

FD-113-623  
ISA 33076

518-0035

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT IDENTIFICATION DOCUMENT</b> FACESHEET (PID)	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Revision No. _____ DOCUMENT CODE 1
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2. COUNTRY/ENTITY ECUADOR	3. PROJECT NUMBER 518-0035
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4. BUREAU/OFFICE LAC A. Symbol _____ B. Code <input type="checkbox"/> 05	5. PROJECT TITLE (maximum 40 characters) <input type="checkbox"/> GRADUATE MANAGEMENT PROGRAM
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6. ESTIMATED FY OF AUTHORIZATION/OBLIGATION/COMPLETION A. Initial FY <input type="checkbox"/> 8 <input type="checkbox"/> 4 B. Final FY <input type="checkbox"/> 8 <input type="checkbox"/> 9 C. PACD <input type="checkbox"/> 8 <input type="checkbox"/> 9	7. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 = ) FUNDING SOURCE LIFE OF PROJECT A. AID 5,000 B. Other U.S. 1. _____ 2. _____ C. Host Country 5,000 D. Other Donor(s) _____ TOTAL 10,000
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8. PROPOSED BUDGET AID FUNDS (\$000)							
A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. 1ST FY 84		E. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EH	629	631		450		5,000	
(2)							
(3)							
(4)							
TOTALS				450		5,000	

9. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 620 700 840	10. SECONDARY PURPOSE CODE
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11. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)							
A. Code	TNG						
B. Amount	5,000						

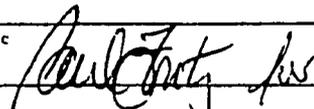
12. PROJECT PURPOSE (maximum 480 characters)

To establish a high quality Graduate Management School in Ecuador

13. RESOURCES REQUIRED FOR PROJECT DEVELOPMENT

**Staff:** Three person-months USAID/E direct hire staff  
 One person-month LAC/DR/EST direct hire staff  
 One week RCO/Panama

**Funds:** \$370,000 EHR Program Development and Support

14. ORIGINATING OFFICE CLEARANCE	Signature:  Title: John A. Sanbrailo, Director, USAID/ECUADOR	15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed: MM DD YY 1 2 0 3 8 2
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16. PROJECT DOCUMENT ACTION TAKEN <input type="checkbox"/> S = Suspended CA = Conditionally Approved <input type="checkbox"/> A = Approved DD = Decision Deferred <input type="checkbox"/> D = Disapproved	17. COMMENTS
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18. ACTION APPROVED BY	Signature _____ Title _____	19. ACTION REFERENCE	20. ACTION DATE MM DD YY
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GRADUATE MANAGEMENT SCHOOL PID

TABLE OF CONTENTS

	Page
I. BACKGROUND AND JUSTIFICATION	1
A. Problem Statement	1
B. Relation to Ecuadorean Development Strategy and USAID Program Strategy	2
II. PROJECT DESCRIPTION	4
A. Goal and Purpose Statements	4
B. Alternatives for the Provision of Management Training	4
C. Project Achievements and Implementation Outline	5
D. Estimated Costs and Method of Financing	9
III. PROJECT DEVELOPMENT	10
A. Relevant Experience with Similar Projects	10
B. Beneficiaries and Benefit Incidence	11
C. Project Design Issues	11
D. Project Development Strategy	14
E. AID Support Required	16
F. AID Policy Issues	16
G. Recommended Environmental Threshold Decision	17

## BACKGROUND AND JUSTIFICATION

### A. Problem Statement

Ecuadorean development is now at a clearly identifiable critical stage. Historically, the economic growth of the country has depended on one major export commodity (e.g., cacao, bananas, oil). However, this dependence on one commodity has not resulted in sustained economic development. In recognition of this fact, the GOE strongly pursued an import substitution strategy (ISI) during the 1960's and the 1970's. This ISI strategy, however, has failed to create a sound basis for the future growth of the economy. An economic study being carried out for USAID details the current status and future prospects for the Ecuadorean economy.<sup>1</sup> A major conclusion of this study is that Ecuador must shift toward an export oriented development strategy in which products having an international comparative advantage (primarily agricultural and agro-industrial products) are emphasized. The need to adopt such a strategy is now recognized by both the public and private sectors.<sup>2</sup>

The shift in economic development strategy which must occur during the 1980's if the Ecuadorean economy is to continue to grow will require not only macro-economic policy changes, a number of which have already been implemented, but also a significant institutional development effort to assure that the mechanisms required to implement this strategy are established and operational. One of the critical bottlenecks to the future economic development of Ecuador is the lack of well qualified and trained managers. The capacity to establish and expand efficient and profitable business enterprises which will generate the economic and employment growth that is so necessary in Ecuador and which can compete in international markets is limited by the limited availability of qualified managers who can apply modern management practices.

The demand for qualified managers far exceeds the supply of qualified managers. Consequently, many managerial positions are filled by persons who are not properly prepared for management. A pre-feasibility study for a graduate management program in Ecuador commissioned by USAID has estimated that an average of 2,700 newly trained managers will be required in the private sector each year.<sup>3</sup> The market for highly skilled graduate management degree holders is estimated to be more than 400 per year, primarily in the areas of marketing, industrial relations, and finance. These figures do

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1. C. Zuvekas and C. Luzuriaga "Ecuador, A Macroeconomic Assessment of Trends in 1982 and Projections for 1983-87" (draft), November, 1982.
  2. Government of Ecuador Monetary Board, "Guidelines for an Economic Social Stabilization Program", May 1982.
  3. W. Renforth, "A Pre-Feasibility Study for the Establishment of a Graduate School of Management in Ecuador", August, 1982, Chapter 4.

not reflect substantial additional public sector requirements for trained managers of 1,100 per year (replacement only) including almost 200 per year with graduate level training.

The supply of qualified managers is much less than the demand. Approximately 5,770 undergraduate degrees in management related areas (economics, administration and accounting) have been awarded by Ecuadorean universities during the past 10 years. During the same time span less than 25 graduate degrees have been awarded in the same subjects. Although production of trained managers is increasing, 1981 production of Ecuadorean managers is estimated at 616 undergraduate and 12 graduate managers trained in Ecuador and 41 undergraduate and 31 graduate managers trained abroad. This supply is divided between the private and public sectors.

The existence of this managerial bottleneck is manifested in a number of ways. In many sectors (e.g., banking) the turnover of qualified managers is extremely rapid and salary levels for qualified mid-level and top managers sometimes exceed U.S. salary scales. Many industrial concerns are managed by expatriates. In 1981 approximately 230 expatriate executives were estimated to have taken positions in Ecuador. The current financial crisis in Ecuador is particularly harmful because Ecuadorean business managers are not adequately prepared to manage enterprises during periods of economic fluctuation.

## B. Relation to Ecuadorean Development Strategy and USAID Program Strategy

### 1. Relation to Ecuadorean Development Strategy

The growing recognition within Ecuador that its development strategy should focus on the development of productive activities which relate to its resource base and in which it is likely to possess an international comparative advantage, eg. agro-industrial activities, will require that its managerial base be expanded and up-graded.

The recent Monetary Board "Guidelines for an Economic-Social Stabilization Program" which currently serves as de facto macro-economic policy guidance for the GOE emphasize the need to rationalize the allocation of Ecuador's productive resources in order to utilize them more efficiently. Specific recommendations include the development of Ecuador's very significant agricultural potential by measures such as rationalization of import duties, development of agro-industries, particularly those with export potential, implementation of an export promotion policy which includes credit, insurance, and a coherent legal base for exports, and a realistic exchange rate. Special emphasis would be placed on achieving technical and economic efficiencies in combining productive resources. This strategy clearly presupposes the formation of a well trained cadre of qualified managers to implement it. Ecuador's ability to utilize its potential comparative advantage necessarily depends on the existence of private sector managers who understand and are competent in

areas such as agro-industrial plant management, domestic and international marketing, and international banking and finance. The supply of capable, well-trained managers in these specialities is very limited compared to the numbers needed to carry out this type of outward looking development policy. To increase the supply of well trained managers is, therefore, a key component in the implementation of Ecuador's evolving economic development strategy.

## 2. Relation to A.I.D. Country Development Strategy

Support for the establishment of a Graduate Management School sponsored by the Ecuadorean private sector is consistent with current and proposed USAID's program strategy.

USAID's current country development strategy is based on two fundamental pillars: institution building and technology transfer. It is designed to increase Ecuador's capacity to utilize its resource base effectively and efficiently and to overcome key developmental constraints. Human resource development, through technical assistance and training, is fundamental to carrying out the institution building, technology transfer strategy. It constitutes a significant element of every project implemented under USAID's program strategy, e.g. the Rural Technology Transfer, Integrated Rural Development (agriculture and health), forestry sector development, and alternative Energy Sources projects. The National Training System project is specifically designed to improve the quality of public sector human resources.

A proposed CDSS revision planned for FY 1983 will continue to focus on institutional development and technology transfer. More emphasis, however, will be placed on strengthening Ecuador's productive capacity to generate the economic growth required to continue the equity gains achieved during recent years. In order to accomplish this objective, efforts are required to overcome the severe quantitative and qualitative managerial limitations which currently characterize Ecuador's private enterprises. The establishment of a graduate management school in Ecuador has, therefore, an extremely high priority in USAID's future program strategy.

## 3. Relation to A.I.D. Policy Guidance

A graduate management school which is founded and operated by the Ecuadorian private sector is consonant with recent A.I.D. policy guidance related to private enterprise development and institutional development. The Private Enterprise Development Policy Paper identifies management development training as an area appropriate for A.I.D. assistance, particularly when such assistance involves technical assistance and participant training by U.S. business schools. The basis for this policy guidance is contained in Section 105(b) of the Foreign Assistance Act which states that assistance shall, "be provided for advanced education and training of people in developing countries

in such disciplines as are required for planning and implementation of public and private development activities." This guidance is supplemented by the draft policy paper on institutional development which stresses the need for persons in trained in appropriate technical and management skills, particularly through self-sustaining mechanisms which: allow the country to marshal its own human and financial resources for development; enable individuals to obtain access to the skills, resources and services needed to increase their productivity, incomes and well-being, and increase the effectiveness with which A.I.D. resources foster development that continues beyond the period during which assistance is provided. The draft policy paper also places emphasis on institutions which generate, adapt and disseminate knowledge and technology and on the need for management training. These related elements are both addressed by the project.

## II. PROJECT DESCRIPTION

### A. Goal and Purpose Statements

The goal of the project is to upgrade the quality and quantity of managers for Ecuadorean private sector enterprises.

The purpose of the project is establish a high quality graduate management school in Ecuador.

### B. Alternatives for the Provision of Management Training

A number of possible alternatives for the provision of management training were analyzed in the pre-feasibility study<sup>1</sup>. These were:

- (1) To expand existing short-term management training seminars and short courses
- (2) To expand and improve management training programs in existing institutions;
- (3) To expand and improve public sector management training programs;
- (4) To utilize existing programs in neighboring countries; and
- (5) To create a new graduate school of management.

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<sup>1</sup> See William Renforth, A Prefeasibility Study for the Establishment of a Graduate School of Management in Ecuador, Chapter 6, "Alternatives for Meeting Management Needs."

The expansion of short-term management training seminars, while useful for up-grading the skill levels of existing managers would not increase the supply of managers. Expansion of management training programs in existing institutions is not feasible. Most programs offer only undergraduate training which in the Ecuadorean context does not produce managerial candidates. Existing graduate programs are virtually non-existent. They are constrained by their placement within a university system which is unable to offer quality education because of a large number of adverse structural factors and by their own organizational structure (part-time faculty, part-time students, and part-time administration). Public sector training, which is already supported by an A.I.D. project, would not address the substantial requirements for new managers in the private sector. Training abroad is limited by foreign exchange constraints, by language requirements (in some cases) and by an increased likelihood that the participants will seek employment outside Ecuador. The alternative of creating a graduate management program which would permit the substantial changes in curriculum, procedures and practices which are necessary to provide quality management training and which would respond to the needs for private sector development as well as obtain support from the business community is the most appropriate alternative for providing the type management training required for Ecuadorean development during the 1980's.

### C. Project Achievements and Implementation Outline

#### 1. General Nature of the Proposed Management Training Alternative

The project will result in the development and implementation of a high quality graduate management school in Ecuador. This institution, when fully operational, should produce approximately 50 masters level graduates per year as well as a similar number of individuals with certificates of specialization in specific fields (e.g., finance, international marketing). In addition, approximately 400 persons per year will attend executive development seminars. The school's program will be designed to respond to the needs identified in Section I of the PID for an increased supply of well trained managers in areas such as banking, finance and international marketing. Although modern management techniques will be taught, the curriculum will be adapted to fit Ecuadorean needs and conditions. The case method will be extensively applied and strong effort will be made to develop cases appropriate to the Ecuadorean context even before the master's program is fully operational.

The school will be located in or near Guayaquil which is the major center of Ecuador's commerce and industry. It will be implemented by a non-profit organization which is being established for the specific purpose of founding the school. This non-profit organization will have a membership which includes all segments of the Ecuadorean business community. The foundation will appoint the board of directors of the school and will undertake the local fund-raising effort.

The school will be established with technical assistance from a U.S. university or consortium of universities. The U.S. university will be responsible for developing and implementing the initial academic program. It will provide specialized administrative support to the school as well as a corps teaching staff of five or six professors for a period of several years while a select group of Ecuadoreans is being trained in the U.S. over a period of approximately eight years. Those Ecuadoreans who successfully complete the training, which will also be coordinated by the U.S. university, will gradually replace the U.S. professors and will become the cores staff for the school.

## 2. Specific Project Outputs

### a. A Functional Administration

A key element in the successful operation of the school will be an efficient, functional administration which can maintain a quality academic program and assure selection of qualified students while minimizing operating expenditures. In order to facilitate the development of this administration, particular attention will be paid to the recruitment and training of two key Ecuadorean administrators; an academic rector and a business manager. Technical assistance will be provided by the U.S. university to assure adequate on the job training of these individuals. If necessary, specialized training will also be provided for these individuals at the U.S. institution.

### b. Trained Faculty

Approximately ten Ecuadoreans will be recruited and trained over a seven year period in order to form a highly qualified faculty which will serve as the academic core around which the school will operate. Approximately two new students will be sent for training each year for five years. Training will be provided in the areas such as finance, marketing, accounting, management, industrial relations, economics and quantitative methods. Of these trainees it is expected that seven will complete their studies successfully. These students will be trained to the doctoral rather than the master's level because of the better preparation for teaching and research which they will receive and because experience in similar schools in Latin America has demonstrated that there is a higher staff retention rate than when only M.A. training is provided. Where possible candidates who already possess a master's degree in business or related fields will be selected for training. After the the M.A. program is operational it may be possible to select from among the best students in the early graduating classes.

### c. Program and Curriculum Development

A key element in the eventual success of the school is the degree to which its program and curriculum respond to the management needs of

the Ecuadorean private sector and to the realities of the Ecuadorean environment. Key areas for program and curriculum development include marketing, finance and industrial relations. Significant efforts, therefore, will be devoted to program and curriculum development. Much of this effort will be focussed on the development of Ecuadorean based cases.

d. Adequately Equipped Facilities

In order to implement a quality graduate management program specialized equipment and facilities are required. The basic minimum specialized facilities include a documentation center (library) with a minimum of 6,000 books, documents and periodicals, simultaneous translation equipment, and a computer center. Specialized assistance in establishing these facilities will be provided through the U.S. university.

3. Project Inputs

a. Technical Assistance

A major project input will be approximately 27.5 person-years of long and short-term technical assistance which will be supplied through a U.S. university. A chief of party will serve as the advisor to the school's academic and business administrators and will organize and supervise the other technical assistance. The technical assistance will consist primarily of a core staff of professors who will organize the academic program, develop the curriculum and teach courses while Ecuadoreans are being trained to assume these responsibilities. These professors will primarily be long-term "permanent faculty", however arrangements might be made for some shorter-term assistance to be provided by, for example, professors who would be in residence one quarter per year. Approximately twenty person-years of academic assistance would be provided. Specialized technical assistance requirements also exist for activities such as organization of the documentation and computation centers as well as for a part-time program coordinator located at the U.S. university. These will requirements amount to approximately 2.5 person-years. Technical assistance costs amounting to approximately \$3,300,000 will be financed with the A.I.D. grant.

b. Training

Approximately 35 person-years of training will be provided. The major part of this training will be long-term academic training for the future Ecuadorean faculty members. Additional long or short-term training will be provided to administrative and academic staff as required. Specialized training requirements could include educational administration, library science, or computer center operations. Training will be coordinated by the U.S. university; however, training will be arranged at the most appropriate location and not all training will be carried out at that institution. Training costs are estimated to be approximately \$700,000 and will be financed with grant funds.

c. Program and Curriculum Development Costs

The cost of program and curriculum development, primarily the development of cases, is particularly difficult to quantify without a more detailed analysis; however, a tentative cost estimate of \$200,000 has been made.

d. Specialized Equipment and Materials Costs

A major expenditure will be required for the acquisition and cataloging of books, documents and periodicals which must be necessary to create the minimum collection for the documentation center. Acquisition and cataloging costs are expected to average \$50 per book. Total investment for minimum collection would be \$300,000. The establishment of a relatively modest computer facility (e.g., a mini-computer with several terminals and other peripherals and minimum software) is estimated to cost \$125,000. Simultaneous translation equipment, which is necessary for most native English speaking professors to teach effectively in Spanish is budgeted at \$75,000.

e. Physical Plant

Requirements for physical facilities will vary significantly according to the organizational structure chosen for the school. A residential campus would be considerably more expensive than a non-residential campus. The feasibility study to be carried out as the next step in project design will more precisely identify the requirements for physical facilities and will more accurately determine facilities costs. All physical facilities will be provided through contributions of the Ecuadorean private sector. As an order of magnitude it is estimated that the value of land and construction of minimal facilities will be \$2,000,000. However, it is expected that much of the physical plant could be built with in-kind donations, e.g., land, architectural and construction services and construction materials. The Ecuadorean project organizing committee has already received a written offer to donate a site for the school. However, a determination may be made to initiate operations in rental facilities in which case this portion could be postponed until the school has established a positive reputation.

f. Operating Expenses

Operating expenses for a high quality graduate management school are substantial. The pre-feasibility study estimated that operating expenses would be in the order of magnitude of \$300,000 annually without including professional salaries, but including some financial support to students. As Ecuadorean professors return from training and begin to teach, their salaries would increase the annual operating cost of the school.<sup>1</sup> The experience of similar institutions of Latin America has demonstrated that a

graduate program can generate only a small percentage of the costs of operating a graduate management school. While a school can develop other activities such as executive development courses which can generate fairly significant revenues, this may be a perennial operating deficit that will have to be covered through private sector donors. If feasible, an endowment will be created from donations which will generate sufficient income to cover at least part of the operating deficit.

D. Estimated Costs and Method of Financing

The costs of establishing a graduate management school are significant. The pre-feasibility study provides cost estimates for the implementation of three graduate management program alternatives (part-time, full-time non-residential and fulltime residential). The cost estimates for the recommended full-time non-residential program have been adjusted and used as the basis for estimating the order of magnitude of A.I.D. and local resources required for the project. These cost estimates are based on the elements of the project description provided in the preceding section and are presented in Table 1. The A.I.D. grant financing of five million dollars will be matched by the local counterpart contribution which will be generated from local contributions.

TABLE 1

SUMMARY COST ESTIMATES  
(U.S. \$ 000's)

	A.I.D.	Host Country	Total
	_____	_____	_____
1. Technical Assistance	3,300		3,300
2. Training	700		700
3. Specialized Equipment and Library Acquisitions	500		500
4. Curriculum Development	200		200
5. Physical Plant		2,000	2,000
6. Operating Expenses		2,000	2,000
7. Student Financial Aid		500	500
8. Inflation and Contingencies	300	500	500
TOTAL	5,000	5,000	10,000

### III. PROJECT DEVELOPMENT

#### A. Relevant Experience with Similar Projects

A.I.D. has a significant amount of experience in financing graduate management schools. In Latin America A.I.D., during the 1960's, financed the successful establishment of two institutions, INCAE (Instituto Centroamericano de Administración de Empresas) and ESAN (Escuela Superior de Administración de Negocios), which are both now very well respected and can serve as models for the Ecuadorean school. The pre-feasibility study has analyzed the past and present situation of these two schools in detail and has presented a series of conclusions and recommendations related to program design for a new school based on the analysis of these schools. Critical factors in the success of these schools which relate to the organization, academic program and financial aspects have been identified in the pre-feasibility study. Factors related to the organization of the school include: careful study and planning before starting operations, linkages with the private and public sectors, isolation from political activities, operating flexibility, personal commitment by key individuals, and an initial link with a respected "sister" academic institution. Important elements related to the academic program include: high quality standards, extensive adaptation to local conditions, training of local faculty, and interaction with the international academic community. Important financial characteristics of the schools include the need to supplement tuition revenues, the inability of earned income to cover operating deficits, the continuing need for financial support from the private sector, the need to avoid loans and debt during the start-up period, substantial foreign currency costs during startup, the need for financial assistance for students and a requirement for skilled and qualified administrators to manage the relatively complex financial activities of a graduate management school.

In addition A.I.D. has financed similar endeavors elsewhere. In Latin America it financed EAFIT (Escuela de Administración, Finanzas y Tecnología) in Medellín, Colombia, and was a minor donor to IESA (Instituto de Estudios Superiores de Administración) in Caracas, Venezuela.<sup>1</sup> (EAFIT began as an undergraduate institution but has since added a master's program and is in the process of establishing a doctoral program.) In addition to the analysis provided in the pre-feasibility study, USAID has requested S&T/DIU to provide information on these as well as similar programs in other geographic regions.

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During a recent visit to EAFIT by members of the Ecuadorean project organizing committee and USAID/E staff, members of EAFIT's board of directors expressed their deep appreciation for the A.I.D. assistance which the school had received and to show their gratitude, offered to assist the establishment of the school in Ecuador in any way possible.

The information about related A.I.D. experience presented in the pre-feasibility study as well as any additional information available will be extensively used in the preparation of the scope of work for the feasibility study.

#### B. Beneficiaries and Benefit Incidence

Students who participate in the graduate management program will be selected on the basis of merit. It is expected that a large percentage will be young professionals whose families cannot pay their tuition and maintenance. The feasibility study will ascertain the optimal procedure for selecting the best qualified students and for supporting those students who are unable to provide their own maintenance. It is expected that the graduate management program will provide direct significant monetary benefits to most students who participate in the program. Because of the significant financial gains which will accrue to most graduates of the program, a financial mechanism, such as a revolving loan fund, will be designed which will recuperate a large percentage of the costs of student maintenance and operation of the school.

The school will also directly benefit private firms and public sector agencies which employ graduates of the school and/or which obtain consulting services from the school's faculty members. Improved management in private enterprises will, ceteris paribus, lead to increased profitability. The major benefit impact, however, is expected to result from the indirect benefits of the school. These benefits will be generated by the improvement in the pattern and rate of economic growth which will occur in Ecuador as the result of improved private and public sector management capacity. More optimal utilization of human and other resources which can be obtained through better enterprise management will increase the rate of economic growth, stimulate the expansion of business enterprises, and generate additional employment.

#### C. Project Design Issues

The pre-feasibility study has addressed and resolved a number of major design issues. The most important issue was to determine the type of management education and the most appropriate delivery mechanism. A number of other important design issues must be addressed during the intensive review of the project. In order to assure that these are adequately studied a major feasibility and design study will be conducted. The study will address the following issues:

##### 1. Local Financial Support

A key to the long term success of the project will be the willingness of the Ecuadorean private sector to contribute financially to the school.

While the level of capital costs and operating expenditures will vary substantially depending on the academic model, it is very probable that under any alternative selected, an operating deficit will exist which can not be entirely covered through tuition and other revenues which the school might generate (fees for short courses, consulting fees, etc.). Therefore the private sector must be willing to donate money or in-kind goods and services to cover this deficit. While considerable interest has been expressed by a number of Ecuadorean businessmen, the feasibility study must carefully assess the degree of financial commitment which can be generated from Ecuadorian businessmen. It must also explore innovative ways to promote the school and increase the level of commitment. The experience of other Graduate Management schools in Latin America is likely to be very instructive.

It is important to stress that USAID has worked closely with a number of Ecuadorean private sector groups and institutions who have already expressed their willingness to make significant financial or in-kind contributions. For example, a prominent banker in Guayaquil has pledged 100 million sucres over a period of years and has already set aside five million sucres which could be used for the school. Another individual has offered to donate land for a building site. A number of other businessmen have indicated that they would be willing to contribute funds to the school. A non-profit foundation to organize the school is now being formed by a number of prominent businessmen. These preliminary commitments have lead USAID to conclude that there is sufficient interest and willingness from all segments of the private sector to financially support a graduate management school and that there is adequate justification to proceed with project development. Furthermore, substantial financial commitments are likely to be forthcoming at the time when the final design studies are completed and the project is ready to be implemented. Nevertheless, sustained financial support appears to be the most critical variable in the success or failure of the project. In order to assure an adequate level of commitment, signature of the Project Agreement and the use of AID grant funds to implement the project is likely to be conditioned to fulfillment of specific commitment requirements.

## 2. Possible Association with Existing Institutions

The pre-feasibility study concluded that the most advantageous approach to implementing a Graduate Management Program in Ecuador is to establish a new program. This model has been used successfully in other Latin American countries in the case of several institutions (INCAE, ESAN, IESA, EAFIT). It avoids many potentially serious problems which could be encountered by associating with an existing university, eg. lack of autonomy of administration, limitations on paying salaries adequate to maintain a high level full time faculty. Nevertheless, there is interest among some of the potential supporters of the graduate management school in establishing ties with an existing institution. The possibility of establishing an administratively autonomous, financially independent program which is linked in name with an existing institution should be examined. Four existing institutions should be considered:

--Centro de Ejecutivos - an institution which provides short courses for working managers who wish to up-grade their knowledge base or skill level;

--Instituto Superior de Estudios de Administracion - an autonomous institute which offers a graduate program that currently relies on a part-time administration, part-time faculty and part-time students;

--The Catholic University of Guayaquil - a private university with a small undergraduate program;

--The Politechnic Institute of the Litoral - a public university which will obtain an IDB loan for expansion of its campus and is interested in establishing a graduate management curriculum.

The feasibility study should confirm or reject the finding of the pre-feasibility study. In case the findings are confirmed, the study should consider how to minimize possible conflicts between the graduate management school and these institutions. If it is determined that there should be an association with one of these institutions, the most appropriate arrangements should be specified.

### 3. Nature of the Academic Program

The pre-feasibility study strongly recommends that an institution of a high standard of excellence which has full-time faculty and students be established. Within these parameters, however, the nature of the academic program must be further defined, e.g., a "one" or a "two" year program, specific areas of instruction, etc. Furthermore, it is likely that in addition to the master's program recommended by the feasibility study, the program should include a certificate of specialization program and managerial development courses. These aspects of the program need to be well defined in the findings of the feasibility study.

### 4. Location and Type of Campus

The location of the school and the type of campus are likely to have an important bearing on the capital cost of establishing a graduate management program. Basic locational alternatives would include a non-residential campus in the Guayaquil or an easily accessible suburb (such as ESAN) or residential campus outside of Guayaquil proper (such as INCAE). Preliminary results of the pre-feasibility study indicate that a non-residential campus is likely to be a more feasible alternative financially. Nevertheless, both options should be more closely analyzed in the feasibility study.

## 5. Willingness and Ability of Ecuadoreans to Attend a Graduate Management School

The pre-feasibility study demonstrated that the establishment of a graduate management school is justified on the basis of an analysis of supply and demand for this type of management training. Nevertheless, the study did not attempt to analyze the willingness and interest of Ecuadoreans to attend such a school. The number of students who attend or apply to similar institutions such as INCAE and IESA in other Latin American countries provides indirect evidence that there will be sufficient interest in attending a local school of equivalent quality. However, a more detailed analysis of the conditions under which Ecuadoreans would be interested in and willing to attend such a school should be carried out in the feasibility study.

## 6. Economic Feasibility

A general economic feasibility analysis was conducted in the pre-feasibility study. It demonstrated that the social returns to investment in management education compared favorably to the returns to other types of educational expenditures and to returns to investments in physical capital. This analysis, however, was based on secondary data from countries throughout the world. It was not specific to Ecuador. The feasibility study will include an Ecuador - specific economic feasibility analysis in which benefits and costs of an investment in graduate management education will be compared to other alternatives such as investment in vocational education or in undergraduate management education.

### D. Project Development Strategy

Upon approval of the PID, USAID will develop the terms of reference for a detailed feasibility study. In order to assure that the terms of reference of this study are adequately designed, USAID plans to use a team of short term consultants who have had experience in similar endeavors in other countries. This consulting team should be composed of deans of U.S. business schools who have had prior experience in developing graduate management schools in Latin America and administrators of institutions such as INCAE, IESA, ESAN, or EAFIT. This team should work in Ecuador in order to consult with the counterpart organizing committee. Approximately one work week will be required to develop the scope of work.

At the same time USAID will work informally with the Ecuadorean project organizing committee to assure the creation of a legally recognized non-profit foundation which will serve as the implementing institution for the project. Members of the foundation will visit other schools such as EAFIT and ESAN in order to see the operation of the schools and their linkages with the private sector. They will also attend an intensive orientation seminar in Guayaquil in which a number of distinguished educators and businessmen from other Latin American countries with similar schools will participate.

USAID has made a preliminary determination that the project requires the collaboration of an educational institution for project design and implementation and that the collaborative assistance contracting mode should be followed. That is, the feasibility study be undertaken by the university or consortium of universities which will provide the technical and administrative assistance to the graduate management school. This determination is based on the very strong recommendation to this effect made in the pre-feasibility study which identified early involvement of a U.S. university as a key to the successful establishment of the school as well as USAID's knowledge of past efforts in other Latin American countries (INCAE, ESAN, EAFIT, IESA) where similar procedures have worked quite well. Early involvement at the feasibility study stage will: (1) permit more rapid mobilization of resources; (2) assure conceptual consistency between the feasibility study and the actual program structure; (3) facilitate the early (pre-project) training of Ecuadorean professors; and (4) lead to a long term relationship between the local school and a U.S. university. The Ecuadorean organizing committee is in agreement with this approach.

Therefore, USAID proposes that the Collaborative Assistance Procedure for procurement of services from Educational Institutions established in AIDPR 7-4.5804 be utilized. Pursuant to the terms of this section of the AIDPR an evaluation panel consisting of representatives from USAID/Ecuador, the Office of Contract Management, LAC/DR, and S&T/ED will be convened to make a final written collaborative assistance determination prior to proceeding with the scope of work for the feasibility study and the contractor selection process. The same panel will then develop selection and evaluation criteria and an initial source list which will be used by the contracting officer to request expressions of interest from the qualified institutions. The scope of work for the feasibility study will be incorporated as part of the request for expressions of interest.

In order to assure that both the the selection of the team to do the scope of work for the feasibility study and of the institution(s) to carry out the study are done in the best possible manner, USAID proposes that a small value contract be awarded to the American Assembly of Collegiate Schools of Business (AACSB) to organize the initial consultant team and to play a consultative/advisory role in the Collaborate Assistance Selection Process (similar to the role that BIFAD plays for Title XII projects.) The AACSB, which is the official accrediting organization for business schools in the U.S., has vast experience in providing technical assistance in program development to its member schools. It is very interested in assisting Latin American management schools, many of which are members of the AACSB, in this area. Given the scope and nature of its function it is uniquely qualified to locate the most appropriate individuals and institutions from among its member schools.

USAID expects to contract with the AACSB in January, 1983, to have the team in country to design the scope of work in February, 1983 and to have the RCO send a Request for Expressions of Interest in early March, 1983. Selection of the most qualified institution(s) will be made by April 30, 1983; the feasibility study contract negotiated and signed by May 30, 1983; and the feasibility study initiated by June 30, 1983. It is likely that the feasibility study will require approximately five months to complete. USAID will then prepare and approve a Project Paper and authorize the project in January 1984. A project agreement would then be executed in February 1984.

It is estimated that \$370,000 of PD&S funds will be required prior to final approval of the project. Approximately \$20,000 will be required to contract the AACSB. An additional \$350,000 will be assigned for the university contract to do the detailed project design.

#### E. AID Support Required

The project will be monitored by USAID/Ecuador's private sector office. It is expected that the equivalent of one full time staff member will be required to provide adequate AID support for the project. Given the existing limitations on AID direct hire manpower it is likely that a personal services contract will be executed in order to provide the necessary AID support during implementation. AID/W and regional office support is expected to be limited to assisting in the selection and contracting of a U.S. university to carry out the major part of the project design work and provide technical assistance to the new school. To accomplish this task USAID expects to request the TDY assistance of an LAC/DR/EST officer for approximately one month and of the RCO/Panama for one week.

#### F. AID Policy Issues

##### 1. Use of Grant Funds

The project as proposed will use only grant funding. AID policy requirements are that programs in countries such as Ecuador be financed primarily with loan funds. USAID has evaluated the proposed project within the context of this strategy and has determined that if a graduate management school is to be financially viable in Ecuador it can not be burdened with external loan payments. The pre-feasibility study is emphatic on this point. The example of INCAE is also noteworthy in that AID has had to provide bridge financing to the school even before the current political difficulties in Nicaragua and has made a determination to finance the new Costa Rican campus from grant rather than loan funds.

##### 2. Project Phasing

USAID currently proposes to finance a five year project. The pre-feasibility study shows that most other schools have required 8-10 years

to become fully self-sufficient. In this context USAID has decided that, rather than financing a ten year project, that it is preferable to finance a shorter project with the clear intention of financing a follow-on project to assure a smooth transition to an administratively and financially self-sufficient operation if the school has developed as planned and if additional AID funding is necessary.

### 3. Utilization of Latin American Sources of Technical Assistance

The pre-feasibility study has demonstrated that there is now a significant amount of experience in Latin America regarding the establishment of graduate management schools and that there is much to be learned from that experience which is applicable to the Ecuadorean case. Although USAID intends to use the Collaborate Assistance Contracting mode with a U.S. university, the experience of other Latin American schools should also be capitalized upon. Therefore, it is likely that the University selected will wish to use one or more Latin American graduate management schools as sub-contractors during the feasibility study and during initial project implementation.

USAID therefore requests that the nationality requirements with respect to technical services be waived in order to permit institutions and individuals from Geographic Code 941 countries to be eligible to provide such services.

### G. Recommended Environmental Threshold Decision

The project is an educational project not normally subject to the application AID's environmental procedures. However, it is expected that a small campus will be built with counterpart funds and that AID funds will be used to equip it. Therefore, an IEE has been prepared and attached as Annex II. The IEE recommends a negative determination with respect to significant environmental impacts.

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Ecuador

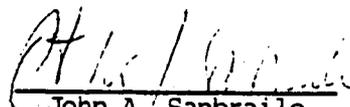
Project Title: Graduate Management School

Funding: FY 1984: Grant \$5.0 million

IEE Prepared by: Robert Jordan, Project Development Officer,  
December 3, 1982

Recommended Threshold Decision: The USAID Project Committee has undertaken an complete Initial Environmental Examination of the potential impacts of the proposed project and has arrived at a recommendation for a Negative Determination.

Mission Director's Concurrency:

  
John A. Sanbraillo  
Director  
USAID/Ecuador

## EXAMINATION OF NATURE, SCOPE AND MAGNITUDE OF ENVIRONMENTAL IMPACTS

### A. Description of Project

The project will establish a Graduate School of Management in or near Guayaquil, Ecuador.

### B. Discussion of Environmental Impacts

The only possible environmental impact would be the construction of a new campus in or near Guayaquil. This construction would be financed with counterpart funds on a 5 hectares or less sized site. The area constructed during the project is not likely to exceed 2,000 m<sup>2</sup>. USAID's experience indicates that Ecuador has sufficiently competent A&E firms to ensure that environmental factors are taken into consideration during site selection and the design and construction of facilities. Such factors include, but are not limited to, compatibility with the surrounding land use pattern, suitability of housing for students and faculty, adequacy of transportation, sewage, water and electrical infrastructure and drainage considerations.

### C. Threshold Decision Recommendation

The environmental impacts of the project are negligible. Therefore USAID recommends a Negative Determination.