with CONACYT for technical sectoral research (see below).

Most relevant activities and evaluation:

* Organizational/motivational support to FENAPI.

INSOTEC is one of the principal technical resources for the Federation and for various individual Camaras.

For the FENAPI network they conduct motivational and organizational seminars, they also organize events to publicize the needs of the sector with a "public relations" approach which has proven effective in combination with the personal skills of the FENAPI leadership.

There is some overlap and perhaps some duplication between the assistance provided by Creative Associates and INSOTEC to FENAPI and the Camaras. Creative Associates builds a greater "systematization" and follow-up into their program. Quantitatively however the more prolonged presence and focus of INSOTEC on the sector has given them a higher visibility and presence in the regional Camaras and Nucleos. We have not been able to evaluate in depth the quality of INSOTEC's seminars.

* Sub Sectoral support activities INSOTEC is supporting sub sectoral organization within the small industry sector in part through in depth research of the needs and problems of

sub-regional activities (see list of reports below) and in part through a sporadic direct technical assistance and consultancy functions with individual firms.

* Research and information. In cooperation with CONACYT and GAS, they published the following:

Metal working industry in El Oro (1983)

Food processing in Manabi, Guayas and Tungurahua (1983);

Woodworking in Pichincha (1984)

Construction materials and ceramics in Pichincha, Azuay, Chimborazo, Manabi and Canar (1984)

Chemicals in Pichincha, (1985)

* Surveys of Small industry:

Pichincha Azuay and Loja in 1982

Guayas in 1984

Some of INSOTEC's research helped guide policy decisions during the period 1980/84 according to FENAPI and INSOTEC staff.

INSOTEC has also spun off a number of related projects relevant to the sector: A Center for the Study of Human Behavior and Education, Center for the Development of Small and Medium Size Industry, the Centro de Informacion y Servicio Tecnologico (CIST), the Centro de Estudios de Coyuntura which publishes an economic supplement for Hoy. They have also been studying the relationship between University level institutions and productive sectors in food processing and metal working.

* Training Manuals:

At the request of FENAPI and with financing from KAF, INSOTEC is currently producing a set of 5 training manuals intended for use and distribution through the Camaras and Nucleos on the following topics:

Wood preparation and use
Guild organization and sectoral organization
Labor contracting and labor relations
Taxes
Credit availability and application process

Inter-institutional relations:

INSOTEC appears to maintain relatively fluid working relations with both public and private institutions working with small industry sector: FENAPI and Camaras, CONACYT, CONADE and others.

INSOTEC also maintains lines of communication with the media, trade unions, universities and international organizations. It appears well positioned to facilitate improvement in inter-institutional relations.

Perceptions on program potential:

With more than four years working with FENAPI and the Camaras, INSOTEC has accumulated considerable experience with respect to what is possible in terms of organization and technical assistance through the network.

In INSOTEC's view the role of FENAPI is and should be mainly political (in the lobbying sense) and organizational/motivational with regards to the Camaras. The Camaras and Nucleos on the other hand are more capable of carrying out functional training activities and to facilitate direct technical assistance, since they are more in touch with local level needs.

INSOTEC is one of the few private sector institutions with the institutional experience, staff and programmatic perspective to play a significant program role in the areas of:

- Sectoral organization
- Technical assistance and training (operations)
- Training staff to assist the sector in various capacities.
- Program conceptualization
- Private/Public inter institutional coordination
- Labor relations and conflict resolution

INTERNATIONAL VOLUNTARY SERVICES (IVS)

IVS has operated in Ecuador since 1977. It places volunteers primarily in rural areas, working with agriculture, veterinary sciences, irrigation, and rural economics. Volunteers are responsible not only for their individual specialty, but also for helping to strengthen the local institutions through which they work. IVS has focused its attention in three provinces of Ecuador: Canar-Azuay, Chimborazo, and Napo.

Currently the IVS program has a total of 4 volunteers, only one of which works in the area of small business development per se. He is providing technical assistance marketing, financing, and planning, to a cooperative producing sweaters. COOPRINTEX, located south of Quito, has been in existence for 15 years and promises to continue.

Unlike the Peace Corps, the German Voluntary Service, or the Italian Volunteer Service, IVS recruits persons from all countries. Since it is not affiliated with a particular nationality, the government of Ecuador requires that it have a national counterpart agency. That institution is the Secretariat for Technical Cooperation of CONADE. This has been a problem, because CONADE suffers from the sluggishness of most bureaucratic institutions. At this time, IVS has a project that has been waiting 14 months for CONADE action. On the positive side, the relationship with this government agency has encouraged greater relations between IVS and various public agencies promoting development. IVS has received requests for technicians from the Ministry of Agriculture, and most recently from CREA, an agency which the IVS Director considers to have great potential.

IVS plans to increase the number of its volunteers in the next months to approximately 15. These will be working in the area of institution building and in various degrees with small enterprise development projects.

IVS' strategy for the future will be to form "multidisciplinary teams" of volunteers and place them in an area covering 10 to 30 communities. These multidisciplinary teams will more fully meet the needs of the targeted area and encourage greater networking of local institutions. This strategy is currently the operating style of Desarrollo Juvenil Comunitario, a method which has proven successful. It can be a useful strategy for an integrated small business development program.

FEACE CORPS-ECUADOR

The small enterprise development program of the Peace Corps office in Ecuador was recreated in 1982 after it operated from 1971-1977. Its purpose is to support and strengthen small business-related institutions by providing technical assistance. There are currently 8 volunteers under this program (out of a total of 220 volunteers in Ecuador).

Peace Corps' program has evolved since its 1982 creation. During its initial period, volunteers were placed in institutions promoting small industry or cooperatives. Due to a variety of factors, including differing expectations and lack of concrete projects, the Peace Corps began to realize that their volunteers worked best in situations that were non-political and which involved direct work with grass-roots groups. Today, most of the volunteers are providing direct technical assistance to micro enterprises, be they rural or urban, incipient or established. This is, according to the Deputy Director, the "appropriate level for Peace Corps." This level is better suited to the Peace Corps because the volunteers they receive have little concrete business experience. Although they are typically graduates in business administration and have prior knowledge of Spanish, they are best suited for providing very basic technical assistance.

The Peace Corps's eight "business" volunteers are placed in the following institutions: the Chamber of Small Industry of Ibarra, the Sociedad de Sordos Adultos, Centro Agricola de Ambato, FECDAC-Guayaquil, FECDAC-Quito, Clubes 4-F, FED/PRODEM, Fundacion Eugenio Espejo.

The Small Enterprise Development Program will add 3 more volunteers in September 1985. Since it appears the new volunteers will have an agricultural and business background, they may be asked to teach at the Colegios Tecnicos Agropecuarios. There is an interest in greater involvement in the area of employment skills training.

Until now, volunteers have been distributed around the country. The Deputy Director believes that the program could have a higher impact if specific areas were targeted for assistance and the volunteers were placed in closer proximity to one another. It is interesting to note that this is also the direction which another volunteer agency, IVS, is taking.

The Peace Corps, like other volunteer agencies, has the flexibility to place volunteers in a variety of agencies. These programs could offer an important element of institutional support to reinforce a global small business program.

OTHER INSTITUTIONS

In this institutional framework, mention should be made of a number of other institutions which, although not directly providing services to small businesses in urban areas, could have a role to play in a major program.

Rural Development Institutions

The private rural development institutions can provide an institutional framework for work undertaken to strengthen small enterprises in rural areas. Some of these agencies are:

-CARE - integrated rural development, health and nutrition, and infra-structure projects. In Ecuador since 1962.

-Federacion de Cooperativas de Produccion Agricola y Mercadeo (FECOFAM).

-Fondo Ecuatoriano Populorum Progressio (FEPP) - integrated rural development, credit programs, and training. Has been in operation since 1970 and has managed a US \$500,000 loan from the IDB's Small Projects Office.

-Fundacion 4-F - vocational training for youth, credit program for agriculture and agro-industry. In Ecuador since 1967. It is under consideration for a US \$500,000 loan from the IDB.

-Fundacion Ecuatoriana de Desarrollo Social - integrated rural development, training, technical assistance for farmworkers, education and organizing, community-owned stores, programs for women. Based in Guayaquil, the Fundacion was created in 1977

-Fundaciones de Desarrollo Rural "Brethren y Unida" - integrated rural development, organizing, training, health, and research. In Ecuador since 1953.

-Map International - integrated rural development, credit programs, assistance with savings and loan cooperatives. In Ecuador since 1980.

Volunteer Agencies

There are also a number of volunteer agencies, in addition to the ones mentioned earlier. The second and third (after the Peace Corps) in terms of number of volunteers are:

-Servicio Italiano de Voluntarios - 100 volunteers.

-Servicio de Voluntarios Alemanes (DED) - 30 volunteers.

Private Research Organizations

In addition to the research facilities in the universities and politechnical schools, there are a number of private voluntary research organizations active in the social sciences:

-Centro de Planificacion y Estudios Sociales (CEPLAES)

-Instituto Andino de Estudios Sociales - especially studies on labor issues

-Instituto Ecuatoriano de Formacion Social (INEFOS) - worker education and research

Mass Communications

Other organizations which could act as an important conduit of information and facilitate coordination are radio stations:

-Instituto Radiofonico Fe y Alegria (IRFEYAL)- which has worked in the area of literacy training in the many areas of Ecuador

-HCJB World Radio Missionary Fellowship, Inc. - has worked in the area of rural development, health.

-Escuelas Radiofonicas Populares del Ecuador (Guayaquil y Velasco)- education and health.

Annex 1.4. - Representational Institutions

CAPEIPI (Camara de Pequenos Industriales de Pichincha)
CAPIA (Camara de Pequenos Industriales de Azuay)
CAPIG (Camara de Pequenos Industriales de Guayas)

1. Introduction:

The purpose of examining in some detail the three largest Camaras is to examine the range of activities and services they provide to their membership, to explore models which could be useful to less developed Camaras and Nucleos and to identify programmatic opportunities.

2. Structure and resources:

The three Camaras share the same operational structure in five main functions:

- a) Administration and finance
- b) Legal affairs and legal assistance to members
- c) Technical department (technical assistance, training, education, management, seminars etc.)
- d) Public relations (formally only in Pichincha although functions are contemplated in all three)
- e) Working Commissions (Fairs/marketing, Credit, S&L's, Damas, etc.)

In addition, each of the Camaras has sectoral representations for the main lines of activities. For example in Pichincha: food processing, wood industries, construction materials, metal working, clothing and textiles, chemicals, etc.

If the Camara structure does not provide for sub sectoral organization, "Trade Associations" emerge and operate outside their framework without the legal and political leverage they could have otherwise.

Membership: Estimates of membership for each of the Camaras (and for the national network) are unreliable and often exaggerated for political purposes. However the figures range as follows:

Pichincha:	1,500 to 2,000
Guayas:	1,500 to 2,000
Azuay:	ca. 1,000

Membership seems to be expanding. For example Pichincha claims that in 1983 it incorporated 450 new members contributing 2 million Sucres in membership fees.

Income: The three Camaras are mostly self sustaining through membership fees and income from services provided. However a number of their activities (seminars, training, research, etc.) are financed through agreements with public and private sector institutions. For example the Camara of Azuay carried out a number of studies and training programs through INSOTEC indirectly financed by the Konrad Adenauer Foundation. In Pichincha CAPEIPI has had cooperation agreements with DENAFE (electrical), CENDES, SEDAP, INEN, CONACYT, EPN, FOPINAR.

Budgets: The budget of the large camaras are impressive by comparison with those of the smaller ones. Pichincha has an income in the range of 10 million Sucres per year of which 60% is from membership fees. All three use regularly commercial credit for their operations.

All three camaras have their own buildings and other facilities as well as a support and professional paid staff.

Pichincha contributes in the order of 500,000 a year to FENAPI, as does Azuay, however, political issues keep Guayas from such support.

3. Main services and activities:

a) Information: Each of the Camaras maintains a general library and publish one or more specialized bulletins for free distribution to the membership. In Pichincha they have a weekly radio program in three local stations. They provide telex services for their members. Routinely the Camaras publish paid advertisements in the major dailies.

b) Marketing: The most successful example is the Pichincha case with the Centro de Exposiciones Quito which they manage and where they organize in cooperation with other public and private institutions trade fairs and expositions of product lines relevant to the sector.

Azuay and Fichincha are exploring the possibility of promoting "areas of commercialization", a kind of "shopping center" for small industry. In Quito they are exploring the possibility of an export promotion company for small industry products.

All three regularly hold special seminars on marketing opportunities for sectors of their membership.

c) Joint supply purchase mechanisms: Usually organized by sector of production in more or less institutionalized manners. They help address common input supply problems and to cut costs. Although there are numerous such experiences

there seem to be yet untapped opportunities even in the large Camaras.

d) Credit: The three Camaras have initiated mechanisms to address directly or indirectly the credit needs of their memberships. These include:

- * Pichincha, Azuay (and Chimborazo) have started Cooperativas de Ahorro y Credito (see institutional profile on CACPE.

- * Corporaciones de Garantia Crediticia, in Pichincha and Azuay (in progress, see institutional profile)

- * Life Insurance scheme for members of the Pichincha Camara.

- * Credit lines from commercial banks for purchase of supplies and raw materials.

- * Cuenca is exploring the establishment of a discount store for consumer goods for its members.

e) Technical assistance: On different scales and with different emphases and frequency the three Camaras provide the full range of technical assistance services discussed as needs of the sector elsewhere in this paper.

The importance of the experience in technical assistance of the Camaras is that they seem to be the best positioned institutions for channeling and organizing its delivery. The experience can be extended on a different scale to the less developed Camaras.

8. Policy implications and program opportunities:

The experience of the large Camaras demonstrates their potential as "service delivery mechanisms", for tapping institutional public sector resources, and for initiating autonomous mechanisms for credit and other needs.

The large Camaras, despite their already broad range of activities have identified areas for additional expansion for which they would like external resources. Among these activities are: consulting services for sector or individual entrepreneurs, a more intense training program, further capitalization of their credit mechanisms.

The larger Camaras can provide organizational and technical assistance to the less developed ones if there is some external resource base and encouragement. To some extent this already happens through FENAPI.

FEDERACION NACIONAL DE COMERCIANTES MINORISTAS (FENACOMI)

Origins and objectives:

FENACOMI emerged in the 1950's as a representational or "gremio" organization. Its objective was and is to organize and represent the estimated 200,000 to 300,000 retail merchants in Ecuador.

This group which could constitute as much as 10 percent of the economically active population, represents a potentially powerful political group whose impact on the economy has been recognized by current and past governments.

FENACOMI's goals for the sector are to promote credit and assistance services to enhance the survivability of the firms and to address the issue of supply, distribution and commercialization of basic food and essential supplies for the population.

An underlying premise of FENACOMI's program is that basic goods reach the consumer at prices inflated by a distribution and commercialization system of intermediaries.

The same premise motivated the creation of ENAC (1974) and ENPROVIT (1971) the state run basic goods wholesale and retail purchasers and distributors associated with the Ministry of Agriculture (MAG). FENACOMI has become involved in similar operations for its members.

Current structure and resources:

FENACOMI has about 10 staff members with some professional qualifications, 2 of which are technicians from the Ministry of Agriculture.

They have succeeded in organizing a "Program and Planning Department", a Secretariat in charge of Organization and one for Finances and Administration.

The main economic activities, wholesale purchases, of FENACOMI are financed from advanced payment from members and through bank loans.

Most relevant activities:

FENACOMI's wholesale purchaser role is the center piece of its organizational/mobilizational functions.

During the last year they have bought 120 Million Sucres worth of imported rice, 30 Million in sugar and cooking oil for 20 million Sucres. The scale of their market involvement has grown considerably over the past few years.

With the cooperation of the Ministry of Agriculture, the Instituto Interamericano de Cooperacion Agropecuaria (IICA) and the Secretaria de Desarrollo Rural Integral (SEDRI), FENACOMI prepared a comprehensive study of the sector it represents, its activities and plans. The study is entitled "Programa de Abastecimiento Urbano-Rural de Alimentos" and includes a proposal for expanding the activities of FENACOMI's network to about 2,000 Million Sucre. The project was conceived during 1982 and 1983 and presented in September 1984 to the government (and to AID).

On a policy level the premises underlying ENAC, ENPROVIT AND FENACOMI's schemes for basic foods commercialization have given way to a more private sector orientation. The current government is said to be considering limiting the activities of ENAC and ENPROVIT to certain "strategic stockpiling" and to provisions of foods to marginal regions of the country.

Presumably some of the services being provided in urban centers would be privatized. FENACOMI would like to play a role in this privatization shift but would have to do so with outside support.

Inter-institutional coordination:

FENACOMI currently maintains relations with the MAG but at a less influential level than under the previous administrations. FENACOMI's President claims to maintain access to the current President and his advisors.

FENACOMI also maintains good relations with the main trade union federations and to a lesser extent with FENAFI.

On a working level FENACOMI coordinates with Banks, IMPROVIT and INAC.

Views, plans and potential:

The FENACOMI/MAG/IICA/SEDRI proposal ought to be reviewed in depth and additional conversations held with FENACOMI as to more concrete possibilities for cooperation.

Other opportunities may be related to the credit needs of the organization, additional storage and commercialization infrastructure, and certain policy issues with the government.

FENAPI (Federacion Nacional de Camaras de Pequenos Industriales)

1. Origins and objectives:

The origins of FENAPI can be traced to the 1965 "Ley de Fomento de la Pequena Industria y la Artesania" which encouraged the formation of sectoral associations on a Provincial and County level.

In 1979 the government by executive decree granted the Asociaciones the legal status of Camaras, thus incorporating the small industry sector into the structure of Camaras de la Produccion (Production Chambers) with a status comparable to that of the Chambers of Industry, Agriculture and Commerce. The new legal status grants FENAPI the right to represent the Camaras in various inter institutional policy making bodies (see 5. below).

2. Current structure and resources:

2.1 Formal structure:

The ultimate authority within the FENAPI structure is the National Convention made up of delegates of the 16 Provincial Camaras.

A second level is the Consejo Nacional Ampliado, made up of the FENAPI Board, and the Presidents of each of the Provincial Camaras.

The third level, Consejo Nacional includes the FENAPI directorate and the Directors of the six "Zones" each of which includes several Provinces.

Finally the Directorate or Board which includes the President, Vice President, Secretary and Treasurer, is the operational executive body.

2.2 Internal democracy and representation: FENAPI has been emphasizing in rhetoric and in practice the need to improve the democratic and representational character of the individual Camaras and Nucleos. The process is ongoing and those who have followed the evolution of the organization and its affiliated units observe improvements in this respect.

2.3 Staff: FENAPI's own staff is very limited considering the range of its activities. The core group is made up of the President, Cesar Frixione; Executive Secretary, Anibal Roballo, and three support secretaries. Blasio Ferreo, of Creative Associates is a de facto member of the staff.

2.4 Representatives: FENAPI draws from its member chambers for appointments to representational positions and

specific projects on an ad honorem basis.

2.5 INSOTEC: FENAPI's principal technical/organizational assistance has been provided by INSOTEC (see profile). Through its specialized services it has provided sectoral, studies, policy analysis, special surveys, training seminars, organizational support, etc. INSOTEC's services are financed through grants from the Konrad Adenauer Foundation. There are cross representations between the FENAPI and INSOTEC Boards of Directors.

2.6 Creative Associates: As the principal executing agency of an AID grant Creative Associates has been providing technical assistance in the areas of organization, motivation and lobbying to FENAPI and through it to the Camaras and Nucleos.

2.7 Funding: FENAPI relies on two main sources of income: dues from member Chambers, and external project specific grants from domestic and international sources. Fees remain a relatively small portion of its overall budget.

FENAPI has benefitted indirectly from government support. For example, it has been using the offices of CENAPIA as its Quito headquarters--a situation which is extremely delicate and needs to be addressed. It has also had indirect access to project specific resources from specialized government agencies like CONACYT, CONADE, Central Bank and others.

3. Most relevant past and current activities:

3.1 Sector representation: FENAPI has gradually become in practice what it was intended to be by decree: the voice of the small industry sector in the national policy debates. This remains the most important function of FENAPI and the critical activity to be strengthened. FENAPI's other activities (organization of the network, research, training, etc.) are relevant to the extent that they contribute to this central function.

3.2 Network organization: With the assistance of the INSOTEC and Creative Associates projects and its own considerable internal energy, FENAPI has contributed to a significant expansion of the Camaras and Nucleos network.

Perhaps the most important contribution in this respect has been the extension of the network into the secondary cities and provinces. Traditionally the Camaras of Azuay, Guayas and Pichincha (Cuenca, Guayaquil and Quito) have been qualitatively stronger than those in the rest of the country. FENAPI's organizational strategy has used the experiences of those chambers and extended them into the more marginal though growing provinces, counties and cities.

The organizational efforts have led to the establishment of operating Camaras in 17 provinces leaving unrepresented two Oriente Provinces and Galapagos. Although the degree of consolidation and the size of memberships of these Camaras vary greatly, the existence of the network is in itself an important political and organizational achievement.

The key instruments to carry out this function have been:

- a) motivational /organizational seminars
- b) direct personal involvement of the FENAPI leadership
- c) incipient and ad hoc services provided by the Federation (ie facilitating training, access to consulting services, credit issues etc.)
- d) high visibility of representational interventions as motivational factors.

In addition FENAPI has undertaken two ongoing activities critical to the organizational/representational functions: the production of an updated membership list for the Camaras, and the annual publication of a Directory of Small Industry.

The completion of the membership roster is linked to another key organizational activity, the establishment of an effective and efficient fees collection system for the Camaras and the Federation. This can become a critical factor in expanding the institutions' resource base.

3.3 Research and technical assistance:

Neither the representational nor the organizational activities of FENAPI could have been possible without the support of a considerable body of research on the sector, surveys and technical assistance provided mainly by INSOTEC and more recently by Creative Associates.

In our view, however, it is important to see these activities as supportive of the two main functions described above rather than as objectives in themselves.

3.4 Services: On a more or less ad hoc basis FENAPI has provided a broad range of direct services to the Camaras and to individual entrepreneurs. These range from assisting visiting members from the provinces with paper work in Quito to helping a Camara or Nucleo set up a special training program with CENAPIA or SECAP, to helping arrange for a credit line to an individual entrepreneur with the local Banco de Fomento.

These services have considerable political importance in

that they help project an image of FENAPI as a useful, practical organization which not only talks but to the extent that it can "delivers" concrete assistance. Limited resources have not allowed FENAPI to provide the range of services it would like to offer. This fact is confirmed in our survey of 200 industrialists in Quito and Guayaquil, 53 percent of them mentioned they did not feel identified with FENAPI although in answer to the question "which institution offers more support to your firm?," FENAPI was the one most frequently mentioned.

To systematize its service delivery FENAPI would require considerable strengthening of its staff resources and basic infrastructure.

We should note that similar service functions are routinely performed by the Camaras of medium and large sized businesses for their members and FENAPI should attempt to duplicate these functions. But clearly there are "central", Quito relevant services which are appropriate to the Federation.

Thus we see support for the "Services" component of the network to be allocated both to the individual Camaras and Nucleos and to the Federation recognizing the needs for centralization and decentralization.

4. Inter institutional representation and coordination:

4.1 By law FENAPI and the Chambers of Small Industry are at least technically represented in the following public sector institutions:

* Comision Nacional Automotriz: charged with guiding promotional policies for the automobile assembly industry. Less important now as government deprioritized support for this sector.

* Comite Interministerial de Fomento de la Pequena Industria y Artesania: deals with classification qualification of firms as small industry or artisan and with overall policies affecting the sector. Meets weekly and has the potential to make critical decisions affecting the sector.

* Consejo Consultivo Empresarial Andino: Entrepreneurial representation before the Andean Pact policy making bodies, relatively inactive reflecting weakness of the Andean Pact agreements.

* Comite Asesor de Integracion: associated with the Ministry of Industry, relatively inactive.

* CEAFIA Board of Directors: to help shape GENAPIA's policies and priority activities.

4.2 In addition FENAPI, as one of the "Production Chambers" is eligible to represent them in the following public sector policy bodies:

* Tribunal de Garantias Constitucionales: the highest court on constitutional issues.

* Instituto Ecuatoriano de Seguridad Social (IESS): the Social Security Institute.

* CONACYT: (see Institutional Profile). FENAPI's representation in CONACYT helped start a number of research and policy projects oriented towards the small industry sector.

* Banco Nacional de Fomento (see profile).

* CONADE (see profile).

* CONADES: Includes representation of the government, employers and workers and sets salary policies.

4.3 Private sector national institutions: FENAPI has relations with its counterpart federations of Industry, Commerce, Agriculture and Construction Chambers, as well as with other entrepreneurial organizations, training centers and research institutions.

4.4 International and Regional organizations: In recent years FENAPI has established multiple representational relations with UN, OAS, and subregional organizations.

Clearly FENAPI's representational obligations and potential exceed the resources of the organization. Although FENAPI correctly encourages the nomination of sectoral leaders from its member chambers to fill these posts, attend meetings and conferences, it lacks the staff resources to take advantage of the legally recognized status it enjoys.

While not all of these representational opportunities are of equal potential value to the sector, even a lean priority list would absorb more energy than is available to the Federation.

PROVINCIAL CHAMBERS AND NUCLEOS - A VISIT TO NINE SMALL
INDUSTRY CHAMBERS

Background

In April 1985, the Partnership for Productivity team visited nine small industry chambers to assess the problems and needs of industrialists in secondary cities. The chambers visited were located in: Santo Domingo, Quevedo, Babahoyo, Machala, Loja, Cuenca, Azogues, Zamora and Gualaquiza.

The visits were organized by FENAPI as part of the functions of the Federation. The FENAPI delegation included Cesar Frixone, President; Angel Iloaiza, Treasurer; Anibal Roballos, Executive Secretary; and Blasio Bermeo, coordinator of the AID sponsored Creative Associates/ FENAPI technical assistance project.

FENAPI's objectives for the trip were to address various organizational issues with the provincial chambers and then nucleos cantonales ranging from planning for future training seminars, to reporting on activities of the Federation, to preparations for the upcoming National Convention. In this context we were exposed to the actual work of FENAPI as well as to the activities, problems and capabilities of each of the regional groups visited.

Our objectives for the trip were: a) assess FENAPI's performance in the field and its relationship with the national network, b) meet with businessmen affiliated, explore their perceptions of the role of the network and their most pressing problems, c) look at the activities and performance of some private and public sector institutions working with the sector from the point of view of the intended beneficiaries, d) identify opportunities for AID program activities.

SANTO DOMINGO DE LOS COLORADOS, Nucleo Cantonal

The Nucleo has about 100 members of which 12 participated in the meeting with the FENAPI delegation. The main activities in the area are: wood cutting and preparation, furniture manufacturing, clothing and textiles, metal working, and palm oil extraction.

Credit was one of the principal problems identified by the group. Difficulties with applications, excessive guarantees demanded, long processing and approval time, were mentioned. An example of how delays in approval made loans inadequate, was given, by the time a loan was received the price of the machinery to be purchased with the credit increased threefold.

Technical assistance is also needed in the preparation of proposals, project design and feasibility studies and credit application procedures.

The Nucleo has presented several petitions to SECAP for special training courses in administration for the entrepreneurs. They claim to have received no adequate response. Other requests presented to CENAPIA, supposedly also with no success.

Organizational issues: Technically the Nucleo depends on the Camara de Pichincha in Quito. Yet its needs are quite distinct from the more developed Quito organization from which it receives little support.

One of FENAPI's proposals is to move gradually towards being able to constitute legal Camaras Cantonales. More contact, exchanges and cooperation with the Pichincha group was suggested.

The leadership and membership appeared well motivated with a desire to undertake new projects, to look for learning opportunities and ways to strengthen their firms. Their needs seem quite basic, the problems of their firms similarly manageable.

Sectoral organization: The wood sector is organized in its own Asociacion de Madereros de Santo Domingo, with about 40 members. Only 2 or 3 among them belong to the Nucleo. The Sectoral associations have no legal standing as the Camaras do, thus their representational capabilities are more limited. Frixone encouraged integration of the Associations as part of the Camara structures.

Specific needs of a production sector: The "madereros" have special needs and problems. Specifically they feel that the current "Ley Forestal" discriminates against the small logging operations. They note that the regulatory authorities devote the bulk of their energies to them while leaving the large firms essentially free to operate as they please. Bribes are required throughout the process.

Since similar problems for the sector have come up in the past and in other regions, FENAPI wants the sector to produce a "document" that the Federation can use to lobby government agencies affecting the sector. Frixone proposes to organize a seminar for the sector to come up with "program" if the Association joins with the Nucleo.

This Lobbying function reappears through all the visits for a full range of issues. FENAPI ought to fulfill this function but it can not perform effectively with its current level of resources.

New technologies, small industry and agro-industry:
The theme of small industry linking up with the expansion of the agro-industrial sector emerged here and in other cities. For example, agricultural tools and machinery could be supplied by small scale industry, but they complain that an inadequate tariff structure encourages imports.

Industrial Park for Small Industry: The Municipio de Santo Domingo is donating 20 hectares to the Nucleo for the construction of an industrial park. The Nucleo has no resources to take advantage of the offer. An industrial park for small industry (as opposed to the CENDES approach) is seen as having a lot of potential for the sector. The Nucleo has no offices of their own, it plans to build its headquarters in the Park.

Labor issue. At least one member in the textile/clothing sector, indicated he does not hire because of fear of labor problems. He has 14 workers and "could use 40..." He has had to fire people for "trying to organize a union..." The others did not focus on this problem.

Sources in Santo Domingo:

Teodoro Jarrin, President of the Nucleo de Santo Domingo, currently setting up oil extraction operation (nearly completed) with about 10 workers.

President of the Asociacion de Madereros, very dynamic and also a member of the Directiva of the Nucleo cantonal.

QUEVEDO, PROVINCIA DE LOS RIOS, Nucleo Cantonal

The Nucleo has about 100 members. Wood, furniture, "metal-mecanica" and construction materials are the main activities.

Four themes emerged as central in discussions: a) the legal status of the Nucleo and the need to constitute a Camara Cantonal (around the legal needs emerging from the decision to purchase land to build headquarters), b) labor problems, c) credit and problems with the BNF, and d) technical assistance for administration, organization of the Camara Cantonal, and the credit issue.

The nucleo's decision to buy land and build a "Sede" (they have already raised the money) is indicative of their dynamism and organization. According to Frixone the region is doing well economically and growing fast. Agriculture is key to the local economy.

Other complaints with the Banco de Fomento involved long processing time for applications, delays in disbursements even after credit approval, and lack of credit for purchase of raw materials.

Other issues: Relations between small industry and the electricity company are strained due to costly and inadequate service. Concretely the power company charges for the installation of transformers requiring payment in advance in the order of 1 million sucres. Most entrepreneurs have difficulty raising these funds. Solutions could be simple: payment for installation could be stretched out over a one or two year period, it could be leased, etc. The problem is one of influencing management of the power company. The example is illustrative of a lobbying or negotiating function the small Camaras and Nucleos perform or could perform with respect to a number of local and national government institutions.

The AID/Creative Associates project attempts to provide the technical assistance for institutional and organizational strengthening. Generally this type of support should be increased while taking into account the different needs of the various Camaras and Nucleos.

Sources in Quevedo Nucleo:

Lucho Freire: Presidente del Nucleo, apparently prosperous business in balanced food.

Roberto Isbel: legal advisor to the Nucleo, furniture business.

Mary Moreno: Nucleo Secretary, employee.

BABAHOYO, Camara Provincial de los Rios

The Camara Provincial has about 300 members. The main activities are wood and furniture, rice husking, clothing and textiles and some metal working.

The Camara maintains good working relations with the manager of the Los Rios Branch of the Banco Nacional de Fomento, Dr. Cesar Guerrero, who attended the meeting. Credit became one of the central topics and a frank and candid exchange ensued between the bank manager and the membership. (See BNF profile).

Through the discussions we were able to learn how overall credit liquidity shortage affects the whole credit

process and the relations between ENF and borrowers.

The richness of the discussion on credit reinforces the perception of the need to create within the ENF an office dedicated to the small industry sector so that such interaction could take place regularly. The discussion also made evident the need to train borrowers on the use and abuse of credit lines for small industry.

Industrial Park: according to CONADE, Babahoyo is to have assistance in developing an industrial park. Dispersion of the small industries in and around the city is characteristic. It was unclear to what extent such a park would be viable in the short term.

New technologies: as in other areas in the southern coastal areas industrial fish and shrimp cultivation continues to grow and attract investment attention. The University of Babahoyo is starting a special training and research program in this area.

MACHALA. Camara de El Oro.-

FENAPI had been unable to set up a meeting in advance in part due to the very low level of organization of the Machala group.

We visited an ice making plant whose owner is one of the local organizers but could not meet with him.

The problem is in part due to the inability of FENAPI with its current very limited resources to provide ongoing organizational and motivational assistance. Probably to pull together the provincial Camara, FENAPI would have to assign for some time a full time organizer, set up seminars and begin to deliver some concrete services.

LOJA. Camara Provincial de Loja

The Loja Camara has leadership and internal organization problems which have not allowed any program activities to be initiated. FENAPI is trying to organize a leadership and organizational seminar, encourage the election of new local authorities and help them develop a program of activities. As in the case of Machala, it does not have the resources to do this task.

ZAMORA. Camara de Zamora-Chinchiipe

The small enterprise sector in the Oriente Provinces is qualitatively different from those in the Sierra and Coastal

urban centers.

In the FENAPI 1985 directory for Zamora Chinchipe there are about 60 firms registered for the whole province.

Most of them are in wood and furniture-making activities. The firms tend to be very small with less than 5 workers and have characteristics normally associated with the artisan sector.

Small scale mining (specially gold) activities have multiplied in the region in the past year. Small entrepreneurs occasionally engage in this wildcat prospecting although they see the trend as damaging their activities by draining labor supply and generally raising expected salary levels. Somewhere between 3,000 and 10,000 individual miners are said to be digging for gold in camps in the mountains with all the characteristics of "gold fever" periods elsewhere in the world.

Despite the incipient level of small industrial activities there is considerable organizational motivation in the Nucleos and Camaras in Gualaquiza, Yantzaza and Zamora. The needs in these small cities cover the full spectrum discussed for the sector but on the most elementary levels. The local problems are so specific to the area that any technical assistance program would have to be developed with a permanent presence in the area.

Gualaquiza, Nucleo Cantonal

The purpose of the meeting was to extend FENAPI's formal leadership in a solemn ceremony, and to extend the FENAPI identification cards.

In informal discussions with entrepreneurs two problems came up as central to the region: credit and infrastructure. There are some indications of discriminatory distribution of credit to the Oriente Provinces, or at least the perception of the need for preferential credit (and tax) arrangements to those most undeveloped regions of the country. In addition all the training and access problems detected elsewhere are present in the area.

Infrastructure, i.e. roads, transport, electricity, water and sewage, came up with greater frequency in this region than elsewhere in the country.

AZOQUES, Camara Provincial de Canar

The Azogues Camara was the strongest, most dynamic and best organized of the "small" Camaras and Nucleos we visited. This reflects in part the relative wealth of the Province, which is rich in agriculture, leather products, wood products, construction materials and metal working.

The main industrial activities are in food processing, furniture, clothing, leather and textiles and cement based construction materials.

The Azogues Camara has its own headquarters, and a prosperous leadership and membership. It has the basic components of a service program in training, seminars and technical assistance, and would like to expand these activities.

Despite its physical proximity to Cuenca, it is very protective of its identity and emphasizes its independence from the Camara del Azuay. Cuenca in turn has little desire of interacting with Azogues. This relationship is illustrative of the limits of possible cooperation between even neighboring Camaras as a result of regionalisms.

Annex 2

"Partial Listing of Women's Organizations in Ecuador"

LISTADO DE ORGANIZACIONES FEMENINAS QUE TIENEN PERSONERIA JURIDICA CON ESTADUTOS APROBADOS EN EL MINISTERIO
DE BIENESTAR SOCIAL Y PROMOCION POPULAR

<u>NOMBRE DE LA INSTITUCION</u>	<u>FECHA DE APROBACION</u>	<u>SEDE</u>	
	<u>AÑO 1979:</u>	<u>PROVINCIA</u>	<u>CIUDAD</u>
- Asociación "SOS" de Niños de Guayaquil.	noviembre 8	Guayas	Guayaquil
- Asociación de Azafatas de Ecuatoriana de Aviación.	agosto 31	Pichincha	Quito
- Asociación de Mujeres Profesionales y de Negocios.	octubre 5	Pichincha	Quito
	<u>AÑO 1980:</u>		
- Asociación de Vivanderas de la Plaza Dávalos.	septiembre 11	Chimborazo	Riobamba
- Asociación Popular de Lavanderas del Mercado Central.	enero 18	Loja	Loja
- Sociedad de Vivanderas "11 de Noviembre".	enero 30	Guayas	Guayaquil
- Patronato Municipal de Amparo Social del Cantón Ibarra.	abril 22	Imbabura	Ibarra
- Asociación de Damas de Ingenieros Mecánicos.	julio 4	Pichincha	Quito
- Asociación de Secretarías, Oficinistas y Personal Administrativo Femenino.	noviembre 11	Pichincha	Quito

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1980:

- Club Femenino Social y Cultural del
Ministerio de Recursos Naturales.

marzo 26

PROVINCIA

Pichincha

CIUDAD

Quito

AÑO 1981:

- Asociación Ecuatoriana de Secretarias,
Núcleo de Los Ríos.

enero 9

Los Ríos

Babahoyo

- Asociación Artesanal de Modistas Pro-
fesionales del Cantón Urdaneta.

enero

Los Ríos

Catarana

- Asociación de Modistas de la Parroquia
de Buenavista.

abril 13

El Oro

Buenavista

- Sociedad de Damas de Médicos Veterina-
rios del Ecuador.

marzo 20

Guayas

Guayaquil

- Sociedad de Señoras de Médicos Veteri-
narios del Guayas.

marzo 25

Guayas

Guayaquil

- Organización Femenina Cevalence.

agosto 31

Tungurahua

Cevallos

- Centro Femenino Pintag.

marzo 20

Imbabura

Pintag

AÑO 1982:

- Asociación de lavanderas Autónomas de
Quinindé.

enero 22

Esmeraldas

Quinindé

- Asociación de Secretarias del Instituto
de Seguridad Social.

marzo 8

Pichincha

Quito

-3-

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1982:

PROVINCIA

CIUDAD

- Frente de Mujeres Pobladoras del Guayas.
- Patronato de Servicio a la Niñez de la Provincia de Tungurahua.
- Asociación de Damas de Veterinarios de Manabí.
- Asociación de Damas "Hogar Feliz" de la Parroquia de Ambuquí.
- Centro de la Mujer "Quito Sur".
- Asociación de Madres Pobres de Chimborazo.
- Asociación de Mujeres Independientes Pro-Bienestar Social Shumiral.
- Asociación Cantonal de Secretarías de San Lorenzo.
- Comité Central Femenino "La Pulida".
- Asociación Femenina de "La Independencia".
- Asociación Femenina de Petrillo.
- Asociación de Vendedoras del Mercado San Francisco.

marzo 8

Guayas

Guayaquil

junio 10

Tungurahua

Ambato

julio 2

Manabí

Portoviejo

julio 20

Imbabura

Ambuquí

junio 8

Pichincha

Quito

julio 20

Chimborazo

Riobamba

agosto 17

Azuay

Santa Isabel

agosto 17

Esmeraldas

San Lorenzo

agosto 31

Pichincha

Quito

octubre 4

Esmeraldas

Esmeraldas

noviembre 22

Guayas

Pascuales

noviembre 22

Pichincha

Quito

NOMBRE DE LA INSTITUCIONFECHA DE APROBACIONSEDEAÑO: 1982:PROVINCIACIUDAD

- Asociación de Secretarías del Instituto Ecuatoriano de Comunicaciones.
- Asociación de Damas Tabacundeñas.
- Centro Femenino de la Ferroviaria Alta.
- Centro Acción de Mujeres CAM.

noviembre 22
 noviembre 22
 noviembre 22
 diciembre 20

Pichincha Quito
 Pichincha Quito
 Pichincha Quito
 Guayas Guayaquil

AÑO 1983:

- Asociación de Damas de INCECEL.
- Asociación de Damas de la Cámara de Pequeños Industriales de Pichincha.
- Asociación de Integración Femenina.
- Asociación de Señoras de Jefes Oficiales de las FF. AA. en servicio pasivo.
- Asociación de Damas del Colegio de Economistas de Quito.
- Asociación Femenina de Sto. Domingo de los Colorados.
- Comité de Damas de Ingenieros Mecánicos del Guayas.
- Centro Ecuatoriano para la promoción y acción de la Mujer CEPAM.

enero 24
 febrero 16
 marzo 14
 marzo 21
 marzo 25
 mayo 26
 junio 20
 Julio 1

Pichincha Quito
 Pichincha Quito
 Guayas Guayaquil
 Pichincha Quito
 Pichincha Quito
 Pichincha Sto. Domingo
 Guayas Guayaquil
 Pichincha Quito

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1983:

PROVINCIA

CIUDAD

- Asociación de Secretarías y Oficinas del Azuay.	septiembre 19	Azuay	Cuenca
- Asociación de Voluntarias de la Caridad de San Vicente de Paul.	septiembre 23	Pichincha	Sto. Domingo
- Asociación de Mujeres Trabajadoras "Unidas Venceremos".	octubre 14	Loja	Tambo
- Asociación de Mujeres Independientes Pro-Bienestar Social de Cotopaxi.	noviembre 17	Cotopaxi	Zumbahua
- Centro de Capacitación Integral de la Mujer de Pastaza.	diciembre 9	Pastaza	Puyo
- Asociación Femenina de Empleadas Administrativas de la Planta Central PRONDREA y Dirección Provincial de Pichincha.	diciembre 12	Pichincha	Quito
- Voluntarias de la Caridad de San Vicente de Paul, grupo base n°1.	diciembre 16	Pichincha	Quito
- Voluntarias de la Caridad de San Vicente de Paul, grupo Mitad del Mundo.	diciembre 16	Pichincha	Quito
- Unión Femenina de Pichincha "Primero de julio".	diciembre 12	Pichincha	Quito
- Corporación Femenina Ecuatoriana.	diciembre 12	Pichincha	Quito
- Frente Femenino del Ministerio de Obras Públicas y Comunicaciones.	diciembre 12	Pichincha	Quito

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1984:

PROVINCIA

CIUDAD

- Asociación de Voluntarias del Hospital "Eugenio Espejo".	enero	17	Pichincha	Quito
- Mujeres Independientes "Pro-Bienestar Social de Chimborazo.	febrero	9	Chimborazo	Cicalpa
- Comité Femenino de Bienestar Social del Banco Central, Sucursal en Ibarra.	febrero	19	Imbabura	Ibarra
- Asociación de Mujeres "Nueva Aurora".	marzo	21	Pichincha	Quito
- Comité Femenino del Ministerio de Finanzas y Crédito Público.	marzo	8	Pichincha	Quito
- Patronato Cantonal del Niño Chimbeño.	abril	28	Bolívar	San José de Chinbo
- Asociación de Vivanderas "Rafael Cajiao Enríquez".	abril	2	Cotopaxi	Latacunga
- Patronato de Servicio a la Niñez de la Provincia de Cotopaxi.	abril	2	Cotopaxi	Latacunga
- Centro Femenino "Atahualpa".	abril	3	Guayas	Guayaquil
- Sociedad Protectora de la Infancia.	abril	27	Guayas	Guayaquil
- Núcleo de Damas de Ingenieros del Guayas.	mayo	3	Guayas	Guayaquil
- Centro Femenino Progresista.	mayo	3	Esmeraldas	Esmeraldas

LÍSTADO DE ORGANIZACIONES FEMENINAS QUE TIENEN PERSONERIA JURIDICA CON ESTATUTOS APROBADOS EN EL MINISTERIO
DE TRABAJO Y BIENESTAR SOCIAL

<u>NOMBRE DE LA INSTITUCION</u>	<u>FECHA DE APROBACION</u>		<u>SEDE</u>	
	<u>AÑO 1976:</u>		<u>PROVINCIA</u>	<u>CIUDAD</u>
- Sociedad "Santa Mariana de Jesús".	enero	20	Cañar	Cojitambo
- Organización del Ropero "Narcizo de Jesús".	enero	26	Pichincha	Quito
- Asociación de Modistas.	febrero	17	Chimborazo	Gicaranda
- Sociedad de Obreras Vicentinas de Loja.	mayo	7	Loja	Loja
- Asociación Femenina "Maestras de Corte y Confección de Loja".	mayo	28	Loja	Loja
- Asociación de Modistas y enxos de Jipijapa.	julio	14	Manabí	Jipijapa
- Comité Ecuatoriano de Cooperación con la CIM.	septiembre	7	Pichincha	Quito
- Comité de Damas de Abogados de Quito.	noviembre	17	Pichincha	Quito
- Asociación de Trabajadoras Vivanderas de la Plaza de "La Dolorosa" de la Cdla. Ferrovia ria del Tungurahua.	noviembre	17	Tungurahua	Ambato
<u>AÑO: 1977:</u>				
- Comité Barrial "Centro de Madres".	enero	19	Chimborazo	Riobamba
- Asociación de Tejedoras de Paja Toquilla "El Rosario".	febrero	14	Cañar	Biblián
- Asociación de Tejedoras de Sombreros de Paja Toquilla de la Parroquia Guapán.	febrero	14	Cañar	Guapán

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1977:

PROVINCIA

CIUDAD

- Asociación de Modistas v Tejedoras del Chimborazo.

abril 20

Chimborazo Riobamba

- Asociación de Mujeres "11 de Febrero".

mayo 23

Pichincha Zámiza

- Damas Voluntarias del Hospital de las Fuerzas Armadas.

junio 6

Pichincha Quito

- Comité de Damas del Colegio Médico del Azuay.

junio 8

Azuay Cuenca

- Legión Femenina de Ayuda Social.

junio 27

El Oro Pasaje

- Federación Ecuatoriana de Secretarías.

octubre 13

Pichincha Quito

AÑO 1978:

- Comité de Damas del Colegio de Odontólogos y Damas Profesionales de la Odontología.

enero 16

Pichincha Quito

- Asociación de Mejoradoras del Hogar del Ecuador.

febrero 21

Pichincha Quito

- Asociación Benéfica de las Señoras Esposas de Oficiales de Artillería.

marzo 7

Pichincha Quito

- Asociación de Esposas de Oficiales de Armas y Servicios de la Fuerza Terrestre.

marzo 31

Pichincha Quito

- Sociedad Benéfica de Damas Alemanas.

abril 11

Pichincha Quito

- Frente de Promoción e Integración de la Mujer al Desarrollo.

abril 28

Pichincha Quito

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1978:

PROVINCIA

CIUDAD

154

- Sociedad de Damas Pro-Hogar del Niño "María Campi de Yadler".	junio 2	Pichincha	Quito
- Asociación de Damas del Cuerpo Consular del Ecuador.	junio 5	Pichincha	Quito
- Asociación de Damas Colombianas.	junio 8	Pichincha	Quito
- Sociedad de damas de Ginecología y Obs- tetricia.	junio 8	Pichincha	Quito
- Comité Femenino de Bienestar Social del Banco Central de Guayaquil.	julio 6	Pichincha	Quito
- Asociación de Artesanas de Belleza Femeni- na - Cantón Quevedo.	agosto 17	Los Ríos	Quevedo
- Asociación de Modistas y Afines de la Pro- vincia del Cañar.	septiembre 5	Cañar	Azogues
- Club Social Femenino "10 de Agosto".	septiembre 26	El Oro	Santa Rosa
- Asociación de Modistas Profesionales de Sto. Domingo de los Colorados.	noviembre 8	Pichincha	Sto. Domingo
<u>AÑO 1979:</u>			
- Sociedad de Modistas del Cantón "24 de Mayo".	enero 23	Manabí	Cantón 24 de Mayo
- Unión Gremial de Modistas y Afines de Sto. Domingo de los Colorados.	marzo 19	Pichincha	Quito
- Patronato Nacional del Niño.	marzo 28	Pichincha	Quito

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1979:

- Unión Gremial de Maestras Peinadoras del Tungurahua.

septiembre 24

PROVINCIA CIUDAD

Tungurahua Ambato

AÑO 1980:

- Sindicato de Mujeres Trabajadoras en Varias Dependencias Privadas.

junio 19

El Oro Machala

- Sociedad de Modistas Profesionales del Cantón Manta.

julio 29

Manabí Manta

AÑO 1982:

- Asociación de Maestras Peinadoras del Azuay.

marzo 10

Azuay Cuenca

- Asociación Provincial de Auxiliares de Enfermería.

abril 5

Tungurahua Ambato

AÑO 1983:

- Asociación de Modistas Profesionales del Cantón Chone.

enero 3

Manabí Chone

- Asociación de Auxiliares de Enfermería del Hospital del IESS.

enero 31

Chimborazo Riobamba

- Asociación de Modistas Profesionales y Anexos de la Parroquia Valencia.

octubre 25

Los Ríos Valencia

AÑO 1984:

- Gremio de Belleza de Pasaje.

febrero 6

El Oro Pasaje

- 1

NOMBRE DE LA INSTITUCION

FECHA DE APROBACION

SEDE

AÑO 1984:

PROVINCIA

CIUDAD

- Asociación de Molistas de Anexos de Buena Fé, Arte y Cultura.

abril 8

Los Ríos

Quevedo

- Asociación de Secretarias del IESS.

abril 18

Pichincha

Quito

X.X.X.X.X.X.X.X.X.X.X.X.X.X.X.X

ANNEX 3 : LIST OF PERSONS INTERVIEWED

LISTA DE PERSONAS ENTREVISTADAS

- Dr. César Mosquera, Gerente General del Banco de Cooperativas (BC).
- Sr. Gustavo Pareja, Encargado de Operaciones con FOPINAR en BC.

- Sr. Fabián Malo, Gerente de Crédito del Banco del Pacífico (BP).
- Sr. Arturo Benítez, Jefe Encargado del Programa Artesanal del BP.

- Ing. Fausto Cascante, Subgerente de Crédito Industrial, Artesanal, Pesca y Turismo, en el Banco Nacional de Fomento (BNF).
- Ing. Manuel Sánchez Cevallos, Jefe del Departamento de Crédito, Industrial, Artesanal, Pesca y Turismo, en el BNF.
- Econ. Marcelo Fiallos, Subgerente Financiero, en el BNF.
- Leda. Teresa Peñafiel, Sub-Directora de Organización y Sistemas en el BNF.
- Econ. Luis Guerra, Sección de Sistemas del BNF.
- Dr. César Guerrero, Gerente de la Sucursal de Babahoyo del BNF.

- Sr. Pablo Crespo, Gerente de la Cooperativa de Ahorro y Crédito de la Pequeña Empresa del Azuay.
- Sr. Guillermo Alvarado, Presidente de la Cooperativa de Ahorro y Crédito de la Pequeña Empresa de Pichincha.
- Sra. Leticia Tobar de Caicedo, Gerente de la Cooperativa de Ahorro y Crédito de la Pequeña Empresa de Pichincha.

- Ing. Alberto Kuri, Subgerente General de la Corporación Financiera

Nacional.

- Ing. Juan Villacís, Gerente Financiero de CFN, Ex-Director de FOPINAR.
- Ing. Marcelo Romero, Director de FOPINAR.
- Econ. Fabián Cerón, Jefe de la Sección de Asistencia Técnica en FOPINAR.

- Dr. Anibal Cevallos, Director de la Corporación de Garantía Crediticia (CGC) de Pichincha.
- Lcda. Jeanette Palacios, CGC de Pichincha.
- Sr. Sergio Guevara, Director Ejecutivo de la Fundación Ecuatoriana de Desarrollo (FED)
- Sra. Gladys Montaluisa, Grupos Solidarios de FED.
- Srta. Myriam Carrillo, Proyecto de la mujer.
- Sr. Wilson Rodríguez, Programa para Microempresarios.

- Dr. Kleber Medina, Gerente General de la Federación de Cooperativas de Ahorro y Crédito (FECOAC).

- Dr. Francisco Huerta, Presidente de la Fundación Eugenio Espejo (FEE).
- Dr. Francisco Febres Cordero, Programa para Microempresarios y Grupos Solidarios.

- Sr. Winston Willis, Responsable de Proyectos con Pequeños Empresarios del Banco Interamericano de Desarrollo (BID).

- Ing. Jaime Cueva, Encargado de la Dirección de Parques Industriales del Centro de Desarrollo Industrial del Ecuador (CENDES).
- Lcdo. Marcelo Padilla, Departamento de Asistencia Técnica de CENDES.

- Lcda. Fanny Garbay de Barros, Departamento de Asistencia Técnica de CENDES.
- Ing. Herminia Muñoz de Prieto, Dirección de Asistencia Técnica, CENDES.
- Econ. Jorge Carrillo, Consultor Industrial, CENDES.

- Ing. Arturo Celi Lasso, Director Ejecutivo de Centro Nacional de Promoción de la Pequeña Industria y Artesanía (CENAPIA).
- Arq. Jaime León, Director Técnico de CENAPIA.
- Econ. Edgar Guevara, Jefe del Departamento de Estudios de CENAPIA.
- Ing. Hernán Moya, Jefe del Departamento de Asistencia Técnica de CENAPIA.
- Ing. Emil Salguero, Jefe del Departamento de Planificación de CENAPIA.

- Dr. Rodrigo Albuja, Jefe de la División de Estudios del Consejo Nacional de Ciencia y Tecnología (CONACYT).

- Econ. Galo Salvador, Director Técnico del Consejo Nacional de Desarrollo (CONADE).
- Lcdo. Edgar Pite, Sección de Política Industrial y Artesanal del CONADE.
- Econ. Elba Flores, Unidad de Pequeña Industria y Artesanía del CONADE.
- Sra. Bertha de Peña, División de Cooperación Técnica del CONADE.

- Econ. Carlos Carrión, Comisión Ecuatoriana de Bienes de Capital (CEBCA).
- Ing. Gustavo González, Gerente de Operaciones del Fondo Nacional de Preinversión (FONAPRE).
- Econ. Manuel Bermudez, Subgerente de Desarrollo Agropecuario y Proyectos

Sociales del FONAPRE.

- Ing. Felipe Urresta, Ex-Director Ejecutivo del Instituto Ecuatoriano de Normalización (INEN).
- Sr. Luis Almeida, Presidente de la Junta Nacional de Defensa del Artesano (JNDA).
- Dra. Emely Castellanos, Directora de Recursos Humanos y Empleo en el Ministerio de Trabajo y Recursos Humanos (JNDA).
- Sr. Luis Luna, Director de Pequeña Industria y Artesanía del Ministerio de Industrias, Comercio e Integración (MICEI)/ Dirección General de Pequeña Industria y Artesanía del DGPIA
- Econ. Elsa de Martínez, Jefe del Departamento de Evaluación y Estudios de la DGPIA.
- Ing. Luis Herdoiza, Jefe Encargado del Departamento de Control y Extensión Industrial de la DGPIA.
- Lcdo. Edison Arias, Director Financiero del Servicio Ecuatoriano de Capacitación Profesional (SECAP).
- Lcdo. Fernando Sánchez, Jefe del Departamento de Programación y Evaluación del SECAP.
- Econ. Guido Rivadeneira, Planificador del Consejo de Universidades y Escuelas Politécnicas.
- Ing. Mario Paz, Consultor Industrial.

- Dr. Vernon Ficklin, Director de Catholic Relief Service (CRS).
- Empleados de la Cooperativa de Promoción Industrial (COOPRIN).
- Sr. Tore Floden, Director de Desarrollo Juvenil Comunitario (DJC)
- Srta. Lucila Pérez, Responsable del Proyecto para Microempresas en Foster Parents Plan International (FPIP).
- Dr. Jose Lanusse, Presidente del Instituto de Investigaciones Socioeconómicas y Tecnológicas (INSOTEC).
- Dr. Alejandro Herrera, Director de Proyectos de INSOTEC.
- Ing. Juan Morales, ^NÍSOTEC.
- Ing. Rodrigo Gallarraga, Presidente de la Cámara de Pequeños Industriales de Pichincha (CAPEIPI).
- Arq. Rómulo Ochoa, Presidente de la Cámara de Pequeños Industriales del Azuay (CAPIA).
- Ing. Miguel Villacrés, Presidente de la Cámara de Pequeños Industriales de Guayaquil.
- Ing. César Frixone Franco, Presidente de Federación Nacional de Cámaras de Pequeña Industria (FENAPI)
- Ing. Angel Loaiza, Tesorero, FENAPI.
- Eco. Anibal Robayo, Secretario Ejecutivo, FENAPI.
- Sr. Blacio Bermeo, FENAPI - Creative associates.

Otras Cámaras Provinciales.

- Sr. Julio Ramírez, Presidente de Cámara de los Ríos..
- Sr. Ignacio Vargas, Presidente de Cámara de Tungurahua.
- Sr. Cristóbal Chincaza, Presidente de Zamora-Chinchiipe.
- Sr. Arnoldo Cairns, Miembro de Cámara de Zamora-Chinchiipe.
- Sr. Julio Herrera, empresario de la Provincia Zamora-Chinchiipe.
- Ing. Germán Linares, Presidente Asociación de Madereros de Santo Domingo.
- Ing. Teodoro Jarrín, Presidente del Núcleo Cantonal de Santo Domingo.
- Sr. Luis Freire, Presidente del Núcleo de Pequeños Industriales de Quevedo.
- Dirigentes y Miembros en las Cámaras y Núcleos de Pequeños Industriales en: Santo Domingo de los Colorados, Quevedo, Babahoyo, Loja, Zamora, Yantzatza, Gualoquiza, Azogues, Cuenca, Riobamba.
- Sr. José Llénez, Presidente de la Federación Nacional de Comerciantes Minoristas, FENACOMI.
- Econ. Hugo Ortiz, Gerente de FENACOMI.
- Econ. Rafael Sandoval, Funcionario del MAG en Comisión a FENACOMI.
- Econ. Hugo Cedeño, Funcionario del MAG en Comisión a FENACOMI.
- Srta. Teresita Pérez, Creatives Associates.
- Sr. Thomas Scanlon, Benchmarkets.
- Sr. Rolf Stern, Consultoría Stern & Naranjo y Cía.

- Econ. Jean Louis Belisle, Centro de Investigación del Movimiento Económico y Social Ecuatoriano (CEDIMES).
- Dra. Magdalena Jaramillo Adoun, Revista Nueva.
- Sr. Klauss Loeffler, Fundación Konrad Adenauer (F.K.A.).
- Sr. Udo Derich, FKA.
- Sr. German Le Fleur, Director de International Voluntary Services (I.V.S.).
- Sr. Don Bryan, Deputy Director de Peace Corps (P.C.)
- Dr. Néstor Vega Moreno, Gerente Financiero del Banco de Desarrollo del Ecuador (BEDE).
- Dr. Antonio Terán, Director Ejecutivo de la Asociación Nacional de Empresarios (ANDE).
- Dr. Eduardo Santos, Tesorero de la Nación, Ministerio de Finanzas y Crédito Público.
- Econ. Edmundo Naranjo, Director General de Rentas del MFCP.
- Econ. Alejandro Izurieta, Departamento de Estadísticas Presupuestarias del MFCP.
- Econ. Aída de Villacrés, Dirección General de Rentas del MFCP.
- Sr. Jorge Cueva, Subsecretaría del Presupuesto del MFCP.

- Sr. Jorge Froaño, Frente Económico del Ministerio de Finanzas y Crédito Público.
- Sr. Fernando Sevilla, Gerente de Operaciones del Banco Central del Ecuador. (B.C.E.)
- Sr. Galo Pérez, Gerente Encargado de Estudios Monetarios del B.C.E.
- Srta. Carmen Ruales, Funcionaria del B.C.E.
- Econ. Carlos Marchán, Departamento de Investigación y Cultura.
- Dr. Luis Orellana, Subsecretario General del Trabajo del Ministerio de Trabajo y Recursos Humanos (MTRH).
- Dr. Guillermo Gallegos, Consejos Nacionales de Salarios Mínimos del MTRH.
- Econ. Clotario Cobos, Departamento de Planificación del MTRH.
- Dr. Raúl Sosa, Subdirector General del Instituto Nacional de Estadísticas y Censos (INEC).
- Ing. Alberto Moyano, Director de Sistemas del INEC.
- Econ. Beatriz Peralta, Funcionaria del INEC.
- Econ. Luis Andrango, Funcionario del INEC.
- Sra. Olga de Pena, Oficina de Promoción de la Mujer. Conferencia Episcopal Ecuatoriana (CEE).
- Econ. Gilda Farrel, Instituto de Investigaciones Económicas de la

Pontificia Universidad Católica del Ecuador (P.U.C.E.)

- Sra. Laura Lindskog, Representante en Ecuador de Overseas Education Fund (OEF)

- Srta. Aída Haro M., Proyecto Generación de Ingresos Altur.

- Sr. Frederick Becker, Labor Affairs Attache de la Embajada de Estados Unidos (Embassy of U.S.A)

- Sr. Gerald Wein, Deputy Director in Ecuador - USAID.

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