

*Evaluation of the Commission of the European  
Union's co-operation with Ecuador*

Final Report

*Volume I: Main Report*

September 2012

*Evaluation for the European Commission*







Italy



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# Evaluation of the Commission of the European Union's co-operation with Ecuador

## Final Report

### *Volume 1: Main report*

**September 2012**

This evaluation has been carried out by  
**DRN**



The evaluation has been managed by the Evaluation Unit of DG DEVCO-EuropeAid.

The authors accept sole responsibility for this report, drawn up on behalf of the Commission of the European Union. The report does not necessarily reflect the views of the Commission.



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**ACRONYMS**

<b>AFD</b>	French Development Agency
<b>ACP</b>	Africa, Caribbean and Pacific group of states
<b>AGECI</b>	Ecuadorian Agency of International Cooperation
<b>AGSO</b>	Asociación de Ganaderos de la Sierra y el Oriente
<b>ALA</b>	EC Financial instrument for Latin American and Asian countries
<b>ALBA</b>	Bolivarian Alliance for the Americas
<b>ALFA</b>	América Latina Formación Académica
<b>AL-INVEST</b>	Latin America Investment Programme
<b>AME</b>	Asociación de Municipalidades del Ecuador
<b>AMIE</b>	Archivo Maestro de Instituciones Educativas
<b>AMP</b>	Annual Management Report
<b>APS</b>	Primary Healthcare
<b>ATI</b>	International Technical Assistance
<b>BCE</b>	Banco Central de Ecuador
<b>BEA</b>	Basic Education for Adults
<b>BGU</b>	Bachillerado General Unificado
<b>BIT</b>	Bilateral Investment Treaties
<b>CAF</b>	Corporación Andina del Fomento
<b>CAN</b>	Andean Community of Nations
<b>CCS</b>	Consejos Cantonales de Salud - Cantonal Health Council
<b>CEDIA</b>	Consortio Ecuatoriano para el Desarrollo de Internet Avanzado
<b>COCI</b>	Comité de Cooperación Internacional
<b>CODCI</b>	Consejo Directivo de la Cooperación internacional
<b>COM</b>	Communication from The Commission
<b>CONASA</b>	Consejo Nacional de Salud
<b>CONATEL</b>	Comisión Nacional de Telecomunicaciones de Ecuador
<b>CONGOPE</b>	Consortio de Gobiernos Provinciales del Ecuador
<b>COOTAD</b>	Código Orgánico de Ordenamiento Territorial, Autonomía y Descentralización (law concerning decentralisation and autonomy at territorial level)
<b>COPLAFIP</b>	Código Orgánico de Planificación y de Finanzas Públicas - Organic Planning and Public Finance Code
<b>COPOLAD</b>	Cooperation Programme on Antidrug Policies
<b>CORPEI</b>	Corporación de Promoción de Exportaciones e Inversiones
<b>CORPEI</b>	Corporación de Promoción de Exportaciones e Importaciones
<b>CPS</b>	Consejos Provinciales de Salud - Provincial Health Council
<b>CSOs</b>	Civil Society Organisations
<b>CSP</b>	Country Strategy Paper
<b>CTB</b>	Cooperación Técnica Belga - Belgian Development Agency
<b>DEVCO</b>	Directorate General for Development and Co-operation
<b>DCI</b>	Development Cooperation Instrument
<b>DfID</b>	Department for International Development - United Kingdom
<b>DG</b>	the Commission's Directorate-General
<b>DIGAs</b>	Dirección Provincial de Gestión Ambiental
<b>DPS</b>	Provincial Health Directorates - Departamentos Provinciales de Salud
<b>DS</b>	Dissemination Seminar

**DRN**

<b>EAMR</b>	External Assistance Management Report
<b>EC</b>	European Commission
<b>ECD</b>	European Consensus on Development
<b>EEAS</b>	European External Action Service
<b>EGB</b>	General Basic Education - Educación General Básica
<b>EIA</b>	Environmental Impact Assessment
<b>ENEMEDU</b>	Encuesta Nacional de Empleo y Desempleo Urbanos
<b>ENRTP</b>	Environment and Natural Resources Thematic Programme
<b>ENV</b>	Environment
<b>EOM</b>	Electoral Observatory Mission
<b>EQ</b>	Evaluation Questions
<b>EU</b>	European Union
<b>EU MS</b>	European Union Member States
<b>EUD</b>	European Union Delegation
<b>FA</b>	Financing Agreement
<b>FARC</b>	Revolutionary Armed Forces of Colombia – People's Army
<b>FAT</b>	Facilidad de Cooperación UE-CAN para Asistencia Técnica al Comercio
<b>FDI</b>	Foreign Direct Investment
<b>FETEC</b>	Federación Ecuatoriana de Trabajadores de la Educación y Cultura
<b>FIE</b>	Final Impact Evaluation
<b>FTA</b>	Free Trade Agreement
<b>FTAA</b>	Free Trade Area of the Americas
<b>GAD</b>	Gobiernos Autonomos Descentralizados
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit, German Agency for International Cooperation
<b>GNP</b>	Gross National Product
<b>GoE</b>	Government of Ecuador
<b>GPS</b>	Geographical Information Systems
<b>GSP</b>	Generalized System of Preferences
<b>HDI</b>	Human Development Index
<b>IADB</b>	Inter-American Development Bank
<b>ICR</b>	Implementation Completion and Results
<b>ICSID</b>	Centre for the Settlement of Investment Disputes
<b>IEPS</b>	Instituto de Economía Popular y Solidaria
<b>IL</b>	Intervention Logic
<b>ILO</b>	International Labour Organisation
<b>INEC</b>	Instituto Nacional de Estadísticas y Censos de Ecuador
<b>JC</b>	Judgment Criterion
<b>ITT</b>	Ishpingo-Tambococha-Tiputini Initiative
<b>LAC</b>	Latin America and the Caribbean
<b>LMGyAI</b>	La Ley de Maternidad Gratuita y Atención a la Infancia
<b>LOSNS</b>	Ley Orgánica del Sistema Nacional de Salud
<b>MAE</b>	Ministry of Environment
<b>MAIS</b>	“Modelo de Atención Integral e Intercultural
<b>MDG</b>	Millennium Development Goals

<b>MELGODEPRO</b>	Modelo Euro-latinoamericano de gobernanza local para el desarrollo productivo
<b>MERCOSUR</b>	Mercado Comun del Sur
<b>MoE</b>	Ministry of Education
<b>MoU</b>	Memorandum of Understanding
<b>MS</b>	Member States
<b>MSMEs</b>	Micro Small and Medium Enterprises
<b>MSP</b>	Ministerio de Salud Pública - Ministry for Public Health
<b>MTEF</b>	Medium Term Expenditure Framework
<b>MTR</b>	Mid-Term Review
<b>NAFTA</b>	North American Free Trade Agreement
<b>NFPS</b>	Non-Financial Public Sector
<b>NGOs</b>	Non Governmental Organisations
<b>NIP</b>	National Indicative Programme
<b>NRM</b>	Natural resources management
<b>NSA</b>	Non-State Actors
<b>NSPA</b>	National System of Protected Areas
<b>OAS</b>	Organisation of American States
<b>OD</b>	Other Donors
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Cooperation and development
<b>OVI</b>	Objective Verifiable Indicators
<b>PA</b>	Project Approach
<b>PAPDE</b>	Support Programme to the "Decennial Education Plan"
<b>PASES</b>	Support Programme to the National Development Plan
<b>PASL</b>	Plan de Acción de Salud Local - Local Health Plan
<b>PASSE</b>	Programa de Apoyo al Sector Salud de Ecuador
<b>PDE</b>	Plan Decenal de Educación – Ten-year Education Plan
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Finance Management
<b>PIU</b>	Programme Implementation Unit
<b>PMU</b>	Project Management Unit
<b>PND</b>	Plan Nacional de Desarrollo 2007-2010
<b>PNBV</b>	Plan Nacional del Buen Vivir- Good Living National Plan
<b>PPP</b>	Purchasing Power Parity
<b>PRADICAN</b>	Support for the Andean Community in the fight against illicit drugs
<b>PRODERENA</b>	Programa de Apoyo a la Gestión Descentralizada de los Recursos Naturales en las tres provincias del Norte de Ecuador
<b>PROLOCAL</b>	Poverty reduction and Local rural Development Programme
<b>PSD</b>	Private Sector Development
<b>RG</b>	Reference Group
<b>ROM</b>	Result-Oriented Monitoring
<b>RSP</b>	Regional Strategy Paper
<b>SBS</b>	Sector Budget Support
<b>SEC</b>	Sistema Ecuatoriano de Calidad
<b>SECI</b>	Sistema Ecuatoriano de Cooperación Internacional
<b>SENAGUA</b>	Secretaría Nacional del Agua

<b>SENPLADES</b>	Secretaría Nacional de Planificación y Desarrollo de Ecuador
<b>SETECI</b>	Secretaría Técnica de Cooperación Internacional
<b>SER</b>	Sistema Nacional de Evaluación y Rendición Social de Cuentas
<b>SGPF</b>	Sistema de Gestión Presupuestaria y Financiera
<b>SIGEF</b>	Integrated financial management information system
<b>SIGOB</b>	Information System for Democratic Governance - Sistema de Información para la Gobernabilidad Democrática
<b>SIISE</b>	Sistema Integrado de Indicadores Sociales de Ecuador
<b>SIPROFE</b>	Sistema Integrado de Desarrollo Profesional Educativo
<b>SITC</b>	Standard International Trade Classification
<b>SMEs</b>	Small and Medium Enterprises
<b>SOCICAN</b>	Proyecto de Cooperación UE – CAN en Acción con la Sociedad Civil
<b>SPS</b>	Sanitary and Phytosanitary measures
<b>SPSP</b>	Sector Policy Support Programme
<b>SRI</b>	Servicio de Rentas Internas
<b>SWAp</b>	Sector Wide Approach
<b>TAPs</b>	Technical Administrative Provision
<b>TA</b>	Technical Assistance
<b>TBL</b>	Thematic Budget Lines
<b>TBT</b>	Technical Barriers to Trade
<b>TSSE</b>	Transformación Sectorial de Salud en Ecuador
<b>TOR</b>	Terms of Reference
<b>UEM</b>	Unidades Educativas del Milenio
<b>UGA</b>	Unidades de Gestión Ambiental
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNASUR</b>	Union of South America Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNE</b>	Unión Nacional de Educadores
<b>UNIVIDA</b>	United in the fight against HIV AIDS in Ecuador
<b>UO</b>	Unidades Operativas de Salud
<b>USAID</b>	United States Agency for International Development
<b>WB</b>	World Bank
<b>WHO</b>	World Health Organisation
<b>WTO</b>	World Trade Organisation
<b>UNESCO</b>	United Nation Education Scientific Cultural Organisation

MAP



Source: [http://www.mapcruzin.com/free-maps-ecuador/ecuador\\_sm\\_2008.gif](http://www.mapcruzin.com/free-maps-ecuador/ecuador_sm_2008.gif)

## EXECUTIVE SUMMARY

### **SUBJECT**

This evaluation assesses the **Commission of the European Union's (EC) cooperation with Ecuador over the period 2003-2010**. It aims at providing an **overall independent assessment** of the entire EC cooperation strategy and support in the country and to draw out **key lessons** to help improve current and future EC strategies and programmes.

### **METHODOLOGY**

The evaluation applied a rigorous methodology articulated in a three-phase approach consisting of desk, field and synthesis work. It first elaborated an inventory of EC aid to Ecuador in order to have a comprehensive view on the cooperation for identifying key areas of investigation. The cooperation objectives were reconstructed in the form of an Intervention Logic based mainly on the analysis of the EC's country strategy papers. This laid the ground for developing the set of Evaluation Questions and their corresponding Judgement Criteria and Indicators and for the identification of a sample of interventions for detailed study which represented 62% of the funds committed. Preliminary findings, hypotheses to test and gaps to fill were formulated at the end of the desk phase and laid the work to be carried out during the field phase. Overall, the evaluation used a combination of various information sources and tools, including literature review of more than 230 documents, interviews with approximately one hundred stakeholders including EC representatives (both in Brussels and in the EU Delegations in Quito and Bogotá), national authorities, implementing partners, final beneficiaries, civil society, and other donors representatives; two focus groups and site visits. Finally, it applied recent methodological developments in terms of evaluation of Budget Support operations ("step one"). This implies three levels of analysis: (i) the relevance of the inputs provided, (ii) the direct outputs of these inputs, and (iii) the quality and adequacy of the changes supported in the government systems (induced outputs). Step One does not include the appreciation of outcomes and impacts.

### **CONTEXT**

#### **National context**

Ecuador is a middle-income country with a GDP of \$ 4,073 per capita in 2010 and a growth rate of 4.6% per year on average and in constant terms between 2000 and 2010. The economy is highly dependent on oil (58% of exports) and on remittances (*remesas*) that constituted 6.2% of GDP in 2010. Recent estimates (2010) place the population at 14.5 million inhabitants, with an additional 1-2 millions living abroad.

Following the election in 2006 of a reformist and nationalist government, a new Constitution was enacted and the state has started to play a significant role in the definition and implementation of national and sector policies. Overall, the evaluation period has seen a spectacular rise in social spending. Despite this and despite significant improvements which have led to a decrease in the percentage of people living under the national poverty line from 38% in 2006 to 29% in 2011, inequalities remain high although recent trends point to important improvements (Gini index of 54.3 in 2007 and 49.3 in 2010 according to World Bank data).

Ecuador has adopted the US\$ as its national currency as of 2000. The country has currently no stand-by agreement with the International Monetary Fund (IMF) and has interrupted its relations with the World Bank in 2007. Little progress has been achieved in terms of business environment throughout the evaluation period.

#### **International cooperation**

International cooperation (official development aid - ODA) has represented a very small part of the resources of this middle-income country, accounting for 0.6% of its GDP between 2003 and 2010. The main contributors were the USA, the EC and Spain. EU's overall cooperation (including Member States) accounted for almost 53% of total ODA between 2003 and 2008 (US\$ 881 M). The main sectors of intervention are social infrastructure and services, agriculture and education.

### EC cooperation with Ecuador

The EC committed a total of €222 M over the period 2003-2010 for country-specific interventions in Ecuador. This support was concentrated in five major sectors: (i) **social services** (education and health) which absorbed almost one third of total resources, (ii) **trade and economic development** with another 32% of resources and consisting in support to the private sector (two interventions) and in regional infrastructure (one intervention), (iii) **natural resources management** (16% of the total); (iv) **sustainable rural development** (12% of the total), and (v) **governance and democracy** (8%) mostly funded through thematic budget lines such as environment and Non State Actors. 62% of total commitments were used through a "traditional" project approach, while 34% followed a sector budget support modality with two interventions: one in the education sector and one supporting micro, small and medium enterprises (economic development). Finally, a remaining 4% of the total consisted of a joint financing with the government and another donor.

The first EC planning period (2002-2006) saw a concentration of resources on three different focal sectors (health, trade & economic development and natural resources management) and a strong use of the project aid modality consisting mainly of large decentralized programmes. The second planning period (2007-2013) introduced a shift towards the support of national policies and a stronger concentration of resources in two sectors (education and support to micro, small and medium enterprises) through the adoption of sector budget support as the preferred aid modality.

### CONCLUSIONS AND LESSONS LEARNED

Conclusions emerging from the evaluation findings have been structured in three main clusters tackling respectively issues related to: i) strategic relevance, coherence and value added of EC support (C1-C3); ii) choice of aid modalities (C4-C5); and iii) results and impacts of the EC cooperation in the different sectors it supported (C6-C9). At the same time, findings have also allowed to draw lessons from the successful implementation of sector budget support programmes in Ecuador.

**Cluster 1:** relevance and coherence of EC cooperation strategy and EC value added (C1-C3).

**The EC strategy in Ecuador was relevant: it aligned to government priorities and reflected population needs. The move to budget support was in itself an expression of improved alignment although it did not trigger significant improvements in terms of donor harmonisation.** (C1)

**The comparative advantage of the EC vis a vis EU member states stems primarily from the provision of sector budget support and from its financial weight, and coordination and convening capacity rather than from sector-specific considerations.** (C2)

**Coherence between interventions financed by the Commission under different instruments is good on paper but scarce in the field.** Overall, interventions have not been designed with a view to being mutually supportive and as a result, **few evidences of synergies have been found.** (C3)

**Cluster 2:** aid modalities (C4-C5)

**The Commission has relied on an appropriate mix of aid modalities which were chosen in light of the country context.** Overall, the Commission has developed a successful project approach during the period 2002-2006; while the subsequent shift toward budget support in the period 2007-2010 has allowed to further increase ownership and alignment and has enabled overcoming inherent limitations of the project approach. (C4)

**Budget support provided sound support to policy implementation respecting fully the strong government leadership and high ownership in policy design and strategic choices.** This conclusion confirms the findings of other evaluations: budget support is an effective tool in countries where governments are committed and capable of implementing robust development policies; it cannot modify a government's policy or generate commitment but may influence the content and pace of reforms. (C5)

**Cluster 3:** results and impacts of the EC cooperation in the different sectors it supported (C6-C9).

**Support to trade showed limited results, and outcomes of support to economic**



**development (SME) are still mostly unknown.** Through its bilateral cooperation the EC launched two main programmes supporting trade and economic development. These programmes were very different in terms of modalities and means but both aimed at developing the SME sector. Both also faced different but specific constraints that made impacts limited in one case and outcomes mostly unknown in the other. (C6)

**EC cooperation achieved satisfactory results in the sectors of health, environment and rural development, surpassing expectations in terms of sustainability and even influencing public policies in those sectors. However, they could not overcome the limitations inherent to the project approach:** weak integration in the state structure, limited coherence and coordination with other interventions, limited coverage and inefficiencies linked to EC procedures. (C7)

**Progress in the implementation of the Decennial Education Plan has led to significant improvements and strong likelihood of achievement of goals by 2015. Despite this, progress in some policy components of the PDE, such as in adult education, lags behind. The EC's contribution to achievements has been significant.** (C8)

**Budget support's positive results are due to an appropriate mix of inputs.** Despite the relatively low weight of the financial resources provided in terms of coverage of reform efforts, the Commission has succeeded in putting in place **a successful mechanism of sector budget support**, which has allowed to: i) support policy implementation in particular by favouring the adoption of result oriented monitoring and reporting systems; ii) provide needed technical assistance; and iii) favour civil society participation. (C9)

***Additionally, two main lessons can be learnt from the experience of sector budget support in Ecuador:***

- First, **government's ownership and commitment are major factors of success of budget support** and should therefore be respected and fostered as happened in the case of Ecuador where limited discussions on issues related to policy design took place. Respect of government leadership, however, can and

should be accompanied by a close and strict monitoring of results in order to provide an adequate feedback to the policies implemented. In turn this monitoring role can be carried out by Civil Society where this is possible (as in the education sector in Ecuador; see LL2) or through public channels where it is not.

- Second, **in middle-income countries such as Ecuador high-quality non-financial inputs are often more important than financial inputs.** These non-financial inputs included: (i) the provision of high quality long term and flexible short-term technical assistance through an original form of call for proposals focusing on public institutions, (ii) the use of existing national analytical capacity to monitor ongoing programmes, and (iii) Inclusion of civil society organisations in policy dialogue, whenever possible.

#### RECOMMENDATIONS

As a result of the foreseen re-orientation of the future Commission support following the new Development Cooperation Instrument (DCI) regulation issued on the 7-12-2011, bilateral cooperation with Ecuador (and other middle-income countries) could be discontinued in a few years. In this framework, it is envisaged that all Latin American countries (including Ecuador) will nevertheless continue to benefit from regional and thematic programmes. In line with this, recommendations mainly tackle the issue of a re-orientation strategy that could soon be implemented by the EC.

Three sectors should be given priority in a re-orientation strategy in order to pursue some continuation of activities. These are: (i) natural resource management, (ii) trade and economic development, and (iii) adult education. In the natural resource sector, continuity of support should be ensured and possibly scaled up through (sub-) regional cooperation and thematic budget lines. This is: i) justified by the fact that these issues are rapidly becoming a major challenge for the Ecuadorian economy and its social relations; and ii) in line with the emphasis placed by the new DCI on climate change and environmental issues. Finally, it would also allow building on the experience gained by the Commission in relation to environmental issues in Ecuador (R1).



In trade and economic development, continuity should be ensured through regional cooperation in support of both the private sector and public institutions, especially if a trade agreement is signed with Ecuador. The trade and economic development area is typically an area where it is important to apply an appropriate mix of aid modalities in order to support simultaneously Government and private efforts. (R2)

Ongoing measures to improve continuous adult education will need to be strengthened in order to comply with the targets set by the *Plan Decenal de Educación*. A short term mission should be organized in order to assist the EUD in supplying practical proposals to the GoE in order to meet this goal. (R3)

Taking into account recommendations 1 to 3, a re-orientation strategy should be designed, in order to allow a certain level of

continuation for activities in the three key sectors mentioned above and of budget support. Continuity should be sought by ensuring the sustainability of ongoing programmes, by reviewing and assessing the extent to which other budget lines can substitute bilateral cooperation, and by actively searching coordination and complementarities with member states in the sectors mentioned earlier. (R4)

Finally and in the short term, quality of investments and quality of indicators in the two ongoing SBS programmes (PAPDE and PASES) should be enhanced. Improving quality of investment implies continuing efforts presently made through technical assistance in selecting and monitoring investment. (R5)



## 1. INTRODUCTION

The evaluation of the Commission's co-operation with Ecuador in the period 2003-2010 was commissioned and managed by the Evaluation Unit of DG DEVCO-EuropeAid and is part of the 2010 evaluation programme, as approved by External Relations and Development Commissioners. The progress of the work was closely followed by a Reference Group (RG) composed of members of the Commission's Directorate-General (DG) Development and Cooperation - EuropeAid Office (DEVCO), of DG Trade, of the European External Action Service (EEAS), of the EU Delegation in Ecuador, of the Embassy of Ecuador (as observer), and chaired by the Evaluation Unit of DG DEVCO-EuropeAid.

This document is the final evaluation report and presents the results of the synthesis phase during which the information gathered in the previous phases has been analysed, in order to answer the Evaluation Questions and draft Conclusions and Recommendations. This final version of the report takes into account comments made to the earlier version by both the RG members and by the participants to the dissemination seminar held in Quito on September 13, 2012.

### 1.1 OBJECTIVES AND SCOPE OF THE EVALUATION

As per the Terms of Reference (ToR), the evaluation had two main objectives:

- to be accountable and to provide the relevant external cooperation services of the Commission and the wider public with an overall independent assessment of the Commission's past and current cooperation relations with Ecuador (2003 -2010);
- to identify key lessons in order to improve the current and future strategies and programmes of the Commission.

The evaluation focused on the analysis of:

- the relevance and coherence of the Commission's cooperation strategies (all instruments included) for the period 2003-2010 (at the strategic level);
- the consistency between programming and implementation for the same period;
- the value added of the Commission's interventions (at both strategic and implementation levels); and
- the 3Cs: coordination and complementarity of the Commission's interventions with other donors' interventions (focusing on EU Member States); and coherence between the Commission's interventions in the field of development cooperation and other Commission policies that are likely to affect the partner country;
- the implementation of the Commission's cooperation, focusing on impact, sustainability, effectiveness and efficiency for the period 2003-2010; and the expected effects of the Commission's cooperation for the period 2007-2013.

Overall, the evaluation aims at providing an assessment against accountability requirements, while – at the same time – adopting a forward-looking perspective, to provide Commission policymakers and managers with valuable recommendations for improving current and future programming and strategies in line with the high-level decisions affecting the cooperation framework.

### 1.2 PURPOSE AND STRUCTURE OF THE REPORT

The final report is structured in 5 chapters, as follows:

- ◆ This introductory **Chapter 1**, besides setting out the **overall objectives and scope of the evaluation**, provides an **overview of the evaluation methodology and process**, which is also described in greater detail in annex 6.
- ◆ **Chapter 2** provides a description of **Ecuador's socio-economic evolution** during the period, its development policy and the interventions of external donors (additional information is also provided in annex 4);
- ◆ **Chapter 3** presents the **EC's global development policy framework** and focuses on the EC's strategy for Ecuador, taking into account the various CSPs covering the period, reconstructing the intended intervention logic for the whole period, and describing the EC's interventions from 2003 to date (additional information is also provided in annexes 5, 7, 8 and 9);
- ◆ **Chapter 4** presents the findings and **answers to the Evaluation Questions** (see annex 13 for detailed information and data collected in relation to each indicator).

- ◆ Finally, the report closes with **chapter 5** that sets out the **conclusions and recommendations**.

### 1.3 EVALUATION METHODOLOGY

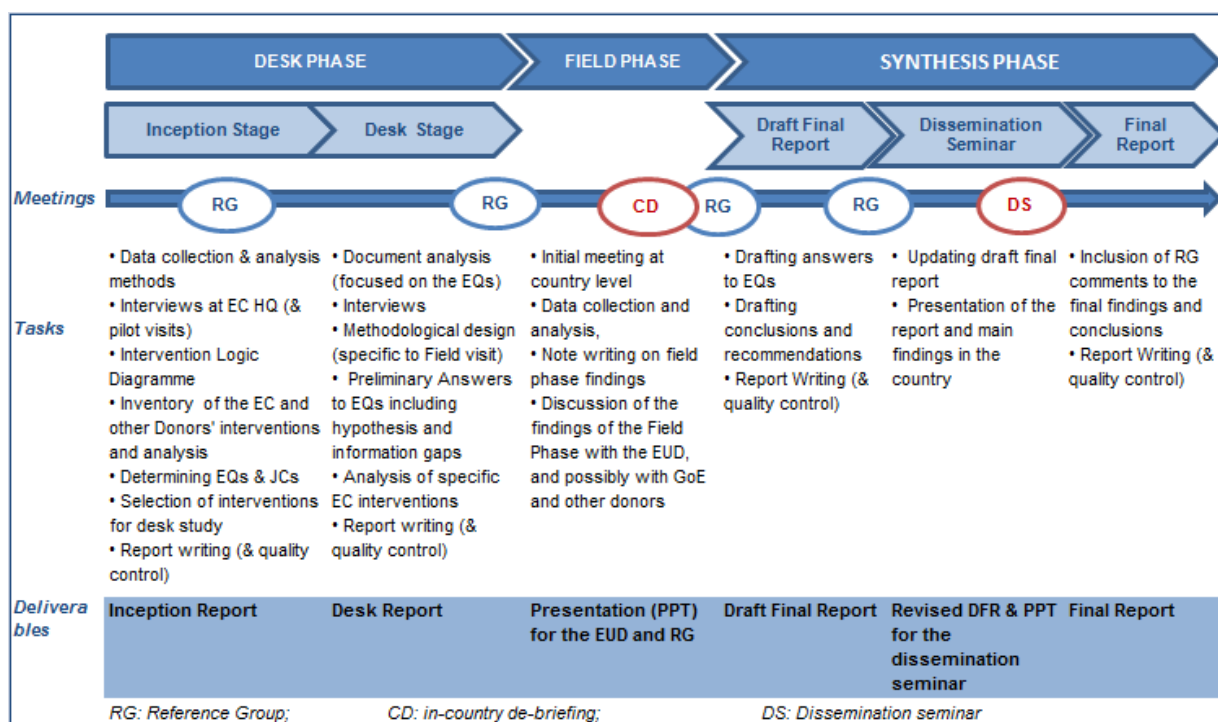
In accordance with the guidelines issued by the Evaluation Unit, the methodology developed for this evaluation aimed to define and answer a set of Evaluation Questions in order to draw out conclusions based on sound analysis and useful corresponding recommendations.

This section briefly presents the overall evaluation process, the information on which the findings are based (data collection), and the main challenges and limits faced by the evaluation. More details on the specific methodological aspects and approaches used for the evaluation are presented in annex 6.

#### 1.3.1 Evaluation process

The evaluation was structured in three main phases: i) a desk phase; ii) a field phase; and iii) a synthesis phase. Figure 1 provides an overview of the three main phases, specifying for each of them the activities carried out, the deliverables produced and the meetings organised with the Reference Group (RG) and with the European Union Delegation (EUD) in Ecuador. Further details are provided in the paragraphs that follow.

FIGURE 1: KEY STEPS OF THE ECUADOR COUNTRY-LEVEL EVALUATION



1. **The Desk Phase** was articulated in two stages, i.e.
  - the **Inception or Structuring Stage** aimed at defining – together with the RG - the framework of the evaluation; and
  - the **Desk Study Stage** aimed at providing preliminary answers to the evaluation questions to be then further substantiated, confirmed or amended during the field phase.

The Inception or Structuring stage encompassed the collection and analysis of information related to the national context and to the Commission's cooperation with Ecuador. The review of pertinent policy and programming documents, interviews carried out during a short inception mission in Ecuador, and the analysis of funding flows led to the drafting and subsequent acceptance of the Inception Report in June 2011.. This report included:

- a description of the evolution of Ecuador's socio-economic and policy context within which the Commission's cooperation was framed;
- the reconstruction of the intervention logic underlying the objectives and intended impacts pursued by the Commission in the 2003-2010 period;
- the inventory of the Commission's interventions in Ecuador; and
- the drafting of eight Evaluation Questions (EQs) along with the definition of Judgment Criteria and related Indicators for each EQ and identification of sources and tools to be used, which allowed to better focus the scope of the evaluation.

The Desk Study stage encompassed the further analysis of documentary sources as well as the undertaking of interviews in Brussels with a view to inform and substantiate the indicators identified in relation to each judgement criteria on the basis of the agreed methodological framework. This stage was concluded with the finalization and acceptance of the Desk Study report (November 2011), which included:

- preliminary findings structured along the eight evaluation questions, whereby information was presented at the level of each Judgment Criterion (JC) together with the hypotheses to be tested and the information gaps to be filled during the field phase; and
- the proposed approach to the field phase outlining the objectives and activities of the field phase including methodological approach and data collection and analysis tools to be used.

2. The **Field phase** encompassed a mission to Ecuador by the whole evaluation team and a shorter visit of the team leader in Colombia<sup>1</sup> with a view to complete and cross-check the information base. Activities carried out included: semi-structured interviews (97 people were interviewed), two focus groups, additional documentary analysis, and visits to project sites. A debriefing with the EU Delegation was held at the end of the country visit.
3. **A Synthesis Phase** that brings together the results of the desk phase and field phase in this final report. During the synthesis phase, all information collected was analysed and cross-checked with a view to provide evidence-based answers to the evaluation questions, sound conclusions and useful recommendations. The analysis was structured according to the three-tiered logic from Indicator, to Judgement Criteria (JC), to Evaluation Question (EQ). As a result, activities carried out during this phase can be grouped in the following five subsequent steps:
  - Informing the indicators: sharing of information between the team members, updating, comparing, confirming and cross-checking the information gathered through the different sources;
  - Identifying the limits of the analysis: data quality and unavoidable information gaps;
  - Validating, integrating or amending the judgement criteria;
  - Providing answers to the evaluation questions based on the combination of the answers at the level of the JCs;
  - Drafting of conclusions and recommendations.

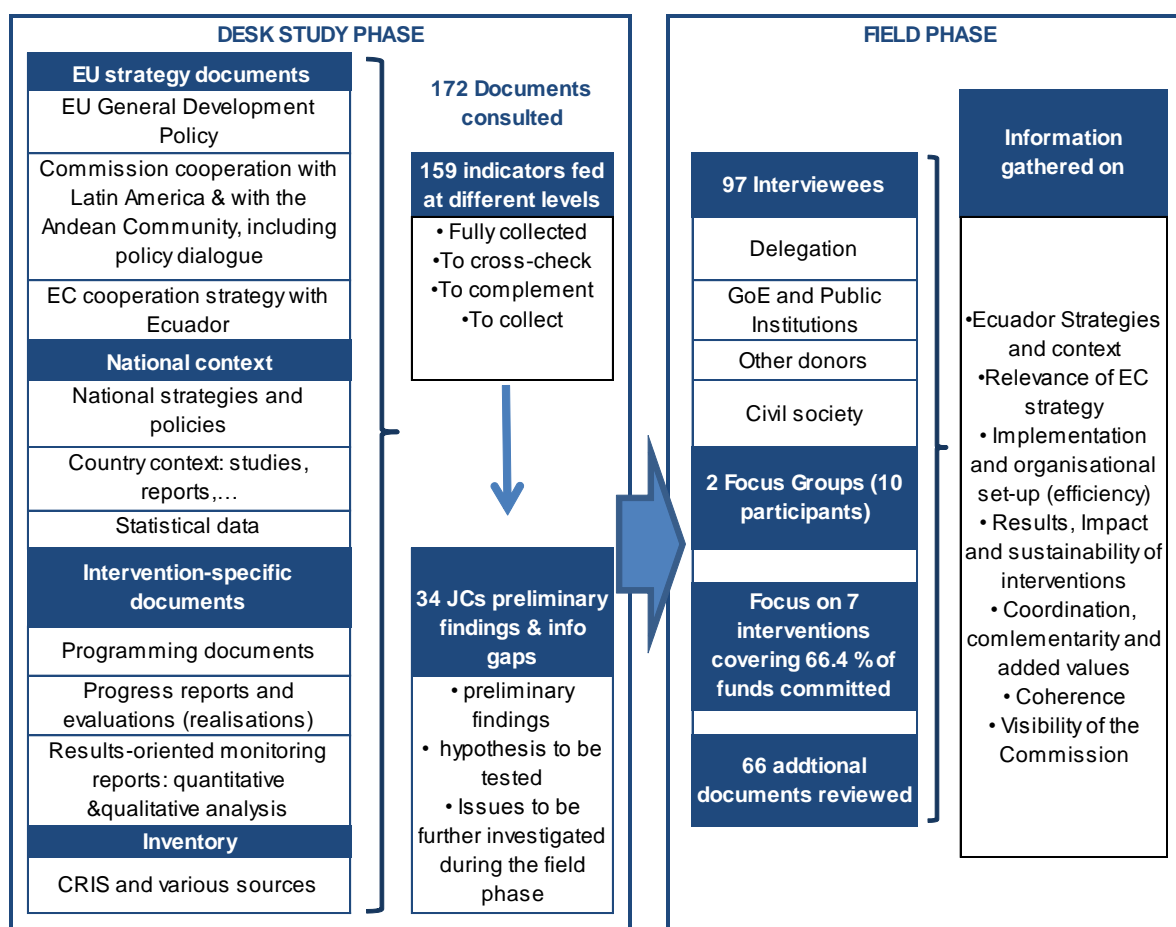
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<sup>1</sup> It is recalled that prior to the creation of the EUD in Quito (2003), Ecuador was managed from Bogota.

### 1.3.2 Data Collection process and tools

The information sources and the tools used as well as the outputs obtained are summarised in the figure below.

FIGURE 2: FROM THE DESK STUDY PHASE TO THE FIELD PHASE



As highlighted by Figure 2, the approach to data collection and analysis followed a structured process and enabled the team to progressively complement and cross-check data by relying on different primary and secondary sources of information. Information gathered through the different sources (literature review of more than 200 documents, semi-structured and structured interviews with approximately 100 stakeholders in Ecuador, Bogotá and Brussels, two focus groups, and site visits) was combined and crosschecked with a view to providing evidence-based answers to the evaluation questions. Annexes 2 and 3 provide respectively the bibliography and the list of people met.

### 1.3.3 Challenges and Limitations

Challenges encountered during the evaluation process were on the one hand the usual challenges linked to the overall scope and long time span covered by the evaluation, and on the other hand, challenges linked to the information gathering process.

Information challenges refer to constraints encountered by the team and were as follows:

- i) Contrary to expectations, very few appointments could be made at a distance before the field visit, so that much time had to be devoted to the organization of the mission during the mission itself and on a very short notice.
- ii) The beginning of the field visit coincided with a major cabinet reshuffle that increased uncertainties and made appointments more difficult because of the scarce availability of many government officials.

- iii) At times, meetings were cancelled, requiring additional efforts to reschedule within the tight timeframe of the field visit
- iv) The team had to adopt a spatial bias towards current project sites in the Provinces due to time constraints on the part of both consultants and interviewees (closer project sites were visited).
- v) Two focus groups originally envisaged were cancelled due to lack of interest / confirmation by education sector stakeholders in one case; and unavailability of private sector representatives due to the rescheduling of the field visit, which coincided with an important fair and meeting of Ecuadorian MSMEs in Guayaquil.

The team tackled these information challenges by multiplying efforts and sources of information (e.g. documents, interviews, field visits, debriefing meetings, etc.) including interviewing additional stakeholders previously involved in the implementation of Commission programmes identified with the support of the EUD. Some of the interviews were conducted by the local expert after the rest of the team had left the country. It is the team's view that these limitations have not had any negative impact on the evaluation findings, as the team was able to gather sufficient information from both primary and secondary sources to triangulate findings (see information in the Data Collection Grid in Annex 12, volume 3).

## 2 NATIONAL CONTEXT<sup>2</sup>

Ecuador is bordered by Colombia in the North, Peru in the East and South, and by the Pacific Ocean in the West. According to the population census conducted in 2010, Ecuador's population is estimated at 14.48 million<sup>3</sup>, with an average annual growth of 1.95%<sup>4</sup>.

Ecuador is a middle-income country, ranking 83 out of 169 countries in the Human Development index (HDI). Its 2011 HDI of 0.720 is slightly below the Latin America average (0.731)<sup>5</sup>.

### 2.1 POLITICAL SITUATION

Ecuador has been a multiparty democracy since 1979, characterised by a persistent political instability until 2006, with no President managing to complete a full term since Sixto Durán Ballén's presidency (1992-96)<sup>6</sup>. The current president, Rafael Correa, was elected in 2006 for a four-year term. He kept his pledge to deliver a new constitution, which was approved in September 2008 with almost 64% of votes in favour and led to a renewed confirmation of President Correa and his movement (MPaís) in the 2009 elections<sup>7</sup>. Indeed, 2007 marked a new nationalistic stance in Ecuador, an increased role of the state and a renewed interest for planning (see 2.4).

As regards relations with its Andean neighbours, Ecuador actively participates to the Bolivarian Alliance for the Peoples of Our America (ALBA)<sup>8</sup>. The relations between Ecuador and Colombia have been negatively affected by major problems related to drugs, Plan Colombia, and FARC, which obliged Ecuador to provide shelter to more than 135,000 Colombia citizens<sup>9</sup> and to strengthen security on its borders. In March 2008, diplomatic relations between Quito and Bogotá were interrupted, following the so-called "Andean Diplomatic Crisis", but as of November 2010, bilateral relations and diplomatic ties have been restored.

### 2.2 ECONOMIC OUTLOOK

Between 2000 and 2010, the real GDP growth averaged an estimated 4.55% per year but fell to 0.36% in 2009 due to the impact of the global financial and economic crisis, while as of 2010, the economy has started to recover, registering a GDP growth of 3.6% thanks to high oil prices and large public investments in energy, transport infrastructure.

**TABLE 1: ECUADOR, MAIN MACRO-ECONOMIC INDICATORS, 2002-2010**

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population, total (million)	12.77	12.99	13.21	13.43	13.64	13.85	14.06	14.26	14.46
GDP (constant 2000 US\$ M)	17,651	18,229	19,837	20,976	21,973	22,421	24,045	24,132	24,996
GDP growth (annual %)	5.11	3.27	8.82	5.74	4.75	2.04	7.24	0.36	3.58
GDP per capita (constant 2000 US\$)	1,382	1,403	1,502	1,562	1,611	1,619	1,711	1,692	1,728
Trade (% of GDP)	56.91	53.82	56.68	62.91	66.82	69.51	75.65	61.52	71.57
Unemployment, total (% of total labour force)	9.1	11.4	8.6	7.7	7.7	6.1	7.3	6.5	

Source: World Bank, "World Development Indicators and Global Development Finance, 2011"

<sup>2</sup> A more detailed overview of Ecuador's context can be found in annex 4.

<sup>3</sup> INEC, Ecuador en cifras. . The main findings of 2010 Ecuador census are still being processed.

<sup>4</sup> INEC, Ecuador, 2010 Census Result

<sup>5</sup> UNDP, "International Human Development Indicators 2011. Ecuador".

<sup>6</sup> Economist Intelligence Unit, "Country Report Ecuador", September 2009.

<sup>7</sup> EU Election Mission, "Ecuador Final Report. Presidential and Parliamentary Elections-26 April 2009", June 2009.

<sup>8</sup> ALBA is an international cooperation organisation aimed at furthering regional economic integration based on a vision of social welfare, equity and mutual economic aid, rather than trade liberalization based on free trade agreements as the Free Trade Area of the Americas (FTAA). Current ALBA member nations include Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, Saint Vincent and the Grenadines and Venezuela.

<sup>9</sup> UNHCR, "2011 UNHCR Country operation profile 2011- Ecuador" [HTTP://WWW.UNHCR.ORG/CGI-BIN/TEXIS/VTX/PAGE?PAGE=49E492B66](http://www.unhcr.org/cgi-bin/Texis/Vtx/Page?Page=49E492B66)



Agriculture has traditionally been the main pillar of Ecuador's economy, accounting for approximately 17% of GDP in the early '90s, but there has been a decline in recent years and agriculture fell to 6.97% of GDP in 2010. In spite of this, Ecuador remains the world's leading banana exporter.

The share of the oil and mining industries (dominated by the extraction of crude oil) in the economy has been increasing, from less than 10% of GDP in the early 1990s to 20% in 2007,<sup>10</sup> with almost half of the output produced by foreign oil companies<sup>11</sup>. In 2010, the service sector constituted the largest component of the Ecuadorian economy, accounting for almost 54.9% of GDP value added<sup>12</sup>.

### Fiscality

Following the collapse, in 1998-1999, of the Ecuadorean banking system and the government default linked to the issuing of increasing amounts of debt, Ecuador has become a dollarized economy as of 2000. In an economy affected by high and volatile inflation, dollarization has brought major benefits in terms of price stabilisation. In December 2005, Ecuador returned to international capital markets, issuing a \$650M new debt in the form of ten-year bonds. However, in December 2008, Ecuador decided to default on its Global 2012 and 2030 bonds, reaching an outstanding debt of \$3.2 billion

The decision to adopt the US dollar required the government to pass microeconomic reforms to improve competitiveness, in order to counterbalance the absence of a devaluation mechanism and the loss of monetary independence, and fiscal policy became a fundamental instrument to manage and affect public finances and productive activities. Indeed, the non-financial public sector accounts have recorded surpluses every year since 1999 until 2009.

**TABLE 2: NON-FINANCIAL PUBLIC SECTOR, FISCAL INDICATORS, (2000 -2010), % GDP**

Transactions	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total Revenues ( % GDP)</b>	25.3	23.3	25.7	24.3	25.0	24.8	27.0	29.6	40.7	35.3	40.0
<b>Oil Revenues (% GDP)</b>	9.0	6.4	5.6	5.9	6.5	6.0	7.8	7.3	16.0	10.0	13.5
<b>Non-Oil Revenues (% GDP)</b>	15.5	16.4	19.3	18.1	17.8	18.6	20.0	21.0	23.0	23.8	24.1
<b>Total Expenditures (% GDP)</b>	23.9	23.3	24.9	23.2	23.0	24.0	23.8	27.6	40.1	39.6	41.6
<b>Current Expenditures (% GDP)</b>	19.0	16.6	18.5	18.0	18.0	19.1	19.1	20.1	27.2	26.8	29.2
<b>Capital Expenditures (% GDP)</b>	4.9	6.6	6.4	5.1	4.9	5.0	4.7	7.5	12.9	12.8	12.4
<b>Global Result (% GDP)</b>	1.5	0.0	0.8	1.6	2.1	0.7	3.3	2.1	0.6	-4.3	-1.6
<b>Primary Result (% GDP)<sup>13</sup></b>	7.9	4.7	4.2	4.5	4.5	2.9	5.4	4.0	1.9	-3.6	-0.9

Source: Banco Central de Ecuador, Operaciones del Sector Público no financiero 1983-2010

Non-oil revenues as a whole reached 21% of GDP in 2007, as opposed to 16% in 2000. Growth in income tax has been impressive, rising from \$314 M 2000 to \$1.7 billion in 2007 while collections of value-added tax (VAT) averaged 6.1% of GDP in 2000-07, compared with 3.3% of GDP in 1995-99<sup>14</sup>. From 2003 to 2007, non-financial public sector (NFPS) primary surpluses were maintained, reflecting total revenue growth, which helped reduce public debt from over 90% of GDP in 2000 to 43% in 2005 and 20% in 2009<sup>15</sup>.

For the first time, in 2009, the non-financial public sector accounts recorded a deficit of \$2,232 M and in 2010, the deficit still persisted, reaching \$1,198 M.<sup>16</sup> Nonetheless, there has been an increase in

<sup>10</sup> Ecuador is the fifth largest oil producer in the region, with 486,000 bbl/d in 2009 (almost all of which was crude oil) and has the third largest hydrocarbon reserves in South America International Business Time, 01 September 2010, <http://www.ibtimes.com/articles/48140/20100901/ecuador-china-energy-crude-latin-america-petrochina-petroecuador-opec-loan.htm>.

<sup>11</sup> US Energy Information Administration "Ecuador Country Analysis Brief" <http://www.eia.gov/countries/cab.cfm?fips=EC>

<sup>12</sup> WB (2011), *op cit*.

<sup>13</sup> Primary result is the global result excluding interest payments on the public debt.

<sup>14</sup> Economist Intelligence Unit "Country Profile 2009. Ecuador" 2009

<sup>15</sup> Banco Central de Ecuador "Evolución de la Economía Ecuatoriana" June 2010

<sup>16</sup> Banco Central de Ecuador "Evolución de la Economía Ecuatoriana" Abril 2011

revenues from 2009 to 2010, which was mainly determined by an increase of \$ 2,637 M in oil revenues, a \$ 1,114 M increase in tax revenues and a \$ 479 M increase of Social Security contributions<sup>17</sup>.

From 2003 to 2010, central government expenditure steadily increased, from more than \$5 billion in 2003 to \$10.2 in 2010. In 2010, the current expenditure items to register the greatest increase were those under 'other current expenditure item', which includes the '*Bono de desarrollo Humano*'<sup>18</sup>, the subsidy for electricity and other expenses, and amounted to \$ 1,789 M<sup>19</sup>

### *External sector*

Since the early 1990s, Ecuador has taken substantial steps to liberalise its trade regime. However, in 2006, it decided to suspend negotiations on a Free Trade Agreement with the USA and in 2009 it retreated from negotiations on a Association Agreement between the UE and Colombia, Ecuador and Peru. In 2010, trade accounted for 71.56% of GDP<sup>20</sup>. In 2010, crude oil and oil products accounted for 55.7% of total export earnings<sup>21</sup>, while traditional export products such as bananas, coffee, cocoa, shrimps, and unprocessed fish accounted for almost 56% of the total of non-oil exports in 2010<sup>22</sup>.

Despite initiatives aimed at diversifying the economy, which led to a 27% increase in the value of non-traditional non-oil exports in the period 2010-11, Ecuador's exports are still commodity-based, leaving the country vulnerable to external shocks and price fluctuations<sup>23</sup>.

During the last decade, FDI has been subject to wide fluctuations, which negatively affected the balance of payments; in 2008, FDI amounted to \$ 1,005 M, while in 2010 it amounted to less \$ 158 M.

In 2010, the lack of investment, the decrease of remittances, determined by the international financial crisis, resulted in a trade deficit of 3% of GDP<sup>24</sup> caused by an increase in imports of 44%.

In 2010, the US remained the most important trading partner, accounting for 31% of total trade revenues, while the EU was the second largest partner, although it lags quite far from US, accounting for 11 % of trade.<sup>25</sup> 95% of European imports from Ecuador were agricultural products, while manufactured goods accounted only for 2.4% of total imports<sup>26</sup>. In 2008, Ecuador's exports under the Generalised System of Preferences (GSP Plus) amount to 50% of total exports to the EU<sup>27</sup>.

Trade with the member states of the Andean Community has increased since the Andean Free Trade Area came into effect in early 1993. Colombia and Peru are the fourth and fifth trade partners, although trade deficit with Colombia and Venezuela has sharpened.

In 2011, Ecuador ranked 130 out of 183 economies in the *Ease of Doing Business* ranking<sup>28</sup>, while his neighbouring countries Colombia and Peru rank 42 and 41, respectively. This gap implies a substantial difference in terms of foreign direct investment inflows and low private sector growth.

<sup>17</sup> Banco Central De Ecuador, Abril 2011, op. Cit.

<sup>18</sup> 'Bono de Desarrollo Humano' is the name of the conditional cash transfer programme directed towards the poor.

<sup>19</sup> Banco Central De Ecuador, Abril 2011, op. Cit.

<sup>20</sup> World Bank, "World Development Indicators and Global Development Finance, 2011

<sup>21</sup> Banco Central De Ecuador, Evolución de la Balanza Comercial, Resumen Ejecutivo (January 2011)

<sup>22</sup> Banco Central De Ecuador, Evolución de la Balanza Comercial, Resumen Ejecutivo (March 2011)

<sup>23</sup> Banco Central De Ecuador, (March 2011). op. Cit.

<sup>24</sup> World Bank, "World Development Indicators and Global Development Finance, 2011

<sup>25</sup> European Commission, DG Trade "The European union and its main trading partners. Ecuador". [HTTP://EC.EUROPA.EU/TRADE/CREATING-OPPORTUNITIES/BILATERAL-RELATIONS/STATISTICS/](http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/)

<sup>26</sup> DG Trade, " Statistics. The European Union and its main trade partners. Ecuador", 2011

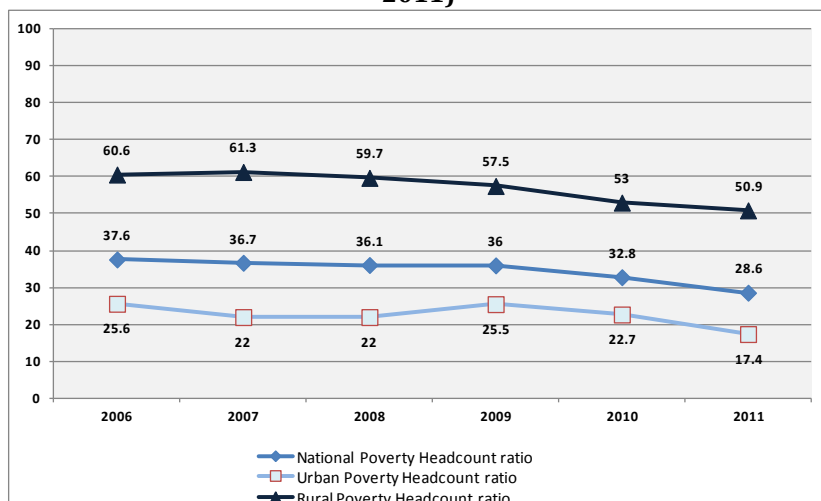
<sup>27</sup> CARIS, "Generalised System of Preference (GSP Plus). Mid-term Evaluation of the EU GSP Final report", May 2010. Ecuador is among those countries that ratify a number of key international treaties on labour standards, human rights, good governance and environmental protection. Hence it is eligible for duty-free access for most covered products.

<sup>28</sup> *Easy of Doing business* ranking is an index created by the World Bank based on 11 indexes, which measure the enabling economic environment of 183 economies. It ranks economies from 1 to 183, with first place being the best. A high ranking means that the regulatory environment is conducive to business operation. In 2009, Ecuador ranked 38.

## 2.3 SOCIAL PROFILE

Ecuador is an ethnically diverse country. Based on the 2010 Census, most of the population is *mestizo* and has mixed European-indigenous heritage (72.1%), Amerindians (7%), immigrants and unmixed descendants from European countries *Blancos* (6.1%) and Afro-Ecuadorians (7.2%).<sup>29</sup> Colombians are the largest immigrant group<sup>30</sup>; more than 150,000 are refugees or asylum seekers.

**FIGURE 3: POVERTY HEADCOUNT RATIO, BY URBAN AND RURAL AREAS (2006-2011)**



Source: INEC, 'Pobreza y Desigualdad en el Ecuador. Encuesta Nacional de Empleo Desempleo y Subempleo' (December 2011)

while in 2006 it reached 54.3 and in 2003 55.1 thereby indicating continuing improvement, i.e. a reduction in inequality<sup>32</sup>.

In 2006, the percentage of people living under the national poverty line accounted for 37.6% of the total population<sup>31</sup>. Following a number of improvements in the provision of basic social services, in December 2011, this percentage diminished to 28.6%.

However, inequality is one of the major traits hampering social progress, above all because poverty is highly concentrated geographically and ethnically. In 2010, the Gini index amounted to 49.3,

### Education

Further to the approval of the Ten-year Education Plan (PDE) 2006-2015, education has become a priority for the Ecuadorean government. The central government has continuously increased budget allocations to education in order to reach 6% of GDP by 2013.<sup>33</sup> Indeed, expenditure in education amounted to 2.6% of GDP in 2006, while in 2010, it accounted for 5.2% GDP (\$3,061M).

Net attendance rates to Basic General Education (EGB) have increased from 91.2% in 2006 to 94.8% in 2010<sup>34</sup>; while net secondary education school enrolment rates show significant progress, from approximately 48% in 2000 to 59.4% (2010)<sup>35</sup>. According to the 2010 INEC survey on employment, sub-employment and unemployment (*ENMEDU*), illiteracy amounts to 8.10% in 2010. Additionally, 15.37 of Ecuadorean suffered from functional illiteracy.

<sup>29</sup> INEC, 'Resultados del Censo de Población y Vivienda. Autoidentificación', (2011)

<sup>30</sup> There are approximately 500,000 Colombians in Ecuador

<sup>31</sup> INEC, 'Pobreza y Desigualdad en el Ecuador. Encuesta Nacional de Empleo Desempleo y Subempleo' (December 2011)

<sup>32</sup> The Gini index is a measure of the inequality of a distribution, a value of 0 expressing total equality and a value of 100 maximal inequality. According to World Bank data in 2010, Colombia registered a Gini index of 55.9 and Peru of 48.1, latest data available for Bolivia (2008) indicate a value of 56.3.

<sup>33</sup> Ministerio de Finanzas- Tesorería de la Nación "Ingresos del Presupuesto del Gobierno Central"

<sup>34</sup> When referring to primary school, we intend "Education General Basica" which includes the first seven years of compulsory education. Further to the approval of the "Ley Organica de Educacion intercultural (LOEI), in March 2011, compulsory education involves the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> grades, the so-called first three years of "Bachillerato Education". At the moment the "Educacion Bachillerato" encompasses 5 years. The first three years of Bachillerato are mandatory, they offer a common curricula with optional course of studies. The last two years of *Bachillerato* are optional and pupils can choose between two different curricula: artistic or technical-productive.

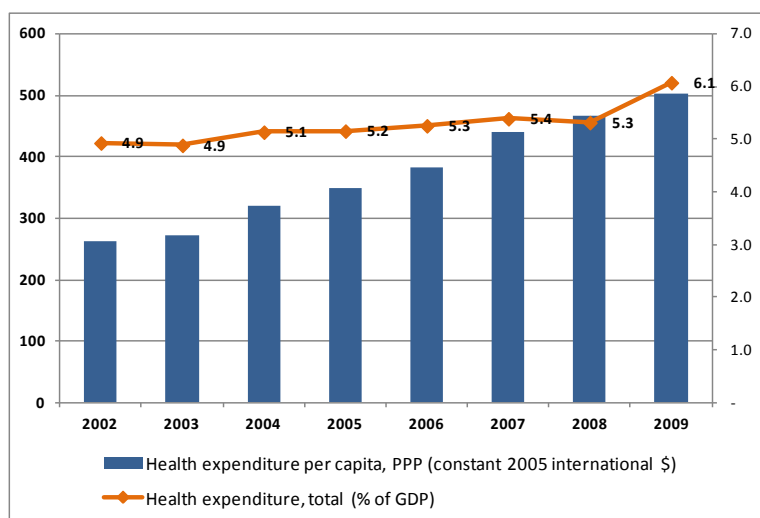
<sup>35</sup> World Bank, "World Development Indicators and Global Development Finance, 2010.

Disaggregated data by geographic area illustrate that in 2010, illiteracy rate was higher in rural and indigenous areas, particularly in the Chimborazo, Cotopaxi, Bolivar and Cañar departments (more than 25%)<sup>36</sup>.

## Health

From 2002 to 2009, government expenditure on health has more than tripled from \$462.78M (2002) to \$1,685.23M (2009). Government expenditure on health as percentage of total government expenditure accounted for 8.41% in 2009, i.e. an increase of almost 2 percentage points compared in 2008 (6.85%).

FIGURE 4: ECUADOR: HEALTH EXPENDITURE 2002-2009



Source: World Bank, *Health Nutrition and Population Statistics (HNOP Stats) 2011*

Life expectancy at birth has increased from 73.3 years (2000) to 75.27 (2009). Access to sanitation facilities has improved, although there is still a large gap between urban and rural areas. In 2008, 96% of urban population has access to sanitation facilities while in rural areas only 84% do.

In spite of progress in food security initiatives, Ecuador underperforms in terms of nutrition compared to Latin American records. In 2007, the percentage of population that was undernourished or food deprived amounted up to 15%, while across Latin America this percentage averages 9%.

Maternal health has shown remarkable improvements; in 2004, the maternal mortality ratio (per 100,000 births) amounted to 107, while in 2007 it decreased to 59.8.<sup>37</sup> In 2000, the introduction of “*La Ley de Maternidad Gratuita y Atención a la Infancia (LMGyAI)*” played a major role guaranteeing access to free prenatal care, family planning, and other basic maternal and child health services for all women and children under five.<sup>38</sup>

The 2008 Constitution impacted on the Health and social security sector, triggering the launch of a Health Sector reform “*Transformación Sectorial de Salud del Ecuador*” (TSSE). On the basis of the new reform, basic healthcare, including doctors’ visits, basic surgery and basic medication, is cost-free.

## 2.4 THE DEVELOPMENT PRIORITIES OF THE GOVERNMENT OF ECUADOR

Further to the 2006 election of Mr. Correa as President of Ecuador, the 2007-2010 National Development Plan “*Plan por la Revolución Ciudadana*” was issued. The objective of the Plan was to promote sustainable development by enhancing equity and social justice and to identify a new role for the State as planner and promoter of the national economy and private sector growth.

<sup>36</sup> Educidadania, ‘*Acompañando el Plan Decenal de Educación*’ (2011), page 21 based on ENEMDU statistics.

<sup>37</sup> World Bank, “World Development Indicators and Global Development Finance, 2010.”

<sup>38</sup> LACRSS, “*La Ley de maternidad gratuita y atención a la infancia*” (2006). Designed to reduce the economic barrier that prevents access to care, the Law also incorporated a number of innovative reforms to the health system in its design and implementation, including transferring funds for healthcare to municipalities, with oversight by local management committees as opposed to solely by the Ministry of Public Health.

In 2009, following the re-election of Mr. Correa and the approval of the new Constitution, a new National Development Plan "*Plan Nacional para el Buen Vivir*" (PNBV) was issued. The new Development Plan emphasises the importance of *Good Living* as a broader concept encompassing equality and social inclusion, political freedom and respect of diversity. Twelve objectives<sup>39</sup> and corresponding strategies have been identified for the period 2009-2013, including the democratisation of production means, with special emphasis on land, water and productive assets; transformation of the Economic Model based on commodity exports into a new model focused on import substitutions and new productive industries, etc.

For each of the twelve objectives a set of targets has been established. Moreover, a Monitoring and Evaluation Secretariat within a National Secretary for Planning and Development (SENPLADES) has been created, in order to coordinate all initiatives undertaken by Public Institutions, to achieve the set targets and to quarterly monitor development progress.

Besides the National Development Plan, the Government has developed a number of sectoral plans / strategies relating to education, private sector development and specifically import substitution and export diversification, which constitute key priorities of the Government.

In 2006, the Government issued the "*Plan Decenal de Educación 2006-2015*", which encompasses eight policies relating to universal access to basic and general education; increased high school enrolment; illiteracy eradication and strengthened educational programmes for adults; improved infrastructure and equipment; increased funding for education, among others<sup>40</sup>.

Private sector development and specifically import substitution and export diversification constitute a key economic priority of the Government. The objective 11 of the National Plan for Good Living, "*to establish a solidarity and sustainable socio-economic system*", aims at increasing real productivity, at promoting the manufacturing industry and enhancing the added value of national production.

## 2.5 OVERVIEW OF DONORS' COOPERATION

Over the period 2003-2010, Ecuador received a total of \$1,663M<sup>41</sup> commitments from the donor community, including the European Commission. This amount includes \$1,407 M from other donors between 2003 and 2008 and \$256M from the EC cooperation over the period 2003-2008. ODA represented 0.6% of GDP between 2003 and 2010 while in the same period remittances constituted an average of 6% of GDP.

Among other donors, the one that contributed the most was the United States, which committed more than \$446 M, accounting for 27% of total donors' assistance. Based on the inventory analysis, the EC is the second largest donor, pledging \$256.8M. Spain ranks three, contributing with more than \$240M, while Germany, Japan and Belgium follow at some distance with less than \$150M respectively.

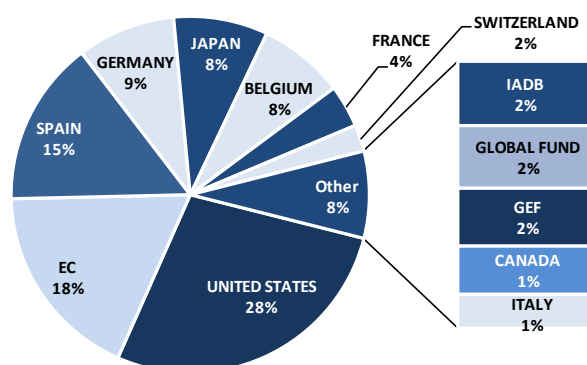
<sup>39</sup> The 12 Objectives identified in the "*Plan Nacional para el Buen Vivir*" are : 1)To foster social and territorial equality, cohesion, and integration within diversity; 2)To maximize the citizens' capabilities and potentialities; 3)To improve the population's quality of life.; 4) To guarantee the rights of nature and promote a healthy and sustainable environment; 5) To guarantee sovereignty and peace; and to promote Ecuador's strategic insertion in the world, and Latin American integration; 6)To guarantee stable, fair, and dignified work and employment in its diverse forms.; 7)To build and strengthen public spaces for intercultural social interactions; 8)To affirm and strengthen national identity, diverse identities, plurinationalism, and interculturalism; 9) To guarantee rights and justice, 10)To guarantee access to public and political participation; 11) To establish a social, fraternal and sustainable economic system; 12)To build a democratic State for Good Living.

<sup>40</sup> Ministry of Education, 2007, "*Plan Decenal de Educación. Año Segundo de ejecución*"

<sup>41</sup> The overall amount of International Donor Community cooperation has been estimated using data from AidData.org database for EU member States, while for EC cooperation figures come from CRIS. To convert the total amount of EC cooperation (expressed in EUR), the exchanges rate collected from the IMF publication "*International Financial Statistics*" for 2010 was used. For this reason, despite efforts made, data are not entirely accurate although they do indeed provide a snapshot of ODA in Ecuador.



**FIGURE 5: OTHER DONORS' ODA, INCLUDING THE EC (COMMITTED AMOUNT, EXCLUDING LOANS), 2003-2010**



**TABLE 3: TOP-TEN DONORS, INCLUDING THE EC, US\$ 2003-2010**

	Donor	Committed Amount
1	UNITED STATES	446,336,988
2	EC	256,781,520
3	SPAIN	240,865,284
4	GERMANY	143,425,939
5	JAPAN	137,702,668
6	BELGIUM	125,247,196
7	FRANCE	61,719,109
8	SWITZERLAND	38,733,170
9	IADB	30,300,000
10	GLOBAL FUND	30,163,171

Source: Own elaboration based on AidData.org database

Between 2003-2008, EU Member States' cooperation totalled \$623.82 M, accounting for 43% of total aid. Taking into account the overall EU cooperation (EC and EU MS), their financial assistance to Ecuador amounted to more than \$880.6 M, accounting for almost 53% of total ODA<sup>42</sup>.

Spain is the most important EU MS donor, accounting for more than \$240 M. "Government & CSO" and Education represent the most important sector, accounting for \$34.5M and \$33.4M, respectively.

The IADB allocated more than \$ 30 million in ODA grants and has pledged more than \$1.72 billion in loans and grants. Considering the total amount of loans and private equity investments, the most important contributor was the *Corporación Andina de Fomento* (CAF), with more than \$3.9 billion<sup>43</sup>.

From a sectoral point of view<sup>44</sup>, other donors' funding was mainly allocated to "Other social infrastructure and services", which includes all initiatives relating to social and welfare services, employment policies, housing policies, culture and recreation, statistical capacity building, social mitigation of HIV/AIDS. Agriculture ranks second out of the most important sectors of intervention, accounting for 10.3% of other donors' assistance (\$144.86M). Initiatives related to Education amount to more than \$139 M (9.9%). The committed amount to education was mainly assigned to secondary and post secondary education, in line with the Government's policy of enhancing the quality of education and improving the enrolment rate in the secondary school.

General Environment protection, which encompasses Environmental policy, biodiversity and site prevention, was one of the priorities of international community's assistance, accounting for more than \$127M.

<sup>42</sup> As mentioned before, due to the lack of statistics for 2009 and 2010, only statistics from 2003 to 2008 have been used for the purpose of the analysis.

<sup>43</sup> The CAF is a multilateral financial institution, which provides multiple banking services to both public and private clients. It is the main source of multilateral financing of the Andean region.

<sup>44</sup> The OECD Creditor Reporting System (CRS) database, which is the source of the present chapter, uses the DAC sector codes

### 3 OVERVIEW OF EC-ECUADOR COOPERATION FRAMEWORK<sup>45</sup>

The purpose of this chapter is to present EC's cooperation strategy with Ecuador over the period 2003-2010. It first describes the overall framework that structures the bilateral cooperation. Secondly, it presents and analyses the strategic orientations of EC support to Ecuador. And finally, it provides an overview of the real commitments engaged in Ecuador. More detailed information is available in annexes 5, 8 and 9.

#### 3.1 PRIMARY LEGAL FRAMEWORK

The legal basis of the EU Cooperation Development policy lies in *Article 177 of the Treaty establishing the European Community* (EC), which defines development policy priorities as:

- Sustainable economic and social development
- Smooth and gradual integration into the world economy
- The campaign against poverty

Article 177 also states that the policy shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms. Principles reaffirmed in the *Lisbon Treaty, Article 21 (1,2)* "the Union's action on the international scene: democracy, rule of law, universality and indivisibility of human rights fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law".

#### 3.2 THE INTERVENTION PILLARS OF THE COMMISSION'S STRATEGY IN ECUADOR

The Commission of the European Union (EC) has cooperated with Latin American countries since the 1960s. In 1994, the EU defined a renewed strategy towards Latin America aiming at establishing an "association" based on the existing "third generation" agreements and on new "fourth generation" agreements based on three pillars: i) the promotion of democracy; ii) "advanced economic cooperation iii) the commitment to initiate negotiations leading to the establishment of free trade areas. The strategy tried to respond to the heterogeneity of the region, offering differentiated schemes according to the degree of development of each regional group, or country.

In relation to the Andean Community of Nations, the EU strategy was based on the continuity of the "third generation" agreements and on the Andean Community case, the *Framework Agreement on Cooperation between the European Economic Community and the Cartagena Agreement and its member countries* (along with Bolivia, Colombia, Peru and Venezuela)<sup>46</sup>. Under this legal framework, although with relative independence, the relationship would be based on three elements: the regular political dialogue, development cooperation interventions and the trade preferences of the Generalised System of Preferences (GSP-drugs until July 2005 and GSP Plus from July 2005 onwards).

#### 3.3 EC DEVELOPMENT COOPERATION IN ECUADOR

The legal foundation for cooperation with Ecuador is framed in:

- A. The *Framework Agreement on Cooperation between the European Economic Community and the Cartagena Agreement and its member countries* (along with Bolivia, Colombia, Peru and Venezuela) signed in 1993. Its main innovation is the inclusion of clauses linked to: i) respect for, and the exercise of, human rights and fundamental freedoms, and ii) the mutual interest principle, mainly in the fields of international competitiveness, trade promotion and energetic, technological and industrial cooperation<sup>47</sup>.

<sup>45</sup> A more detailed overview of the EC-Ecuador Cooperation framework can be found in annex 5.

<sup>46</sup> This agreement was aimed to be replaced by the EU-CAN Political Dialogue and Cooperation Agreement signed in 2003, not ratified yet.

<sup>47</sup> Council Regulation No 443/92. Art. 2. "The Regulation cites respect for, and the exercise of, human rights and fundamental freedoms as preconditions for development. The countries committed to these principles receive greater Community support. In addition, the Community can amend and even suspend its cooperation with the country

- B. Until 2006, the so-called *ALA Regulation* (Council Regulation No 443/92) on financial and technical assistance and economic cooperation for Latin America and Asian non-MEDA countries. The Council regulation 443/92 identifies three strategic axes of cooperation: (i) promotion of development in the poorest countries; (ii) expansion of trade with the recipient countries and integration into the multi-lateral trading system, mainly through the promotion of mutually advantageous economic cooperation; and (iii) cooperation in the area of environmental conservation.
- C. The *Development Cooperation Instrument* (December 2006) replaced ALA regulation. The overall goal of the instrument is the eradication of, including pursuit of, the MDGs, as well as the promotion of democracy, good governance and respect for human rights and of the rule of law.

**The Commission of the European Union's cooperation with Ecuador in the period 2003-2010** is laid out in: i) the 2002-2006 Country Strategy Paper, and ii) the 2007-2013 Country Strategy Paper.

### *Country Strategy Paper 2002-2006*

The objectives for cooperation with the country, as stated in the CSP, were:

- *to achieve the goals which were defined (...) during the Rio Summit process with the aim of consolidating and strengthening relations between the European Union and the Latin American region in a variety of fields, including the political, economic, cultural, educational and scientific, and*
- *to ensure consistency between the Community trade regime and development assistance, and in particular to support Ecuador's efforts to improve its trade and investment environment, with a view to effectively participating in the multilateral trading system and the global economy, so as to maximise the benefits for the region.*

The document reaffirms the principle of effectiveness and the consequent sectoral concentration. The sectoral priorities of interventions are developed and Support to Health policy and Support to Environmental policy clustered under a same component, i.e. "reduction of social imbalances". Other principles guiding EC cooperation in this period are: i) private sector involvement in priority definition & financing; ii) decentralised levels involvement in priority definition; iii) EU Policy coherence (trade, environment, justice & home affairs, conflict prevention); iv) Support to national policies and Coherence / complementarity of programmable (national & regional) and non-programmable aid. The document also foresees Ecuador's participation<sup>48</sup> in the so-called horizontal regional programmes (for all Latin America), such as @LIS, ALFA, URB-AL, AL-INVEST. In line with the EU Development Policy of 2000, the strategy explicitly mentions crosscutting issues as follows: promotion of human rights, equality between men and women, children's rights and the environmental dimension.

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concerned in the case of fundamental and persistent violations of human rights and democratic principles. In this case, cooperation would be confined to activities of direct benefit to those sections of the population in need."

Art. 5. Economic cooperation, devised to serve the mutual interests of the Community and the countries receiving assistance, is aimed, in particular, at countries where economic development is relatively advanced. It includes: i) improvement of scientific and technological potential in the recipient countries through training schemes and the transfer of know-how; ii) institutional support, at both national and regional levels, with a view to making the economic, legislative, administrative and social environment more conducive to development and investment; iii) support for undertakings or economic partners through training and measures to promote technologies and trade.

<sup>48</sup> These programmes are nevertheless subject to other strategic and programming documents.



### Country Strategy Paper 2007-2013

Poverty reduction and the attainment of the Millennium Development Goals are the ultimate objectives of the EC cooperation for the period 2007-2013. The financial allocation increases from €92 M in the first programming period to €137 M for 2007-2013. The strategic areas of intervention are as follows:

- Contributing to accrued government social investment, in order to increase the access of marginalised and disadvantaged communities to social services.
- Generating sustainable economic opportunities and promoting regional integration by supporting competitive micro-enterprises and small-and medium-sized enterprises.

The strategy concentrates on aid in sectors in which a national policy exists<sup>49</sup> :

- education and the
- promotion of economic opportunities.

The Mid-term review (MTR) of the 2007-2013 CSP confirms the priority sectors of intervention for the years 2011-2013. This said, the MTR foresees the inclusion of an additional amount of €4 M in the financial provisions to support the implementation of the EU-CAN agreement that was under negotiation (with Ecuador) at the time of the elaboration of the MTR.

**TABLE 4: FOCAL SECTORS OF INTERVENTION IN THE PERIOD 2003-2010**

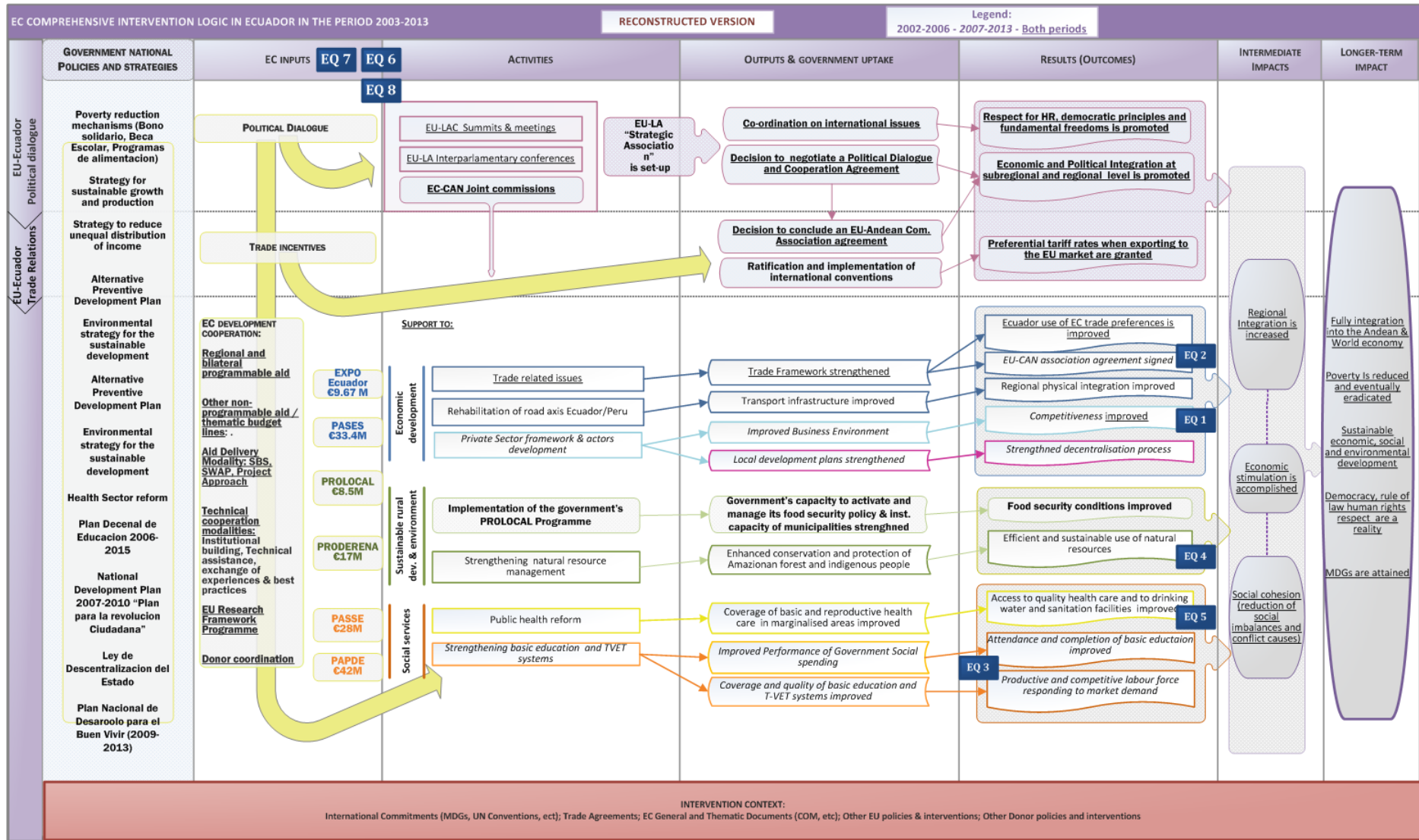
CSP 2002-2006		CSP 2007-2013	
SECTORS	AMOUNT	SECTORS	AMOUNT
<i>Reduction of social imbalances</i>	<b>€56M</b>	<i>Contributing to increased government social investment - Education</i>	<b>€75M</b> (€41 + €34 M)
Promotion of equitable access to social services: <u>Health</u>	€28 M		
Sustainable rural development and environment: <u>Environment</u>	€28 M		
<i>Economic stimulation</i>	<b>€10 M</b>	<i>Generating sustainable economic opportunities and promoting regional integration</i>	<b>€62M</b> (€34 + €28M)
<i>Regional integration and cooperation</i>	<b>€26 M</b>	<i>Support to the implementation of the EU-CAN agreement</i>	<b>€4 M</b>

The 2007-2013 CSP (p.7) further specifies that the *EC response strategy is based on two axes: the provision of support to national policies; and concentration of cooperation.* By supporting national policies, the EC will seek to improve all aspects of governance in these sectors (including the distribution of responsibilities between relevant institutions and the strengthening of these institutions' capacities) with a view to improving governability and promoting good governance. On the other hand, concentrating the cooperation funds on a limited number of sectors will enable the EC to acquire the critical mass necessary to support, together with other donors, the effective implementation of long-term national policies.

Diagram 1 (see next page) synthesises the overall intervention logic (IL) underlying the Commission of the European Union's cooperation with Ecuador during the evaluation period. The diagram represents the hierarchy of objectives and expected effects as expressed in the main strategy documents over the years. As such, it represents the backbone for the evaluation, and outlines the set of objectives against which the EC interventions have been assessed. The diagram also shows the links between the EQs and the overall intervention logic.

<sup>49</sup> The TVET component within the Education sector of EC strategy does not respond to this strategy. Indeed, the stated risk (reference to p. 21 of the CSP) of intervening in this sector is the lack of clearly established state policies.

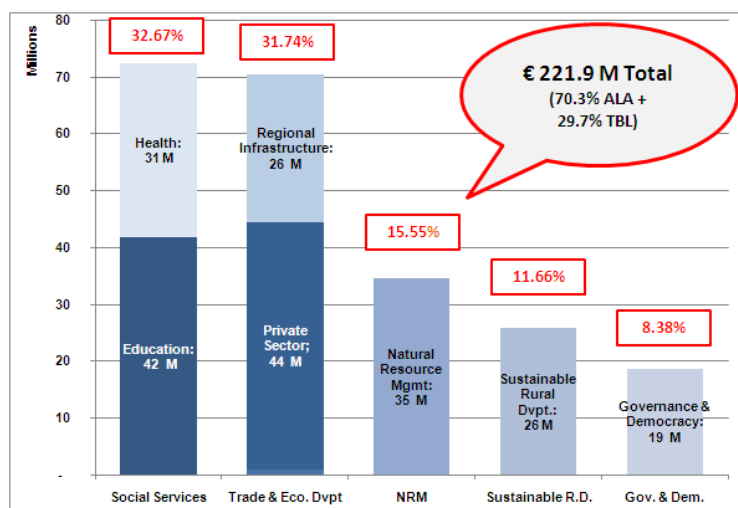
DIAGRAM 1: SYNTHESIS OF EC INTERVENTION LOGIC WITH EQs



### 3.4 THE IMPLEMENTATION OF THE STRATEGY - ALLOCATION OF FINANCIAL RESOURCES<sup>50</sup>

Over the evaluation period, the European Commission committed €221.9 M (bilateral funds committed under ALA & DCI-ALA and under Thematic budget Lines) in Ecuador and disbursed €204.8M<sup>51</sup>. Ecuador accounts for 7.9% of EC financial commitments in Latin America and almost 26.2% of financial commitments in the Andean region. Among Andean countries, Bolivia was the one that benefited the most from EC development initiatives, absorbing 34% of related funds.

FIGURE 6: SECTORAL DISTRIBUTION OF FUNDS



Source: Own elaboration based on CRIS data

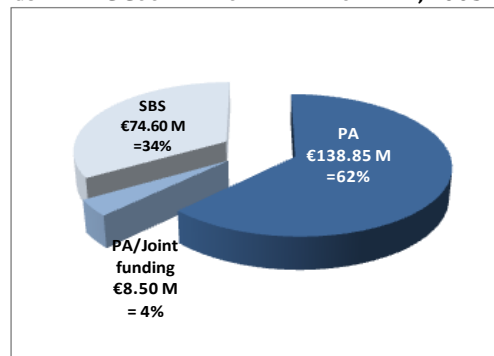
The majority of EC funding, more than €72.5M, has been allocated to Social Services, accounting for 33% of total commitments. Trade and economic development ranks second with more than €70.4M. "Social services" encompasses two major projects: PAPDE (education) and PASSE (health), corresponding to €69.2M, more than 95% of total contributions to this macro-sector. The "Trade and Economic Development" macro-sector encompasses three major projects: *Programa de Apoyo al Sistema, Social, Económico, Solidario y Sostenible* (PASES) (€33.4M), *Apoyo a la Integración Física Regional / Eje Vial N° 1 Perú – Ecuador* (€26M),

*EXPO-Ecuador* (€9.6M). Other minor interventions were financed through thematic budget lines (TBL): NSA and Migration. In line with the priorities of CSP 2002-2006, Natural resources management constituted a key priority of EC cooperation. The PRODERENA project represents 50% of EC allocation to the natural resources management sector. PROLOCAL (sustainable rural development sector) was financed through the FOOD budget line.

The remaining amount has been financed through thematic budget lines ENV and NSA. Within the natural resource framework, biodiversity protection, forest preservation and water and sanitation were the most important sectors benefiting from EC support.

Following 2007 and the issuing of the new CSP 2007-2013, the proposed EC response strategy was based on two axes: the provision of support to national policies and concentration of cooperation. Within this framework and following the definition of sector policies by the government,<sup>52</sup> sector budget support (SBS) became the preferred aid modality delivery with the identification of two major SBS interventions in the fields of education and economic opportunity generation. SBS corresponds to one third of total aid committed in the evaluation period, i.e. €74.5M, and was allocated through two programmes: the *Programa de Apoyo al Plan Decenal de Educación "PAPDE"* and the *Programa de Apoyo al Sistema, Social, Económico, Solidario y Sostenible "PASES"*.

FIGURE 7: EC COOPERATION BY AID MODALITY, 2003-10



Source: Own elaboration based on CRIS data

<sup>50</sup> A more detailed overview of the EC-Ecuador Cooperation framework can be found in annex 5.

<sup>51</sup> Regional Cooperation Programmes within the Framework of the Andean Community and All Latin America Countries (horizontal programmes) are considered aside. All Latin America programmes lack detailed disaggregated data by country.

<sup>52</sup> Plan Decenal de Educación 2006-2015" in 2006 and the National Development Plan "Plan Nacional para el Buen Vivir" in 2009.

## 4 ANSWERS TO THE EVALUATION QUESTIONS

Overall, eight Evaluation Questions (EQs) have been formulated to represent and address the fundamental issues with respect to the strategy, objectives and implementation of the EC cooperation with Ecuador and to assess to what extent the Commission's objectives were achieved as planned, and how they were achieved.

**TABLE 5: LIST OF EQS**

EQ 1	<b>SME POSITIONING ON INTERNAL &amp; EXTERNAL MARKETS</b>	To what extent has EC support contributed and is still contributing to improve the private sector competitiveness and micro-enterprises and SME positioning on internal and external markets?
EQ 2	<b>TRADE &amp; REGIONAL INTEGRATION</b>	To what extent has EC support contributed and is still contributing to the country's integration into the regional and world economy?
EQ 3	<b>EDUCATION</b>	To what extent is EC support contributing to improve equitable access to quality education services for all?
EQ 4	<b>NATURAL RESOURCES MANAGEMENT</b>	To what extent has EC support contributed to improve the sustainable management of natural resources?
EQ 5	<b>HEALTH</b>	To what extent has EC support contributed to improve equitable access to quality health services?
EQ 6	<b>INSTRUMENTS &amp; AID MODALITIES</b>	To what extent has the EC ensured an appropriate mix of instruments (geographic and thematic) and aid delivery methods to achieve its objectives?
EQ 7	<b>BUDGET SUPPORT</b>	To what extent has the move towards the use of sector budget support, in the two focal sectors of education and economic development, contributed to the improved implementation of policy reforms, including management of public resources, in the two sectors?
EQ 8	<b>3Cs, VALUE ADDED &amp; VISIBILITY</b>	To what extent was the EC strategy designed and implemented so as to maximize the EC's comparative advantage and visibility?

Overall, the EQs include five thematic questions covering the issues of effectiveness, impact and sustainability and three horizontal questions covering the issues of relevance, internal coherence, the –3Cs (coordination, complementarity and coherence). Table 6 provides a schematic overview of the coverage of the evaluation criteria and key issues for each Evaluation Question.

**TABLE 6 : RELATIONSHIP BETWEEN THE DAC EVALUATION CRITERIA, EC-SPECIFIC ISSUES AND THE EQS**

	EQ 1 SME POSITIONING	EQ 2 TRADE & REGIONAL INTEGRATION	EQ 3 EDUCATION	EQ 4 NATURAL RESOURCES MANAGEMENT	EQ 5 HEALTH	EQ 6 INSTRUMENTS & AID MODALITIES	EQ 7 BUDGET SUPPORT	EQ8 3Cs, VALUE ADDED & VISIBILITY
<b>Relevance</b>	√√	√√	√	√	√√	√	√√	
<b>Efficiency</b>						√√√		
<b>Effectiveness</b>	√√√	√√√	√√√	√√√	√√√	√√	√√	
<b>Impact</b>	√√	√√	√	√√√	√√√		√√	
<b>Sustainability</b>	√√√	√√√	√	√√√	√√√	√√	√√√	
<b>EC value added</b>								√√√
<b>Coherence</b>	√	√√				√√		
<b>3Cs</b>		√√					√√	√√√
<b>Cross-cutting issues</b>	√		√	√√√	√			
		√√√	LARGELY COVERED		√	ALSO COVERED		

The answers to the Evaluation Questions, presented in this chapter, are articulated at two different levels: i) overall answers to each EQ provided in the form of summary boxes; and ii) findings articulated by judgment criteria together with the related analysis. Details of the underlying facts can be found at the level of indicators presented in the data collection grids in Volume 3, annex 11.

#### 4.1 SME POSITIONING ON INTERNAL & EXTERNAL MARKETS

##### **EQ. 1: TO WHAT EXTENT HAS EC SUPPORT CONTRIBUTED AND IS STILL CONTRIBUTING TO IMPROVE THE PRIVATE SECTOR COMPETITIVENESS AND MICRO-ENTERPRISES AND SME POSITIONING ON INTERNAL AND EXTERNAL MARKETS?**

**Introduction:** This question addresses the area of economic development, which is the oldest and more permanent focal sector of the Commission's cooperation with Ecuador. During the 2003-2010 evaluation period, this area of intervention absorbed 27% of allocated funds through the implementation of three main interventions.

**PROLOCAL** was a Government project consisting of an initial trust fund of €43.3M, to which the WB contributed up to 50% (through a loan), the GoE 20% and the EC the remaining 30% (through a grant). Throughout the evaluation period, the EC committed €8.5M<sup>53</sup>. EC financing came through the FOOD thematic budget line and thus followed a food security strategy specific to LA. The project lasted from 2002 to 2008. It covered 6 poor rural micro-regions including 33 municipalities and 84,000 families as final beneficiaries. The EC provided technical assistance in addition to funding the trust fund.

**EXPOECUADOR** is a "classic" project implemented from 2004 to 2008. EC contribution was € 10M, 31% of which was devoted to international technical assistance (ATI). Through CORPEI (the official national institution promoting investment and export), it reached 256 small and medium export oriented enterprises (SMEs) mostly located in the Quito and Guayaquil regions. It supplied non-financial services and matching grants.

**PASES** is a sector budget support programme launched in 2009 and expected to last until 2012. The budget support amounts to € 30M complemented with a € 3.4M budget for activities such as technical assistance, monitoring, studies, evaluation, visibility, etc. It is composed of 4 fixed instalments and 2 variable ones. It supports the implementation of policy 11 of the "*Plan Nacional para el Buen Vivir*" (PNBV), which aims at "*establishing a sustainable economic system and showing solidarity*". The main beneficiaries of this objective are the MSMEs from the rural and urban sectors. The institution responsible for the execution of the plan is SENPLADES<sup>54</sup>.

#### **Answer to EQ1 – Summary box**

Economic cooperation with Ecuador has been a priority since 1993. The two last CSPs (2002-2006 and 2007-2013) focused on economic cooperation and integration, priority that stems from the objective of attaining a successful agreement with the countries that compose the CAN. However, although all programmes implemented responded to the country's needs, only EXPOECUADOR (from 2004 to 2008) responded to this objective. PROLOCAL was an integrated rural development project with no specific orientation towards trade, while PASES responds to the priorities of the industrial policy of the present government, directed towards the MSMEs, and does not address directly the issue of the trade relations between Ecuador and the EU, nor between Ecuador and the CAN.

Overall, both PROLOCAL and EXPOECUADOR have contributed to MSME's development, the first on a massive scale in the 6 poor rural micro-regions where it intervened and the second on a more limited scale, to the benefit of approximately 250 SMEs from Quito and Guayaquil. More specifically, the two programmes have significantly contributed to: (i) the strengthening of sectoral associations and local service providers' capacities, (ii) the increased supply of services and facilities available to local

<sup>53</sup> The PROLOCAL Programme benefited from an overall amount of € 16.5M over the period 2000-2008 (Including technical assistance). The € 8M difference was financed under the following financing decisions: FOOD/2001/002-348; FOOD/2000/003-480; FOOD/2001/002-348, which do not fall within the temporal scope of the evaluation (i.e. were committed prior to the period covered by this evaluation).

<sup>54</sup> SENPLADES is the National Secretariat for Planning and Development. "*Secretaria Nacional de Planificación y Desarrollo*". It has been created through the presidential decree 1372 of 20<sup>th</sup> January 2004 as the Technical Institution responsible for planning. Nowadays, SENPLADES plays a major role in coordinating the various initiatives at national and local level to achieve the objectives and targets of the PNBV.



farmers and associations, (iii) enhancing employment, increasing family revenues and diversifying production (PROLOCAL), and (iv) supporting the internationalization process (EXPOECUADOR).

Although PROLOCAL was designed as a classic intervention weakly integrated into the state structure, it had significant long-term effects on the public policy in rural areas. On the other hand, EXPOECUADOR suffered from little institutional sustainability and had a weak impact on public policies despite being well designed and well managed.

PASES was designed and is being implemented in a favourable environment as the MSME sector is benefiting from numerous public initiatives both through financial and non-financial policies. However, most of these initiatives are recent and could not yet be monitored through more indicators related to policy 11 of the PNBV<sup>55</sup>. Therefore, their results are difficult to assess. Overall, Ecuador is still characterised by a weak business-enabling environment that, combined with a poor access to finance, constitutes a major constraint to the competitiveness of Ecuadorean SMEs.

**EC support strategy in relation to economic development reflects the evolution of national priorities and needs, but it takes into account *only partially* the overarching objectives of the EC- specific regional policy framework' (cfr: JC 1.1)**

Before 2007, there was a general lack of planning documents defining national needs and priorities, especially in the industrial and agricultural sectors. Ecuador had not participated in the WB driven PRSP exercises. At the time of the preparation of the 2002-2006 CSP, the GoE had adopted the US\$ as the national currency and was trying to cope with the consequences of the severe financial and economic crisis of 1998-99. The country had no clear long-term development policy that the CSP could support and the EC country strategy essentially ratified the priorities defined in the 2001 MoU.

During the 2002-2006 period, the EC funded two major interventions related to economic development: i) the PROLOCAL, an integrated programme aiming at directly addressing the lack of services in support to production in poor rural areas; and ii) EXPOECUADOR, the first EC intervention to directly address the trade issue, aiming at reducing the main non tariff barriers to commerce with a view to promoting Ecuador's trade relations with the CAN and the EU.

In both cases, the projects addressed what were perceived as country needs, in the first case by tackling rural poverty (which had significantly increased between 1995 and 2001) through the adoption of innovative local economic development mechanisms, in the second case by supporting the preparation of a Trade Agreement between Ecuador and the EU (I-1.1.3). National institutions were very much involved in both projects (I-1.1.4). In PROLOCAL, this involvement concerned the Ministry of *Bienestar Social* as well as the local governments and numerous local civil society organisations. The implementation of EXPOECUADOR, on the other hand, was closely associated with the CORPEI (a private institution but officially in charge of the promotion of exports and investments, which was at the same time the executive body of this programme and its main beneficiary), which also participated directly in the design of the programme.

The new government that came to power in January 2007 marked a big difference with the previous governments. It established a medium to long-term development plan (PND 2007-2011), drafted a new constitution that was adopted by referendum in 2008, and adapted the development plan to the new constitution (*Plan Nacional para el Buen Vivir 2009-2013*).

In the economic sectors, the country's needs have remained *grosso modo* the same throughout the evaluation period, but a change in the perception of these needs and in the government priorities led to a strong national policy as of the end of 2007. The present government has produced no less than 12 different policy and strategy documents (I-1.1.1), and rapidly showed that it intended to apply them. The EC took stock of these major changes and built on the new development plan, which is described as a "*propositional, systematic, articulate, and coherent document that marks the route of*

<sup>55</sup> One of PASES indicators refers to the evolution of the MSME sector, i.e. indicator 9 "participation of manufacturing SME's production in the non petroleum industrial production". An analysis of this indicator is found in 4.7 Budget support (answer to JC 7.1).

*the public action of the government to lead national development until January 2013.*"<sup>56</sup> As a result, PASES – a sector budget support launched in 2009 - was designed to support the national plan in its effort to “*establish medium term productive economic policies*”<sup>57</sup> and to put into place a coordinated public/private effort to monitor and control the public policies towards small enterprises (“*economía popular y solidaria*”)<sup>58</sup>.

Despite the important differences in the aid modalities applied, which also reflect the change in terms of existing government policies, there is some continuity between PROLOCAL and PASES in that they both aim at promoting small agriculture and SMEs, and enhancing productivity, competitiveness and employment.

Looking at the broader strategic level, it should be noted that economic cooperation with Ecuador has always been a priority since 1993 (Framework Agreement on Cooperation between the EC and the Cartagena Agreement and its member countries, including the Multiannual Indicative Guidelines of 1998, the memorandum of understanding 1998 and the two last CSPs). The overarching objectives of the EC-specific regional framework are guided by the EU-CAN relations and more precisely by the negotiations toward an Association Agreement. The focus of both CSPs on economic cooperation and on regional cooperation and integration is clearly explained by the objective of attaining a successful agreement with the countries that compose the CAN. However, these intentions received scarce concrete application, with the important exception of the EXPOECUADOR project in the period 2004 to 2008. Indeed, while PASES responds to the priorities of the industrial policy of the present GoE, directed towards the MSMEs, it does not address directly the issue of the trade relations between Ecuador and the EU, nor between Ecuador and the CAN.

### **EC support has contributed to facilitate the development of productive sector activities (Cfr: JC.1.2)**

While information measuring the contribution to the development of productive activities is available for PROLOCAL and EXPOECUADOR (two “classic” projects), for PASES (SBS programme) problems of monitoring and of attribution arise and the findings on results relate mostly to the effects of technical assistance and to the choice of indicators, especially in relation to PFM. This choice is in turn the result of policy dialogue processes between the EC and the GoE (see EQ 7)<sup>59</sup>. Therefore, the answers to J.C 1.2, 1.3 and 1.4 concentrate on PROLOCAL and EXPOECUADOR although it should be borne in mind that these two projects have very different target groups: the first aiming at poor rural micro regions through the country and the second at export-related SMEs, mostly in Quito and Guayaquil.

**The two projects have contributed to the development of productive activities** by; i) strengthening the capacities (including organisational) of sectoral associations and local service providers; ii) supporting the increase in services and facilities available to local farmers and organisations; and by iii) promoting the diversification of productive activities and thereby job creation and increased incomes. PROLOCAL contributed to these achievements on an impressive scale in the 6 micro-regions where it was active. More generally, evidence gathered points out that, overall, the efficiency of both projects was good and that the great majority of PROLOCAL's and EXPOECUADOR's quantitative goals were largely exceeded, although EXPOECUADOR's expected

<sup>56</sup> PASES action fiche 2008

<sup>57</sup> PASES DTA p.2

<sup>58</sup> Marco lógico de PASES 2008

<sup>59</sup> It is recalled that the structuring of this evaluation foresees a specific evaluation question on budget support, i.e. “EQ. 7: To what extent has the move towards the use of sector budget support, in the two focal sectors of education and economic development contributed to the improved implementation of policy reforms, including management of public resources, in the two sectors?” This question, especially when looking at PASES, builds on the findings presented in EQ 7, which focuses on the ‘direct outputs’ and ‘induced outputs’ of budget support programmes, i.e. the improvements expected in the relation between external assistance and the national budget and policy processes, and the positive changes expected in the financing and institutional framework for public spending and public policy, and consequent improvements in public policy management and service delivery. Higher levels of the chain of effects and in particular outcomes and impacts are tackled through this question.

results were of a much more modest scale. However, some negative elements are also mentioned concerning the long-term development of export oriented SMEs: i) CORPEI was an efficient institution but was also functioning as a private enterprise. Its client SMEs therefore paid for services received, which automatically excludes most of Ecuadoran SMEs; ii) limited access to credit hampered the use of SME capacity to its full potential (credit was not included in EXPOECUADOR's objectives) and iii) SME's associations were numerous and disperse, with little political lobbying capacity.

Looking more closely at the various sets of results, the projects' evaluations and ROM reports, confirmed by interviews during the field phase, indicate that:

- PROLOCAL has contributed – also thanks to the wide participation of NGOs that have facilitated the implementation of programme activities - to the increase in services and facilities provided to local farmers and organisations on a vast scale. Impact was significant in terms of strengthening the capacities of local service providers and subproject beneficiaries<sup>60</sup> and in facilitating interaction of local organisations<sup>61</sup>, to the great satisfaction of final beneficiaries. In addition, by investing US\$ 16.9M in productive initiatives, in six micro-regions and with participation of 37,633 families, it has contributed to a certain diversification of production (525 small productive projects were executed and 72% of its beneficiaries expressed a growing interest in production diversification). Average income increased to US\$ 316 per family, primarily through employment creation activities<sup>62</sup>.
- Similarly, all 56 SME's associations targeted by EXPOECUADOR have confirmed that the training<sup>63</sup>, planning, and equipment provided has led to improved capacity in terms of commercial promotion, supply of services to their affiliates and negotiation skills, although the project did not succeed in promoting the grouping of associations that would have allowed a reduction of the duplication of efforts and thereby costs.
- Looking at financing and credit mechanisms, available data show that at national level the volume of microcredit stemming from the financial sector towards the micro enterprises has increased sevenfold in the last 8 years. In spite of this, the total volume is still very low. Findings on the EC's contribution to improvements are mixed. Credit is recognised as a crucial factor, the absence of which limits the investment capacity of SMEs and hinders their capacity to adapt to the international market. However, no support to credit services could be provided through EXPOECUADOR, given the scope of the project. As for the US\$ 2.4M credit fund for local microfinance financed by the EC under PROLOCAL, findings indicate that despite the fact that demand for credit was lower than expected, partly due to strict access conditions, the volume of rural loans duplicated and total deposits increased by 26%. The WB ICR report states that: *“This component, while modest, generated considerable results. [...] In addition to progress in credit volumes and efficiency, the various credit cooperatives and savings & loan associations formed coordinating networks among each other and started to develop useful linkages to the microenterprises promoted by the project.”*<sup>64</sup> (see I-1.2.2 & I-1.2.3).

<sup>60</sup> The results of PROLOCAL in terms of strengthened human resources and provision of services are impressive (more than 1,000 technical staff was formed, more than 4,000 beneficiaries were trained, and more than 800 local organisations were supported through development plans, productive projects, social organisation) and have exceeded by far envisaged targets for “peasants schools” (training promoters), training centres for local governments, technical staff trained to formulate, plan and execute local productive projects (e.g. target of 400 and achievement of 1,065 people trained), professional staff with higher education, etc.

<sup>61</sup> Including grass-root organisations, second-tier organisations, and local government institutions such as *municipios*, *concejos cantonales* and particularly *juntas parroquiales*.

<sup>62</sup> World Bank (2008). “Poverty Reduction and Local Rural Development (PROLOCAL)”. Implementation completion and results report. Report No: ICR0000255. It is also worth noting that the credit fund of PROLOCAL for the 6 micro regions, although of modest proportions, was more than three times the volume of credit distributed to all micro enterprises of Ecuador in 2004. Finally, to be noted that PROLOCAL supported 174 Entidades Financiera Locales and 18 networks (source: EUD Ecuador).

<sup>63</sup> 200 courses were organised with the participation of more than 1,300 persons from SMEs. Additionally, 466 technical staff were trained during 123 seminars and workshops.

<sup>64</sup> World Bank (2008). Implementation completion and results report. Report No: ICR0000255, page 72.



- On the positive side, Ecuador has registered a certain diversification of production, with less people employed in the agricultural sector and more in manufacturing and services (INEC-ENEMDU data). In addition, the 2010 progress report of PASES states that in 2009, almost 14,000 new jobs had been created in the tourism sector, thanks to the introduction of innovative initiatives<sup>65</sup>. On the downside, indicators related to the diversification of exports show no clear tendency towards a relative decrease in the exports of commodities.
- Finally, looking at the gender aspects in the strategy followed, it must be noted that although EXOECUADOR DTAs stressed the importance of women in the SME sector and the need to include them in all programme activities, the project never established an explicit gender strategy and had no indicator on gender. In spite of this and despite the fact that support to private enterprises was mainly directed toward men, the training *provided to technical staff concerned more women than men*. PROLOCAL evidenced the same bias, whereby *no indicator was included to measure the reduction of "the gender gap", which was part of its global objective*. Reports, however, point out to the important participation of women at all levels, but also agree that the inclusion of a gender dimension in the project would have increased its effectiveness.

Overall **sustainability** of the Commission's interventions appears to be strong and is linked to the ownership of project activities. This is the result of both the linkages established by the projects with national structures at decentralised level and the introduction of technical innovations and development tools, which were well adapted to the context, as confirmed by ex post monitoring reports of both the PROLOCAL (ROM 2008) and EXPOECUADOR (2010). In fact, PROLOCAL was followed by PRODER (*Programa de Desarrollo Rural y Territorial*), a government programme that started in 2008, and by the IEPS (*Instituto de Economía Popular y Solidaria*), which administrates the conditional cash transfer programme ("*Bono de Desarrollo Humano*") and constitutes the policy base for public action in favour of the "popular economy with solidarity". This shows that the project's impacts in terms of policy design lasted much longer than its lifespan. The main element of EXPOECUADOR's sustainability was its insertion inside the structure of CORPEI, which was at the same time the executive body of this programme and its main beneficiary. It benefited particularly from the high quality international technical assistance (ITA) offered and from the opportunities of international relations.

At the same time, however, it is worth noting that two elements have hindered sustainability.

- PROLOCAL was set as a parallel institution and was not integrated into the structure of public administration, reducing therefore its institutional sustainability.
- As for EXPOECUADOR, in 2011, the GoE withdrew its support to CORPEI and created PROECUADOR ("*Instituto de Promoción de Exportaciones e Inversiones*"), a public institution that has the same objectives as the CORPEI but with more resources. This lack of institutional continuity hinders to some extent the sustainability of EXPOECUADOR.

### **EC support has partially contributed to MSMEs' development (Cfr: JC .1.3)**

The EC's contribution to MSME's development offers mixed results. On the one hand, PROLOCAL provoked clear and important increases in rural production and productivity, and has enhanced human resources (see also JC 1.2). On the other hand, although EXPOECUADOR was very positively perceived by its beneficiaries, little or no information is available on its impact on SMEs in terms of increased production and export capacity. It also appears that no new product could be exported to the EU or CAN markets as a result of its actions.

Furthermore, the results of the objective 11 of the PNBV are until now largely unknown because the monitoring of the plan is in its development phase and more indicators are currently being defined and measured at the level of MSMEs (number, employment, credit, production, exports, etc.).

<sup>65</sup> E.g. creation of 165 centres of "communitarian tourism" in remote small rural areas of the country. Informe de avance convenio de financiación entre la Comunidad Europea y la República de Ecuador Indicadores Tramo Variable, Octubre 2010, pág. 10

Therefore, it is not yet possible to make hypotheses on PASES contribution to the development of this sector.

Finally, Ecuador has not demonstrated any progress in the ease of doing business<sup>66</sup> and improvements linked to activities under EXPOECUADOR (e.g. enhanced the performance of the "Sistema Ecuatoriano de Calidad - SEC") had no spillover effects in this regard. This can be explained by its limited scope (time and beneficiaries).

***EC's contribution to improve MSMEs' positioning on international markets showed positive but limited results. It could not reverse a general trend of scarce changes in MSMEs' importance during the evaluation period (Cfr: JC .1.4)***

The quasi-absence of evidence of improved MSMEs' positioning on international markets makes the identification of the EC's contribution to this result extremely difficult. **On the positive side**, EXPOECUADOR offered concrete although limited results in this respect. Support to the internationalisation process included the development of the sanitary and external trade legislative frameworks, the identification of strategic sectors, export audit, export plans, commercial missions and promotion, etc.. Altogether, at least 256 SMEs have received support to their internationalization process, representing approximately 5% of all export-oriented SMEs. Overall available data points to the fact that the share of MSMEs in non-petroleum exports to the EU has increased from 2005 to 2009<sup>67</sup>. In turn, PROLOCAL has supported associations and chains around export products such as cacao, coffee and watermelon.

However, **on the negative side**, there is no long term trend towards an improvement of the MSME's share in global non-petroleum **production**, there is no real diversification of exports and, according to different competitiveness indexes, Ecuador has made little progress in competitiveness<sup>68</sup>. At the same time, the eight main indexes related to the business environment show little if any progress (see I-1.4.4 and JC2.3 on security in investment and trade). One should not expect that a few ODA projects could reverse a general trend that is mostly exogenous to international cooperation.

## 4.2 TRADE & REGIONAL INTEGRATION

### EQ. 2: TO WHAT EXTENT HAS EC SUPPORT CONTRIBUTED AND IS STILL CONTRIBUTING TO THE COUNTRY'S INTEGRATION INTO THE REGIONAL AND WORLD ECONOMY?

#### Introduction:

This question focuses on the outputs and results of the Commission's interventions in relation to Ecuador's integration into the regional and world economy. Support to MSMEs' competitiveness (covered by EQ 1) is accompanied by actions relating to the trade regulatory framework.

Indeed, negotiations between the EU and the Andean Community for a region-to-region Association Agreement, including political dialogue, cooperation and trade, were launched in June 2007, building on – and complementing – the Political Dialogue and Cooperation Agreement signed between the two regions in 2003, with the aim of consolidating and developing the political and economic relations between the two regions. Furthermore, Ecuador benefits from the generalised system of preferences granted by the EC. In this framework, the EC support strategy aims at contributing to the improvement of Ecuador's use of such trade preferences. The question is addressed by looking at two

<sup>66</sup> The World Bank Doing Business Index gathers and analyses comprehensive quantitative data to compare business regulation environments across economies and over time. In 2010, Ecuador ranked 130 (out of 183) with a slight decline compared to 2009, when it ranked 127. See I-1.3.6.

<sup>67</sup> FEDEXPOR – AL Invest: Estudio estadístico de las relaciones comerciales y de inversión entre la Unión Europea y Ecuador, Quito 2010.

<sup>68</sup> The main statistics related to competitiveness show that an inadequate business-enabling environment, combined with poor access to finance, constitutes a major constraint to the competitiveness of Ecuadorean SMEs (see I-1.4.4).

of the three interventions described in the introduction of EQ1, namely: EXPOECUADOR and PASES. The two interventions differ, both in their modality (project approach for the first, sector budget support for the second) and in their objectives. EXPOECUADOR clearly supported exports, economic integration into the Andean region and a trade agreement with the EC, while PASES does not mention trade agreements or economic integration and aims as much at strengthening the internal market as the production for the external one. However, both interventions share a common orientation towards SMEs, extended to MSMEs in rural areas in the case of PASES.

### Answer to EQ 2 – Summary box

The contribution of EC's support to the country's integration into the regional and world economy has been limited, mostly for exogenous reasons.

Although national interventions such as EXPOECUADOR and PASES were very much in line with the objectives of the regional policy framework, practical relations between national, regional and sub-regional levels were scarce.

EXPOECUADOR was the sole intervention clearly designed to increase the integration of the SME sector into the regional and world economy. Although well designed and efficiently executed, it had a limited scope both in coverage and in time, the technical assistance supplied (despite its good quality) had an even shorter duration, the project lacked continuity and was not backed by a firm sector policy. Its impact was therefore limited.

During the evaluation period, the relative weight of EU's share in Ecuador's trade has increased. However, the structure of Ecuadorian exports towards the EU (mainly traditional goods) has not changed and was not affected by any particular intervention.

Finally, in Ecuador, there is an important public debate – involving civil society organizations and politicians from inside and outside the government - on the advantages and disadvantages of trade agreements. Therefore, these issues were not pushed forwards, at least between 2006 and 2011, and, as a result, negotiations on a Trade Agreement with the EU have made little progress until recently.

### **EC support strategy in relation to regional integration took into account the overarching objectives of the EC-specific regional policy framework but coordination and synergies between bilateral, regional and sub-regional levels were limited (cfr: JC 2.1)**

The ECs' support strategy in relation to economic regional integration is articulated in: i) institutional and technical support activities to sub-regional blocks (CAN and MERCOSUR); ii) regional programmes such as AL Invest and regional infrastructure projects; and iii) a diversified set of technical assistance linked to international trade, trade negotiations, institutional building, etc. It also includes the financing of interventions such as EXPOECUADOR or PASES. The main idea behind all these actions is that an increase of commercial relations will enhance integration and that these two processes must run in parallel.

The EC's regional policy framework is dominated by two topics: social inclusion and regional integration. These are also two of the three priorities defined by the two successive CSPs (the third is economic stimulation). Therefore, at a programming level, the support strategy takes very much into account the regional dimension. In turn, this dimension is linked to the desire to increase trade and European investment in the Latin American emergent markets (see also annex 4 & 5).

However:

- Even if the design of national interventions such as EXPOECUADOR and PASES is very much in line with the objectives of the regional policy framework and of regional programmes, no practical relations have been found in the documents consulted. Despite the lack of references to sub-regional projects (e.g. AL Invest) in the preparation documents of EXPOECUADOR (identification fiche and DTA) and in its monitoring / evaluation reports, during the implementation phase, EXPOECUADOR has established relations with sub-regional projects in the fields of external trade

and of international negotiations (in those days Ecuador had just began negotiations with the USA on a FTA).

- The process of Andean integration depends fundamentally on political will. ECs' regional strategy in favour of regional integration can accompany this will but cannot be a substitute for it: integration is mostly exogenous to development cooperation.

### **EC support is designed with a view to mitigating some possible negative consequences of EU policies in relevant fields (agriculture, trade) (Cfr: JC .2.2)**

The EC programming documents (the 2002-2006 CSP, but more clearly the 2007-2013 CSP) refer to two existing or potential areas of friction between EC's policies and Ecuador, which can entail problems of lack of coherence between the Commission's support to development efforts in Ecuador on the one hand and other policies on the other. These are:

1. Trade, both with regard to old frictions with Ecuador and all non-ACP countries on the restrictions to banana exports from these countries to the EU<sup>69</sup>; and with regard to the sanitary and phytosanitary rules imposed by the EU to all sea and agricultural imports, which are frequently interpreted by Latin-American countries as non-tariff barriers to entry (see below); and
2. Migration: Ecuador showed some concern about the status of its emigrants to the EU<sup>70</sup>.

Looking at specific interventions, it appears that EC support to the economic sector was partly designed to take advantage of the Generalized System of Preference (GSP)<sup>71</sup> and to mitigate the consequences of EU trade policies. In particular, EXPOECUADOR tried to lift the main obstacles to a better use of the GSP by Ecuadorian SMEs and was expected to develop information, competitiveness, product quality, certification and sanitation systems. The Financing Agreement for EXPOECUADOR makes specific references to the GSP and to the necessity to increase its utilisation (see JC 2.4).

The same project also aimed at mitigating the negative consequences for Ecuador of the sanitary and phytosanitary rules that govern EU's imports, by supporting the Ecuadorian Quality System ("*Sistema Ecuatoriano de la Calidad*" or SEC). This support took the form of a legislative help in order to draft the new quality law (*Ley del Sistema Ecuatoriano de Calidad*) and supply technical assistance to the five main institutions that form the SEC. This was given continuity in PASES through an indicator of the first variable instalment: "An integrated system of quality, health and food safety is functioning". This target was considered as reached in 2010 (see I-2.3.4).

### **EC support had positive effects on Ecuador's trade regulatory, legislative and institutional framework, but could not reverse a general trend towards a worsening of Ecuador's position in business environment and investment security (Cfr: JC 2.3)**

The EC has contributed to a limited extent to the improvement of Ecuador's trade regulatory, legislative and institutional framework. The contribution took place through the implementation of the EXPOECUADOR project, which has: i) helped design a legal framework to define and implement

<sup>69</sup> This conflict started in 1991 in the GATT because of the tariff exemption for bananas imported by the EU from the ACP countries, together with high non-tariff and tariff barriers imposed to the non-ACP countries (most of Latin America). This practice clearly infringed the rules of international trade progressively applied through the GATT and, later, through the WTO (OMC). In 2005, in the WTO, EC proposed to impose a unique tariff of € 230/mt which was reduced to € 176 a few months later. As this was still considered too high by the non ACP exporting countries (as well as by the WTO) a new (lasting?) agreement was reached in Geneva in December 2009 in which the EC agrees to a progressive reduction of its tariff on banana imports, starting at € 148/mt in December 2009 and ending at € 114/mt in January 2017. See [HTTP://WWW.WTO.ORG/SPANISH/NEWS\\_S/PRES09\\_S/PR591\\_S.HTM](http://www.wto.org/spanish/news_s/pres09_s/pr591_s.htm) However, the trade agreement with Peru and Colombia considers a tariff of only € 75/mt, giving a clear advantage to countries that sign a commercial agreement with the UE.

<sup>70</sup> See also the EU Returns Directive adopted by the European Parliament in 2008 and criticized by the CAN and the Mercosur.

<sup>71</sup> Drug GSP between 1990 and 2005, and GSP Plus since 2005 onward.

export consortiums, transferring to the national institution (CORPEI) the capacity to expand these consortiums; ii) supplied studies and technical assistance to strengthen negotiating capacities in the public and the private sector (see also JC-1.2 and 1.3); and iii) strengthened the Ecuadorian quality system (SEC) (see JC-2.2).

However, these contributions could not reverse a general trend towards a relative worsening of security on investment and trade. Ecuador's results are below the Latin American and Caribbean average on the "strength of investor protection index" (2010), and, as highlighted in the previous section (see JC-1.3 and 1.4), none of the 8 main indexes on business environment<sup>72</sup> shows any progress made by Ecuador on this matter during the evaluation period.

### **Ecuador has not improved significantly the use of the trade preferences granted by the EC (Cfr: JC .2.4)**

Between 2005 and 2009, EU's free tariff imports from Ecuador increased from 41% of EU's total imports in 2005, to 46% in 2009. However, available data and studies do not allow us to clearly attribute this increase to the use of the GSP Plus<sup>73</sup>. It may as well stem from the most-favoured nation clause or be caused by a price effect rather than by a quantity effect (see I-2.4.0)<sup>74</sup>.

Even if the use of GSP Plus had improved, it would not be possible to attribute it to EC support because this support has been limited by the narrow scope of EXPOECUADOR (the only intervention directly oriented towards a better use of the EU GSP) both in time and in coverage, by the even shorter duration of the technical assistance supplied (despite its good quality) and by the lack of continuity of this project (see JC-2.3). It must be noted that Ecuador will benefit from the GSP Plus only until the end of 2013 and that out of the ten main Ecuadorian products imported by the EU, nine are imported tariff free (the one exception being banana).

**On international trade** (see I-2.4.3): Ecuador's export value has increased at an average yearly rate of 10% between 2002 and 2010. When looking at exports with the EU only, this increased at a higher rate - 14.4% -, leading to an overall increase of the weight of the EU in exports.

In 2010, the EU was the second trade partner (exports + imports) of Ecuador, absorbing 11.8% of total trade (the USA rank first with 35.7 % while the CAN ranks third with 10.5%).

Ecuador's main exports to the UE are bananas, tuna fish, shrimps, flowers and coffee. This ranking has not changed much during the evaluation period and is unlikely to have been affected by any individual intervention of EC's cooperation.

## **4.3 EDUCATION**

### **EQ3 TO WHAT EXTENT IS EC SUPPORT CONTRIBUTING TO IMPROVE EQUITABLE ACCESS TO QUALITY EDUCATION SERVICES FOR ALL?**

#### **Introduction:**

The policy of Ecuador in the education sector is based on the *Plan Decenal de Educación* (PDE) 2006-2015, which defines the principles, objectives, and budget perspectives (6% of GDP until 2015) of the national education system. Approved in November 2006 through a referendum and implemented by national decree, the PDE is the result of a consensus between the civil society and the public sector. It

<sup>72</sup> These indexes are : (1) Business Environment Index; (2) Control of Corruption Indicator; (3) Regulatory Quality; (4) Country Credit Rating; (5) Index Economic freedom; (6) Political Risk Rating; (7) Doing Business Ranking; (8) Quality of National Business Environment Ranking.

<sup>73</sup> Of all free of tariff EU's imports from Ecuador in 2009, 83% came free because of the GSP Plus and 17% because of the application of the most-favoured nation clause. Information on the evolution of this statistic is not available.

<sup>74</sup> See [http://www.fedexpor.com/site/images/stories/Estudio%20relaciones%20UE%20Ecuador%20\(final\).pdf](http://www.fedexpor.com/site/images/stories/Estudio%20relaciones%20UE%20Ecuador%20(final).pdf)



is endorsed in the National Development Plan 2007-2010, and the new Constitution of 2008 includes the main elements and financing modalities of the PDE, thereby clearly demonstrating the political commitment and ownership of the present government to the sector policy.

As of 2007 and based on this clearly defined sector policy, the European Commission prepared, together with the national authorities, the "*Programa de Apoyo al Plan Decenal de Educación (PAPDE)*", a sector budget support programme with an overall budget of € 41.2 M for the period 2008-2011. The overall objective of PAPDE is to support (both financially and through the provision of complementary inputs) the Ministry of Education (MoE) in the implementation of the PDE. Specific objectives of the PAPDE refer to three components of the PDE, that is component 4 - "*The eradication of illiteracy and consolidation of continuous adult education*"; component 6 - "*Improvement of the quality and equity of education through the implementation of a national evaluation system*"; and component 7 - "*Revaluation of teachers and improvement of pre-school and continuous adult education and working and living conditions*".<sup>75</sup>

Finally, it is worth reminding that the evaluation foresees a specific question on budget support.<sup>76</sup> The latter is focused on the improvements expected in the relation between the implementation of the budget support programmes and i) the national budget and policy processes (direct outputs), ii) the positive changes expected in the financing and institutional framework for public spending and public policy, and consequent improvements in public policy management and service delivery (induced outputs). Higher levels of the chain of effects and in particular outcomes and impacts are addressed through this question. In particular, the financial importance of EC disbursements to the education sector is illustrated in Table 8 of chapter 4.7 'budget support' and constitutes also a reference for this EQ.

### Answer to EQ 3 – Summary box

As of 2008, the EC has supported the implementation of the *Plan Decenal de Educación (PDE) 2006-2015* through the PAPDE (2008-2011). The PDE defines the principles, objectives, and budget perspectives of Ecuador's national education system, through sector budget support. Policies, measures and resources put in place by the GoE have led to significant improvements. This is evidenced by the fact that the last independent progress report related to the implementation of the PDE indicates that in 2010 (half way through the implementation of the PDE) the overall level of achievement of the PDE goals for the whole country was 67%, thereby indicating that good progress is being made.

Net enrolment rates of Basic General Education (grades 1 to 10) have progressed from 91% in 2006 to 95% in 2010. Net enrolment rates in secondary education have registered a significant 5.8% increase (from 53.6% in 2008 to 59.4% in 2010). And equity is improving as evidenced by a 7% increase between 2008 and 2009 in the number of indigenous students enrolled at statutory age and the reduction by 6% points in the period 2005-2010 of the educational gap in EGB ("*Educación General Básica*") between the richest and poorest quintile of the population.

At the same time, key elements to improve the quality of education have been / are being addressed through a number of initiatives. Among them: curriculum reform & design of education standards; re-evaluation of teachers through a training policy and salary increases; strengthening of educational statistic systems and effective implementation of the National Evaluation and Social Accountability System with a view to monitor performances of students, teachers, MoE management and its agencies and the national curriculum in order to support the decision-making processes. Despite these improvements, further strengthening of policies and measures and investment of additional resources are required to achieve the objectives set in the PDE, especially in relation to goal 4

<sup>75</sup>Although the object of the analysis of this evaluation question is linked to the PAPDE I, the question will also cover, though to a more limited extent, the second phase of the PADPE, i.e. the PAPDE II. This intervention has been committed in 2011 and thus formally falls outside the scope of the evaluation, it has nevertheless been partially covered with a view to ensure a complete framework of analysis on the education sector.

<sup>76</sup>"EQ. 7: To what extent has the move towards the use of sector budget support, in the two focal sectors of education and economic development, contributed to the improved implementation of policy reforms, including management of public resources, in the two sectors?"

**'Eradication of illiteracy and consolidation of continuous adult education'.**

As is often the case with SBS programmes, it is difficult to clearly identify and quantify the contribution of the programme to the merits and failures of the policy it supported. Furthermore, it is to be noted that while the PDE is to be implemented throughout the 2006-2015 period, the sector budget support programme financed by the EC covered a more limited time span, and was implemented over the period 2008-2011. What can be said, is that the PAPDE, by putting in place a BS programme based on a result oriented planning, monitoring and reporting system, has:

- strengthened coordination mechanisms among different functional areas within the MoE and between the latter, SENPLADES and the Ministry of Finance, thus facilitating the implementation of policies and the definition of education investment priorities;
- acted as a kind of external discipline measure reinforcing the already strong commitment of the GoE at the various levels towards the timely achievement of the targets envisaged in the PDE; and
- supported the monitoring and control of education public policies through the active involvement of civil society institutions.

***Key elements to improve the quality of education have been / are being addressed by the GoE through a number of initiatives in line with the objectives set in the Plan Decenal de Educación. Progress, however, remains below envisaged targets (cfr: JC 3.1)***

The implementation of key policies as foreseen in the "*Plan Decenal de Educación*" has led to substantial improvements in the achievement of education sector objectives. In particular, the last independent progress report related to the implementation of the PDE indicates that in 2010 (half way through the implementation of the PDE) the overall level of achievement of the PDE goals globally, i.e. at the level of the eight Policies (or components) for the whole country, was of 6.69/10<sup>77</sup>. When looking at the specific policies or components of the PDE, however, there are marked discrepancies, with some components scoring very high while others are markedly below average<sup>78</sup>.

High priority is given to the achievement of improvements in the quality of education encompassing: standards, curriculum, improvement of the initial and continuous teacher training, evaluation, texts. Despite the relatively low scores received by two of the three PDE components supported by the EC through the PAPDE<sup>79</sup>, key elements to improve the quality of education have been / are being addressed through a number of initiatives as confirmed by both documentary evidence and stakeholders' perceptions. As a result, significant progress has been recorded in the following areas:

- Curriculum reform: passing of the new Intercultural Education Law by the National Congress (March 2011) and the subsequent implementation of a number of measures including the development and approval by the MoE of curricula guidelines in several areas of studies<sup>80</sup>, thereby fostering the implementation of quality-oriented reforms as foreseen in the PDE.
- Design of education standards / expected achievements of the various stakeholders and education institutions (students, teachers and heads of educational institutions). The MoE is currently

<sup>77</sup> Educidadanía, "*Acompañando al Plan Decenal de Educación, Segundo Informe*", (July 2011). To be noted however that the methodology proposed by Educidadanía to calculate the level of achievement of the PDE was the cause of a debate between the MoE and the Faro Group (organization in charge of the consortium leading the Educidadanía exercises). The MoE considers questionable laying down a global indicator of achievement relative to the PDE progress that covers issues of both a quantitative and qualitative nature, pointing out that the latter are not adequately reflected in the information system. Despite this, the calculation is used as to monitor trends and risks of the non-compliance of some PDE's goals.

<sup>78</sup> Components with high scores include: n. 2 "universalization of general basic education – grade 1 to 10" (score of 9.43/10); n.4 "eradication of illiteracy and consolidation of continuous adult education" (score of 9.05/10); n.3 "increase of the number of students in high school" (score of 7.86/10); and n. 8 "increase of the education sector expenditure relative to the GDP" (score of 6.73/10). Components under the average of 6.69 include n.6 "Improvement of the quality and equity of education and the implementation of a National System of Evaluation" (score of 3.75/10), n. 1 "universalization of pre-school education" (score of 5.02/10); n. 5 "improvement of the physical infrastructure and equipments of schools" (score of 5.67/10); and n. 7 "reevaluation of teaching profession, professional development, improvement of working and living conditions" (score of 5.99/10).

<sup>79</sup> The two components are respectively: "improvement of the quality and equity of education and the implementation of a National System of Evaluation" (score of 3.75/10) and the "re-evaluation of teaching profession, professional development, improvement of working and living conditions" (score of 5.99/10)

<sup>80</sup> Applied Informatics, Chemistry, Mathematics, Spanish, Physics, Arts, History and Social Sciences and Philosophy.

developing three types of standards in relation to: i) learning, ii) professional performance, and iii) school management<sup>81</sup>.

- Definition by the MoE of the education quality-strengthening project with a programmed investment amount in 2010 of more than US\$ 4M for the period 2010-2013, amount confirmed in the Investments Plan for 2011<sup>82</sup>. This amount corresponded to 0.6% of the total amount programmed in 2010 in the education investment plan.
- Implementation of an aggressive policy of re-evaluation of teachers through a teacher training policy, salary increases and integration of this category in the public servant remuneration system (promotions are no longer happening out of habit but on the basis of merits and abilities). In particular, the professionalization of teachers with the aim of stimulating the entrance of young people to the teaching career, enhancing capacities through initial training and the development of continuous learning education and promoting retirement is pursued through:
  - Efforts made by the Government to attract trained teachers by offering new incentives and increasing salaries<sup>83</sup>. These have led to the inclusion of a significant share of new teachers with stronger academic qualifications within the educational system in addition to a higher number of teachers overall. In 2008-2009, the number of teachers with a tertiary education degree amounted to 78.1%, while the number of those with postgraduate studies had increased threefold (from 2.2% in 2006 up to 7% in 2009),<sup>84</sup> (see also I.3.1.5 & I.3.1.6 & I.3.1.7). The increase in the number of teachers, in turn, has led to a subsequent slight reduction in the pupil/teachers ratio in the General Basic Education "*Educación General Básica*" (EGB), as this value dropped from 23.2 pupils per teacher in 2007 to 22.1 in 2009. At the same time, additional measures put in place by the Government have led to a 12% increase in the number of classrooms between 2007-2008 and 2008-2009 (from 39,419 to 44,310) and more than 2,102 schools / colleges have been renovated and enlarged. In areas that have structural educational deficits, the Government has initiated a programme aimed at building high quality schools called the Millennium Education Units "*Unidades Educativas del Milenio*" (UEM)<sup>85</sup> (see I.3.1.8).
  - The launching by the MoE, in 2009, of the "*Sistema Integrado de Desarrollo Profesional Educativo*" (SIPROFE) in order to enhance the quality standards of teaching. SIPROFE aims at enhancing and developing skills and knowledge of teachers through the provision of ongoing training of various duration (10-60 hours) usually conducted by universities and qualified trainers. Training sessions can be optional or compulsory, in the case of teachers with insufficient qualifications<sup>86</sup>. This process has boosted the teacher training debate and has

<sup>81</sup> To be noted that some of the stakeholders interviewed, while expressing satisfaction in relation to progress made in this respect also expressed the opinion that a more open discussion and dialogue with other actors of the sector in order to reach a consensus about the quality concept prior to the start of the work on the design of the standards would have been even more welcome.

<sup>82</sup> Sources: "Parámetros Aplicables a la información de Planificación Institucional. Planes y Programas en ejecución. Resultados Operativos"& "Programación Proyectos de Inversión 2011 del Ministerio de Educación".

<sup>83</sup> According to the Ministry of Education (MoE), the teacher's basic salary corresponded on average to 52% of their total salary (MoE, 2009). The basic salary increased by 23% between 2006 and 2007, 13% between 2007 and 2008, and 11% between 2008 and 2009. Overall, the MoE estimates that teacher wages have duplicated, and for example a category 4 teacher in the urban sector, entering with no teaching experience but with a college degree went from a base salary of US\$ 86.52 in 2006 to US\$ 133.10 in 2009.

<sup>84</sup> Figures for 2010 show a decrease in the number of teachers with university degree. The *Educiudadanía* report (2011) nevertheless emphasises that the reason for the decrease is likely to be linked to the fact that data is incomplete as information on the level of educational qualification of 21% of teachers was not available. Sources: *Educiudadanía (2010)* & *Sistema Nacional de Estadísticas Educativas del Ecuador*.

<sup>85</sup> The UEM are public schools based on technical, administrative, educational and innovative modern architecture. Each Unit has to be a benchmark of excellence in education; benefit historically neglected populations; offer a service of high quality public education in disadvantaged areas; develop and strengthen the capacity of the surrounding community.

<sup>86</sup> In the period 2009-2010, 6,800 teachers who had obtained a low-medium score in the *Sistema Nacional de Evaluación y Rendición* were obliged to attend SIPROFE classes. Teachers with insufficient qualifications must compulsorily receive training prior to a second assessment. See: <http://evaluaciondocenteecuador.blogspot.com/>: "El Ministerio da a conocer las calificaciones de los 2.570 docentes que se presentaron en la primera convocatoria: 2 obtuvieron excelente (ambas maestras de preescolar); 24,3% (624) muy buena; 72,9% (1.873) buena; y 2.8% (71) insuficiente. La normativa indica que quienes obtienen insuficiente deben capacitarse durante un año antes de optar



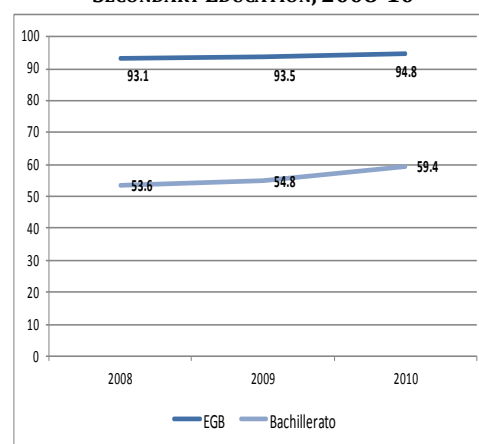
created real concern and demand among teachers for additional training and further development of their abilities; demand which the current capacity of the system is unable to meet (see *Educiudadanía* report, 2011). A further problem is linked to the fact that drop-out rates of teachers are relatively high. While measures to monitor and evaluate the programme are envisaged in order to improve the completion rate of the training courses provided, further studies are needed to investigate the changes produced by the training on the teacher's performances inside their class (see I.3.1.4).

**Important progress has been achieved in terms of enhanced access to basic education services, in particular among the poorest (Cfr: JC.3.2)**

The issue of access to education and equity as an integral aspect of the internal coherence of the education system has received significant and continuing attention under the PDE. In this perspective, the substantial focus placed by the PAPDE on attendance in recent years is of great relevance, as is the fact that the PAPDE emphasizes the importance of improvements in the quality of monitoring mechanisms in the education sector.

Available data<sup>87</sup> shows that important progress has been achieved with regard to enhanced access to basic education services, also confirmed by the overall score of 9.43/10 attributed by last progress reports of *Educiudadanía* (July 2011) with regard to the accomplishment of the objective of component 2 'universalization of general basic education – grades 1 to 10' of the PDE. The net attendance rate (NAR) to Basic General Education (EGB)<sup>88&89</sup> has progressively increased from 91.2% in 2006 to 93.1% in 2008, and to 94.8% in 2010, and projections indicate that the rate will further increase to 98.7% in 2015, i.e. just 1.3% points below the envisaged objective of 100%<sup>90</sup>.

**FIGURE 8: NET ATTENDANCE RATES OF EGB AND SECONDARY EDUCATION, 2008-10**



Source: *Educiudadanía* 2011

Similarly, progress has also been registered with regard to enhanced access to secondary education / Bachillerato (ages 15-17) with component n.3 of the PDE receiving a score of 7.86/10 and net attendance rates registering a significant plus of almost 6% between 2008 and 2010 (see figure), despite projection estimates that target set for 2015 will not only be reached but surpassed.

In spite of the continuing improvement of completion rates in basic education measured as the number of youth older than 14 years who completed the basic education curriculum, the overall numbers remain unsatisfactory. The number of Ecuadorian students who concluded EGB in a timely fashion rose from 48% in 2006 to 50% in 2009. Statistics for secondary education, however, show lower rates, starting from 35.8% (2006) and reaching 37.9% (2009), with substantial differences emerging across regions (in 2009 the completion rate amounted to 41.5% in the *Sierra* region and to 29.5% in the Amazon - see I.3.2.6).

por una segunda evaluación; quienes vuelvan a obtener insuficiente, serán despedidos. Las dos maestras que obtuvieron excelente recibieron USD 1200 y los que obtuvieron muy bueno recibieron USD 900”.

<sup>87</sup>Ministerio de Education, “PPT Estadísticas sobre las Políticas 2 y 3 Universalización e Incremento de la cobertura en EGB y Bachillerato”.

<sup>88</sup> General basic Education “*Educación General Básica*” (EGB) goes from the 1<sup>st</sup> to the 10<sup>th</sup> grade (05-14 years old).

<sup>89</sup> The standard definition of the NAR is “number of pupils in the official age group for a given level of education who attend school in that level, expressed as a percentage of the population in that age group.” (EFA)

<sup>90</sup>*Educiudadanía*, “Acompañando al Plan Decenal de Educación, Segundo Informe”, Julio 2011 p. 12 & “Acompañando al Plan Decenal de Educación. Hacia un sistema de Observación Ciudadana”, May 2010, p. 11.

**TABLE 7: NET ENROLMENT RATE TO SECONDARY EDUCATION BY ETHNIC GROUP (2005-2009)<sup>91</sup>**

Ethnic Group	2006	2007	2008	2009
	(%) Enrolled in the statutory age*	(%) Enrolled in the statutory age*	(%) Enrolled in the statutory age*	(%) Enrolled in the statutory age*
Indígena	24.2	28.5	34.1	41.10
AfroEcuatoriana	44.1	33.5	42.8	41.00
Mestiza	50.0	54.0	56.5	56.70
Blanca	49.3	49.7	51.1	57.10

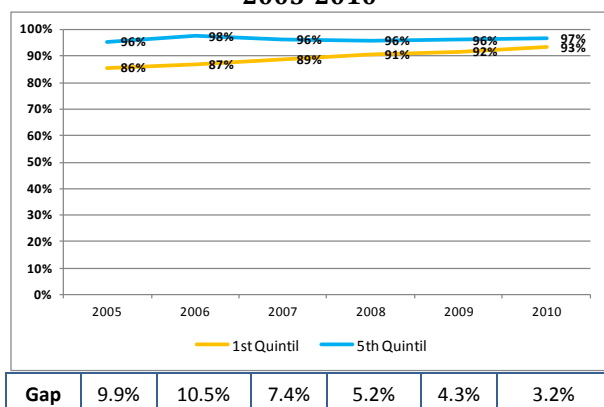
Source: Encuesta Urbana de Empleo y Desempleo (ENEMDU) – INEC – SIISE- Educación 2010 \*Population (15-17 years old)

Looking at equity issues, improvements were recorded in the net enrolment rate, above all among marginalised ethnic groups. Between 2006 and 2009, the number of indigenous students enrolled at statutory age increased by almost 20% compared to an increase of approx. 7% in the white population (see Table 7).

And the educational gap in EGB between the richest and poorest quintile of the population has

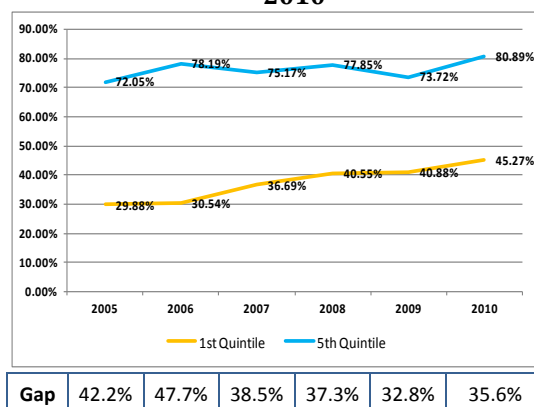
substantially narrowed, from 9.9% in 2005 to 3.2% in 2010, while the gap between the poorest and richest quintile in access to high school education has reduced but remains sizeable (from 47.7% in 2006 to 35.6% in 2010)<sup>92</sup>.

**FIGURE 9: NET ENROLMENT RATES TO GENERAL BASIC EDUCATION, OF FIRST AND FIFTH QUINTILE OF POPULATION, 2005-2010**



Source: Ministerio de Educación based on ENEMDU and INEC data, (2011)

**FIGURE 10: NET ENROLMENT RATES TO BACHILLERATO, OF FIRST AND FIFTH QUINTILE OF POPULATION, 2005-2010**



Source: Ministerio de Educación based on ENEMDU and INEC data, (2011)

While key challenges remain to be addressed, current trends and projections are encouraging. According to the prospective scenarios elaborated by *Educiudadania*, in the absence of major changes, Ecuador will achieve the PDE goal of attaining a net enrolment rate in *Bachillerato* equal to 75% by 2015, as planned<sup>93</sup>.

Recent policies and accompanying measures put in place by the Ecuadorian government to enhance equitable access to education include:

- The Free Text Book Programme “*Programa Textos Escolares Gratuitos*” constituted an additional tool to encourage access to basic education. Starting from the 2006-2007 school year, the Ministry of Education has begun delivering free school texts across the country to children enrolled from

<sup>91</sup> Referring to the *Bachillerato* net enrollment rate, it is important to underline that Ecuador suffered from a significant educational backwardness. Students not enrolled in secondary education (15-17 years) are not necessarily outside the education system; indeed it is estimated that up to 80% of these students are still in GBE system suffering from educational backwardness and they are therefore not in the class corresponding to their age group.

<sup>92</sup> The most notable improvement in enrolment rates has been recorded in Quintile 1 – which corresponds to the population with the lowest socioeconomic status, this has increased from 85.57% in 2005 to 93.4% in 2010, a 7.83 % point increase in comparison to a 1.2% increase over the same period 2005-2010 for quintile 5 ( the wealthiest quintile ). Moreover, between 2006 and 2010, student coverage (including Preschool, EGB and Bachillerato) has increased by 18% almost more than 627,000 students (3,470,734 to 4,098,111 students in state schools). Ministerio de Educación “Mas Educación con Calidad, Equidad y Calidez. Rendición de Cuentas 2010, (May 2011), p. 11.

<sup>93</sup> See Educiudadanía (2011) Annex 1 “Estimación del nivel de Cumplimiento del PDE”, p. 47.

grade 1 to grade 10. Between 2006 and 2009, the number of beneficiaries has more than tripled, passing from 806,922 in 2006 to 2,709,306 in 2009 (see I.3.2.3)<sup>94</sup> & <sup>95</sup>.

- The proposal and subsequent approval (2011) of the Standardized High School Diploma "*Bachillerato General Unificado*" (BGU)<sup>96</sup>, with a view to harmonizing the educational offer and avoiding fragmentation, is further testimony to the important efforts deployed to reduce inequalities. Indeed the centrepiece of the BGU is that all students across the entire country study the same subjects, with some specific elements of the Bachelor of Science and Technical High School during the third year of high school<sup>97</sup>. However, documents consulted also point to some weaknesses in the overall process leading to the approval of the BGU. Among them: i) the limited discussion of the proposal with civil society; ii) the lack of involvement of teachers in the definition of the proposed strategy and implementation; and iii) the repercussions of the implementation of the BGU in terms of increase in the number of hours and workload, inadequate infrastructure and limited human and financial resources<sup>98</sup> (see also I.3.1.1).

At the same time, the GoE is furthering efforts aimed at improving education monitoring & evaluation systems. Efforts in this area also fall under component 6 of the PDE "*Improvement of the quality and equity of education and the implementation of a National System of Evaluation*", which is one of the components supported by the PAPDE.

Despite the relatively low score - 3.75/10 - attributed to progress in this component by the latest report of Educidadanía (July 2011), improvements in measuring students' performance have been registered following the effective functioning, as of 2008, of the - "*Sistema Nacional de Evaluación y Rendición Social de Cuentas*" (SER). The National Evaluation and Social Accountability System aims at monitoring students' performance, teachers' performance, management of the MoE and its agencies and the national curriculum development in order to support the decision-making processes in view of the enhancement of the quality of education. Information made available through this system shows that while the results for the EGB earlier years are fairly encouraging (in 2008 the performance of 31% of students in grade 4 and 45% in grade 7 was rated good to excellent), student performance at higher levels was poor (only 0.1% of high school students in grade 3 and 0.14% of EGB students in grade 10 exhibited an excellent performance). Overall the process is positively valued, with interviewees emphasising the strong progress in the design of SER in relation to the previous experiences (i.e. "*Aprendo*" the quality evaluation system designed by the UNESCO). Weaknesses have nevertheless been pointed out as follows: i) the concept of feedback on school efficiency that allows improving the performance seems to be ruled out by the SER system<sup>99</sup>; and ii) initial objectives in terms of coverage and scope are only partially accomplished, whereby the process has been carried out on an irregular basis (time wise) and the overall results have not been disseminated in a way that allows to analyse the results of these evaluations<sup>100</sup>. Increased efforts are

<sup>94</sup> A school feeding programme called "*Programa de Alimentación Escolar*" (PAM) has been financed as of 1999 with the overall goal of improving the quality of basic education for children from poor social background by delivering timely and continuous nutrient-dense foods to exercise their rights to education and food. The number of pupils benefiting from the PAM has increased by 18.04%, rising from 1.26 million students in 2008 up to 1.49 million in 2009.

<sup>95</sup> Source: Programa Textos Escolares Gratuitos. Años: 2008-2009. Medida: Número de beneficiarios. Elaboración: Dirección de Información Socioeconómica del Sector Social - SIISE / MCDS.

<sup>96</sup> MoE, "*Nuevo Bachillerato Ecuatoriano. Fundamentos*" (June 2011) & Universidad Andina Simón Bolívar, "*Análisis de la Propuesta del Nuevo Bachillerato presentada por el Ministerio de Educación*", (January 2011).

<sup>97</sup> This new *bachillerato* removes the diversified curricula and proposes one unique course which combines vocational education elements and humanities. A system of standardized subjects is combined with optional subjects to adapt knowledge and skills to the various local realities.

<sup>98</sup> Universidad Andina Simón Bolívar, "*Análisis de la Propuesta del Nuevo Bachillerato presentada por el Ministerio de Educación*", (January 2011) & Educidadanía, "*Acompañando al Plan Decenal de Educación, Segundo Informe*", (July 2011).

<sup>99</sup> "En las pruebas SER no hay un retorno, no se desarrolla una reflexión que permita devolver la información con recomendaciones pedagógicas".

<sup>100</sup> Students' performances have been evaluated once (2008) by census, and twice (2008 and 2009) on a sample basis, covering overall - at the end of 2010 892,000 students. Performance evaluation of teachers were carried out in 2008 and 2009; these, however only covered public institutions. In addition it was pointed out that the census test in 2008 did not provide data on learning along with information on contextual factors that would allow to cross these variables.

therefore needed also with a view to link the results of these assessments with the system of professional educators' development (SIPROFE) and to establish adjustment mechanisms in the educational system<sup>101</sup>.

Based on the education census, the MoE launches a complete reformulation of the information system by creating the *Archivo Maestro de Instituciones Educativas* (AMIE). Through the AMIE and thanks to a key code, the director of the school can be connected online with the Ministry at central level to download information at the start and at the end of the school year.

The further development and the improvement of the AMIE in the period 2011-2013 is now a priority of the MoE. The system registers information about schooling institutions, number of teachers and number of students and, as of 2010-2011, data related to enrolment, drop-out, completion and repetition rates are collected twice a year. Challenges to be further addressed include: i) verification / quality control of data collected including records of information regarding school institutions and students<sup>102</sup>; and ii) modification of the overall system, which should not only act as a database but also provide information linked to processes. In this sense efforts are being made and the system includes a technological platform and an interactive control panel for decision-making processes. Strengthening of data collection and analysis is pursued through the PAPDE II, which includes – among others – a specific indicator linked to the disbursement of the variable tranches tackling the issue of the strengthening of educational statistic system “*Archivo Maestro de Instituciones Educativas*”.<sup>103</sup>

***Ongoing measures to improve continuous adult education will need to be strengthened in order to comply with the targets set by the Plan Decenal de Educación (Cfr: JC 3.3)***

The third component of the PDE supported by the PAPDE is policy n. 4: “*Eradication of illiteracy and consolidation of continuous adult education*” aimed at guaranteeing the access, permanence and effective conclusion of the studies of the population suffering from education backwardness through alternative education national programmes. According to the Educidadanía progress report of July 2011, component 4 of the PDE has one of the highest levels of achievement with a score of 9.05 out of 10. However, and in spite of the improvements registered in the period 2006-2009 whereby illiteracy among 15-year-olds or over decreased from 8.7% to 7.8%. 2010 saw a reversal of the trend and the illiteracy rate has increased up to 8.1%<sup>104</sup>. Illiteracy continues to be persistent among women (9.1% in 2009 and 9.5% in 2010) and particularly severe in rural areas, where it reaches a rate of 15.5% (2009) and 16.2% (2010) compared to urban areas (4.3% in 2010). Based on the projections of Educidadanía (2011), efforts will have to be multiplied in order to comply with the PDE target of ensuring a 3.5% illiteracy rate by 2015<sup>105</sup>.

Since 2007, the National Department for Permanent Popular Education “*Dirección Nacional de Educación Popular Permanente*” has been in charge of the implementation of the national programme for Basic Education of Youth and Adults. The programme encompasses five different initiatives, which address adult illiteracy and other educational constraints according to ethnic and geographic characteristics and specific disabilities. As a result, between 2006 and 2009, 296,809 people attended adult literacy schemes, although more than 30% of attendants did not conclude the

<sup>101</sup> Sources: Assessment of Education Sector Policies and Progress in the Implementation of the Decennial Plan for Education (2006-2015) Ecuador period from January 2009 to July 2010, Grupo Faro, September 2010 & Educidadanía, “*Acompañando al Plan Decenal de Educación, Segundo Informe*”, (July 2011).

<sup>102</sup> The lack of student's individual records through a code for registered student is currently viewed as a structural weakness of the system. Inclusion of these records would allow to trace the child's history of attended schools and restrict the possibility for school principals to forge attendance records which affect both the number of rations offer by the “*Programa de Alimentación Escolar*” and/or the distribution of school texts. This aspect is expected to be solved in the enhancement phase of the system.

<sup>103</sup> PAPDE II Action Fiche (2010)

<sup>104</sup> Educidadanía (2011), p. 20

<sup>105</sup> The objective of the PDE for 2015 is a 3.5% illiteracy rate according the “*Matriz de Objetivos e Indicadores del PDE*” (the international nomenclatures establishes that the illiteracy is eradicate by reaching 4%). Projections for 2015 place the estimated illiteracy rate at approximately 7.

classes. This said, the AMIE module for Permanent Popular Education did not work properly until the school year 2008-2009 and the quality of the information registered within the framework of the Permanent Popular Education programmes is deemed to be poor. Improvements are therefore needed in this area with a view to incorporating data on the number of people enrolled and participating on a permanent basis to the programmes and to monitor coverage of the programme and progress towards the established goals<sup>106</sup>. This issue is being addressed through the PAPDE II, which includes an indicator linked to the strengthening of the AMIE (see also JC 3.2).

Recognizing the need to strengthen and revise the policy and approach to adult illiteracy, the GoE – as of 2008 - has launched three literacy programmes along the lines of the literacy Cuban programme “Yo sí puedo” which has recently been implemented by local governments in Ecuador with good results<sup>107</sup>. Strong expectations are attached to the results of the implementation of these programmes but effectively pursuing the goal set by component 4 of the PDE will require a revision of the overall approach to the Basic Education of Adults and a significant increase in the amounts invested in this area.

***The implementation of the PAPDE based on result-oriented planning, monitoring and reporting system has contributed to the further strengthening of the GoE's commitment to the implementation of the PDE (Cfr: JC 3.1, 3.2 & 3.3)***

As is often the case with SBS programmes, it is difficult to clearly identify and quantify the contribution of the programme to the merits and failures of the policy<sup>108</sup>. In this case, this difficulty is compounded by the fact that while the PDE is a ten year plan (2006-2015), the PAPDE covers only the 2008-2011 timeframe. Despite this, it is undoubted that besides the contribution – albeit limited – of the financial resources transferred by the EC to the financing of the PDE<sup>109</sup>, the EC has contributed to the further strengthening of the GoE's commitment to the implementation of the PDE. In this regard, both documentary sources and interviews indicate that the SBS modality and the PAPDE have:

- Contributed to improve the functioning of the MoE by strengthening coordination and agreement mechanisms between different operational areas (inexistent in previous administrations).
- Acted as a sort of external discipline measure given that disbursements are directly linked to the achievement of the PDE indicators included within the conditionality matrix of the PAPDE.
- Reinforced appropriation and commitment to the implementation of the reform measures and to the achievement of the objectives defined at the technical levels of the Ministry (and not only at the first line positions).
- Contributed to a good inter-institutional relation between SENPLADES (in charge of the planning aspects), the Ministry of Finances (responsible for the budget) and the Ministry of Education (sector policy). Following the implementation of the PAPDE, coordination mechanisms are now more widely accepted than they used to be in the past. As a result, improvements regarding inter-ministerial coordination systems between the MoE, the Ministry of Finance and SENPLADES and accountability modalities have been recorded, including the definition of education investment

<sup>106</sup> The objective of the programme for the period 2011-2012 is to teach how to read and write to 142,000 persons on a yearly basis.

<sup>107</sup> Implementation took place in the Provinces of Chimborazo (2008-2009), Pastaza (2008-2009) and Pichincha (2008).

<sup>108</sup> While in most cases the identification of the specific contribution of BS up to the induced outputs level is possible, this direct tracing is not possible at the levels of outcomes and impacts. This is due to the fact that effects at levels 3 to 5 (induced outputs, outcomes and impacts) are the result of a variety of factors, among which government policy measures and spending actions (which may or may not have been supported by BS), other aid programmes, civil society and private sector initiatives, as well as exogenous factors. As a result, and in the absence of the application of statistical impact evaluation tools and the full-fledged application of the 3 step methodology foreseen for the evaluation of BS programmes, it is difficult to formulate more specific hypothesis on the contribution of SBS programmes to the overall outcomes and impacts of the policy it aims to support.

<sup>109</sup> US\$ 38.6M between 2008 and 2010, which covered on average approximately 3.5% of the executed investment budget in education. See also EQ 7, and in particular Table 8, for further details on the Commission's financial contribution in relation to the national budget of Ecuador.



priorities (established jointly by the MoE and SENPLADES) and corresponding investment projects (see also JC 7.3 in EQ7).

Finally, the financing of a monitoring mechanism through Educidadanía, an initiative involving civil society institutions aimed at enhancing monitoring and control of education public policies, has complemented the active role of the EC in the provision of support to the implementation of the PDE and in the monitoring of its results.

#### 4.4 NATURAL RESOURCES MANAGEMENT

### EQ4 TO WHAT EXTENT HAS EC SUPPORT CONTRIBUTED TO IMPROVE THE SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES?

#### Introduction

Natural resources management (NRM) was selected in the 2002-2006 CSP as a focal area for cooperation, focused on pursuing the decentralization of environmental management competencies to lower tiers of the government. This challenge led to the design and funding of the *Programa de Apoyo a la Gestión Descentralizada de los Recursos Naturales en tres provincias del Norte del Ecuador* (PRODERENA) supporting the Carchi, Imbabura and Esmeraldas provinces. This project started in 2004 for six years with a budget of €17 million, with the objective of “contributing to the improvement of living conditions in Northern Ecuador through the sustainable use of natural resources and a healthier environment”. Under the following CSP for 2007-2013, NRM and “environment” were no longer identified as key intervention sectors. This left the EC’s Ecuador portfolio with just the contributions of smaller projects, which were carried out under the “environment thematic budget line”.

#### ANSWER TO EQ 4 – SUMMARY BOX

Through PRODERENA, the EC has contributed to significantly improve the management of natural resources in three Northern provinces. First, results and impacts are both numerous and significant:

- Institutional capacities have been strengthened at all levels of *Gobiernos Autonomos Descentralizados* (GADs): Parish Councils, Municipalities and Provincial Governments, with large participation of rural communities, NGOs and Universities. More than 100 people across the Province were trained to a significant degree and most are still found working in the region.
- Partnership between levels has been improved towards a *model of “networked governance”*
- Institutions have a better grasp of their role and negotiation capacities; the quality of civil and local community participation has improved.
- Regional governments are now much more technically capable to assume expanded responsibilities, managing higher budgets, and are better equipped with specific tools for NRM. Evidence for this is that Provincial environmental management has been mainstreamed into other sectors, such as the development of transport networks.
- The most successful Intervention working areas were: solid waste management; strategic planning/project management, Andean watershed management; environmental education; tropical forest management; formal transfer of environmental competencies.

#### **Second, these results and impacts are likely to be sustainable:**

- Strong ownership of the results of the project was observed during the field visit.
- Major human resources benefits were obtained through training individuals, and by diffusion of best practices, led to a significant increase in public environmental awareness.
- PRODERENA acted as a “policy laboratory” or “school for lesson-learning” by exploring ways to strengthen the decentralization of environmental management.

However some weaknesses remain, such as:

- Despite excellent technical assistance, PRODERENA did not escape the limitations of this form of

aid delivery (centralized administration with a PMU): weak integration into national institutions; limited ownership at centralized level; and a short effective execution period. However, over this period, given the MAE's considerable weaknesses and major institutional/policy reforms, the option of aid delivery through direct implementation is unlikely to have improved results and their sustainability.

- The first two years after COOTAD affected the landscape under which PRODERENA operated, in that after the 2008 Constitution, "decentralization" of environmental management functions was replaced by the "de-concentration model" and this affected PRODERENA's main objectives. The political will of the MAE and wider government to decentralize was not successfully leveraged, as environmental competencies have (in 2012) not been transferred yet. Instead, MAE has pursued a deconcentration policy, transferring responsibilities to its own regional offices.
- PRODERENA did not succeed in combating deforestation, which is a policy priority
- EC interventions in the NRM sector showed limited synergies between different financing lines.

The main characteristics of other (non programmable) budget lines on environment are:

- Thematically funded projects are individually of good quality. These are making catalytic and significant local contributions across a wide range of environment management sub-themes.
- Despite the existence of some regional projects potentially including environmental management within their justification and actions, these have had a very limited approach to environmental issues.

***EC support contributed to the strengthening of NRM capacities at decentralized levels but impact was limited at centralized level. (cfr: JC 4.1)***

Evidence shows a positive picture of the EC's contribution via PRODERENA to the strengthening of NRM capacities at both central and decentralised levels. ROM reports, Mid-Term Evaluation and Final Impact Evaluation, as well as field mission interviews allow concluding that impacts are significant and are likely to be sustained. Once the grant projects were underway in 2007, PRODERENA rapidly contributed to the improved NRM capacities of institutions and individuals at all levels, from rural communities, to Parish Councils, Municipalities, NGOs, Universities; and especially of the *Direcciones de Gestion Ambiental* (DIGA) of the three Provincial Governments. As this was the first time in the Northern Region that a development intervention had worked with GADs, PRODERENA provided decisive and innovative opportunities for policy dialogue and lesson-learning; and facilitated communication between diverse communities of development agents. The programme contributed to awareness and visibility of decentralized environmental management. Participant GADs are now more capable of carrying out their expected roles in decentralisation; and can be expected to continue to carry out sustainable environmental management policies, despite the repeated losses of human resources over each electoral cycle. Looking in more detail at the different levels of actors, the evidence gathered shows that PRODERENA contributed to strengthening capacities and skills at the level of the MAE in a number of areas:

- Improvements in the Ministry's image and reputation with GADs and at local levels;
- Development of a range of NRM methods and "models" described in guidance manuals;
- Institutional learning about participatory approaches in all the NRM areas;
- Widened thematic coverage of MAE into, for example, solid waste management;
- The significant boosting of MAE's awareness about the importance of local-level issues;
- The development and adoption of policy instruments, which – through the provision of experiences and tools for better NRM & environmental management, particularly with technical capacities, management planning, resource assessment tools and by alliance-building - in many ways was a precursor for current policy impact activities.

For the **GADs, overall**, the strong technical and financial support provided to GADs was completely novel, in that no project had worked so closely with all these levels before. This leveraged significant extra counterpart contributions from actors at local levels for NRM, enabling the first stages of real decentralized environmental management. For many GADs, the mainstreaming of significant environmental values and approaches into local plans and processes, has been successful.

At **Provincial government** level PRODERENA contributed to:



- Substantially enhanced human resource capabilities; and developed institutions such as DIGAs.
- Through sub-contracted projects, increased availability of resources; enabled testing of NRM tools; enhanced technical capacities; stimulated networks; boosted stakeholders' responsibilities;
- Improved relationships between the MAE and the three Provincial Governments;
- Improved understanding of what decentralized NRM means in terms of skills and financial requirements, including the improved understanding by senior local government decision makers of the implications of further proposals;

At **Municipal Government** level, PRODERENA led to:

- Enhanced knowledge about local and Provincial environmental problems, actors, policies and required management strategies;
- Progressive build-up of new institutions - *Unidades de Gestion Ambiental (UGAs)* - at municipal level. When PRODERENA's started many UGAs simply consisted of "one person sitting in a storeroom, with cast-off furniture, virtually no communications equipment, no vehicle and no budget, and unsolvable problems all over the municipality to deal with, while being asked to look after the municipal cemetery". From this baseline, the positive impacts have been radical;
- Much-improved physical and budgetary assignments for UGAs from local funds; ongoing dedication of human resources and technical equipment;

For **Parish Councils (*Juntas parroquiales*) and local communities** benefits came from their active participation in grant projects. Achievements included:

- Building of capital bases and human resources; socio-economic benefits from diversified livelihoods;
- Improved ability to propose and manage participatory projects and to link up with sources of support;
- Enhanced environmental awareness among local leaders, particularly youth;
- Greater awareness among communities of their rights, obligations and capabilities in NRM; and
- Prospective initial improvements in income from timber from plantations; and significantly improved quality of water resources.

On the downside, there were some negative aspects, which were mainly linked to implementation issues. Among these:

- The very short overall implementation period (effectively 4 years), combined with the pressing need during 2006 and 2007 to approve all grant projects under N+3, led to an "acceleration effect" and stretched resources too thinly, thereby limiting coordination between service contracts and grant projects and reducing the effectiveness of training.
- Limited coordination and synergies between programmes of Member States and of the Commission, which were limited to few - though strong - cooperation links (e.g. with the German support via their GESORN programme for strengthening protected areas).
- Capacity, policy and institutional development, though significant, varied considerably: (i) among regions, with the Esmeraldas Province benefiting the least, due to a more dependent relationship with the programme; and (ii) among the different technical areas, strong variations in approaches to implementation of NRM models led to significant differences in their relative impacts<sup>110</sup>.
- Reduced impact at centralised level in relation to the MAE. Benefits were greater for MAE's Provincial offices, compared with the central MAE. This was due to the fact that intended real institutional reform of the MAE (along the lines originally proposed in the institutional diagnosis of 2005) was not possible, due to instability and resistance, as well as the overall immaturity of the decentralization process. Strengthening of the MAE was greater in physical provision of equipment and training, and more limited in strengthened NRM policies and approaches.
- While the MAE played a strong role participating in project-led processes as the primary executor, the set-up of a parallel Project Management Unit (PMU) led to a lower level of ownership, compared with potential outcomes under other aid delivery methods. Due to this "*islas de poder*"

<sup>110</sup> Combined findings from the desk and field phase lead to conclude that sectoral impact can be rated as: outstanding for solid waste management, strategic planning and project management, and Andean watershed management. Impacts were somewhat less in the areas of environmental education; sustainable production; agro-economic improvement, and tropical forest management. A third level of poor progress encompasses protected areas, sanitation, and coastal resource management.

phenomenon, the project ended up as being “*de entrada y salida*”. This has been the MAE’s greatest concern. With hindsight, the MAE would have designed and implemented PRODERENA “much more tightly”. However, the MAE’s ongoing resource and capacity limitations are significant, and PRODERENA’s results in the field would quite likely have been much reduced, if the PMU had been managed directly by the MAE. Evidence of this can be seen in the limited ability and/or willingness of the MAE to work jointly with local actors to build skills and policies for passing competencies for Environmental Impact Assessment; and thus limited application of the terms of the Law on Regional Autonomy and Territorial Decentralization (COOTAD<sup>111</sup>).

***EC supported the definition of competencies set out in COOTAD but, due to exogenous constraints, was less successful in improving water availability and combating deforestation, which are other policy priorities (cfr: JC 4.2)***

The relevance of the programme’s outputs was high throughout PRODERENA’s lifespan, and this continues to be so in today’s policy context, following the increased attention given to environmental issues after the approval of the Constitution, which treats the environment as integral to national development. PRODERENA’s implementation covered two distinct political periods, i.e. before and after the approval of the 2008 Constitution and of COOTAD in 2010. During the pre-2008 period, PRODERENA was effectively functioning as a test arena for modelling “open decentralization” in which GADs piloted taking on responsibilities, with outside support. PRODERENA acted as a policy laboratory for lesson-learning by exploring ways to decentralize environmental management. This led to a learning process for all parties, whereby the programme stimulated internal debate on the role of the MAE within a decentralisation context aimed at transferring competencies to the right level. The MAE, in turn, appears to have transmitted these lessons towards the legislative process, which is likely to have contributed to the definition of competencies set out in COOTAD. However, during the implementation of PRODERENA, the MAE turned out tacitly preferring a de-concentration of competencies towards its own regional offices rather than a decentralization process benefiting the GADs. In 2011, discussion is now about “sub-systems” that decentralise in a controlled manner, in which the MAE continues to see itself as the “lead actor”. At the same time, some Municipalities that initially saw decentralisation as an option to *capture* resources, later realised that assumption of competencies also implied *supplying* resources and being accountable, leading some Municipalities to avoid the development of full *Unidades de Gestión Ambiental* (UGAs). Evidence for this is that legal transfer of competencies from MAE to GADs has been extremely limited, as shown by the extremely limited number of cases in which DIGAs have assumed competencies for Environmental Impact Assessments (EIAs). So, while the MAE has improved its relations with GADS, has increased its capacity to negotiate NRM policies and is better able to monitor their implementation, the major problem is now the lack of “accreditation” of GADs. Tensions may arise as the timeframe specified in COOTAD for passing competencies to GADs are reached. Further problems are linked to the fact that, in the current de-concentration model and political climate, non-state actors are not being invited to take on significant roles improving environmental management (e.g. co-management of protected areas with MAE).

The Final Impact Evaluation (FIE) shows substantial concern about the policy relevance of some specific elements of the Programme. When comparing NRM and environmental policies of the National Development Plan (SENPLADES, 2007) with the programme’s results, the FIE concluded that conceptual and technical limitations in ‘integrated management’ of natural resources have resulted in different components not being adequately articulated and coordinated. Full integration of available management interventions was not achieved in many areas; instead, shorter-term and more partial elements were implemented<sup>112</sup>. However, while limitations in terms of an excessively narrow focus do apply to the work carried out in the areas of Coastal Zone Management and tropical

<sup>111</sup> The *Código Orgánico de Ordenamiento Territorial, Autonomía y Descentralización*, approved in Sept. 2010, specifies timetables for progressive decentralisation. This entails the transfer of competencies and resources to the GADs. However, “deconcentration” transfers these to local agencies of the same Ministry.

<sup>112</sup> For example, in coastal zones, little was achieved beyond reforestation of mangroves, thereby significantly limiting the policy relevance in terms of lessons-learned of this sub-sectoral intervention.

forest management, the models developed in other areas show good practice, such as in Andean watersheds and solid waste management.

With reference to the water resources sector, the contribution of the EC's support has been affected principally by the Government's promotion of a controversial national Water Law entailing considerable confrontation between government and civil society during 2008 and 2009. As a result, while the local impacts of the watershed sub-programme are positive (e.g. greater availability and quality of water supplies at least in parts of Imbabura Province), the lack of an approved Water Law that stimulates Integrated Watershed Management is significantly holding back the Provinces' efforts to manage critical watershed issues, such as adaptation to climate change and disaster risk reduction. Establishing the watershed management competencies assigned by COOTAD to DIGAs<sup>113</sup>, UGAs and local councils has been stifled. No "*Consejos de Cuenca*" are yet in operation, and those that were operating have been disbanded.

Support given via PRODERENA to reforestation, sustainable agriculture and eco-development practices is unlikely to have greatly reduced deforestation rates. This finding is primarily linked to the relatively low level of priority given to forestry and protected area issues at local level. Funds and efforts were directed to localities where local groups prepared the best proposals, rather than to those areas where deforestation was proceeding at faster rates. Despite the establishment of synergies between PRODERENA and the GoE's Socio Bosque programme, with PRODERENA piloting the use of economic incentives for reduced deforestation and forest plantations, little was achieved in terms of improved MAE capacities for forest management, harvesting and control. No efforts were made by PRODERENA to establish a forest cover and land-use baseline, which hinders any assessment of deforestation rates. This assessment finds no significant contribution by PRODERENA to SENPLADES' Objective 4.1.3 of reducing the rate of deforestation by 30% by 2013.

Integration of environmental concerns in Provincial and local policies and plans has been made effective by involving many DIGAs, UGAs, parish councils and NGOs in implementing NRM projects. These enabled joint activities that addressed environmental management challenges on all scales from provincial, municipal to parish level. PRODERENA has energized discussions about what was needed for decentralization to work, leading to the re-assessment of models of management and accountability. PRODERENA promoted alliances with local governments and the creation of new organisational entities by strengthening associations. It has generated consultative spaces for the design and planning of prioritized environmental actions by dialogue, articulation of demands, maximizing local contributions and by emphasizing the responsibilities of GADs in NRM.

Overall, we find that PRODERENA laid groundwork for "networked governance" whereby GADs and civil society are increasingly linked through a range of cooperative partnerships, computer-based flows, articulated relationships and stronger joint social governance. An example of this is the *Mancomunidad de la Region Norte*, now under formation. Within this, the GADS and communities are prioritizing socio-environmental issues, applying their new alliances and better negotiating skills; improving their abilities to design projects; and gaining further capacities to manage projects.

***EC interventions in the NRM sector show limited synergies between different financing lines (bilateral, sub-regional and thematic). Except for the mining sector, the EC has been active in the main challenges faced by Ecuador on environmental issues: preservation of the Amazon basin and climate change (cfr: JC 4.3)***

Under the 2007-2013 period, "Environment" is still viewed as a significant area of concern, addressed through a large thematic programme: the Environment Natural Resource Thematic Programme (ENRTP). The CSP advocates the adoption of a cross-cutting approach to environmental issues. This said, the evaluation failed to find significant cases of explicitly converging objectives between the different EC financing lines. Synergies were limited between: (i) Interventions financed through the current CSP; (ii) national and regional (sub-regional) interventions; and (iii) PRODERENA and interventions financed through the ENV thematic budget line.

<sup>113</sup> Direcciones Provinciales de Gestión Ambiental

While no contradictions were noted between PRODERENA and programmes in these domains, the overall complementarity and synergies between DCI-ENV thematic projects and PRODERENA have been unsatisfactorily low. This is disappointing given the large geographical area, large thematic overlap with DCI-ENV, and the long period over which PRODERENA operated. The major exception is the case of Solid Waste Management, with strong linkages between PRODERENA's results in solid waste management and the set of projects funded under the thematic line (currently 11 initiatives). This good work done by PRODERENA and by the ongoing portfolio of thematically funded projects is having a robust joint impact on the MAE and on other GADs across Ecuador. This includes incipient use of Waste Management manuals and booklets that describe PRODERENA's achievements and methods. Further work through EUD-hosted national workshops on waste management in 2012 is building towards significant levels of impact.

For the current portfolio of thematic projects, converging objectives require open and agile communication mechanisms that are, however, still somewhat vertical between the Delegation and the coordinators of the projects in the thematic line. The relationship largely focuses on the provision of information by the EUD to projects about rules, procedures and similar operational information. While there are some opportunities for technical exchange between thematically-funded projects, this is not given a high priority in EUD meetings.

Despite potential for horizontal linkages within the current CSP, there were no significant synergies between PRODERENA and programmes in other sectors supported bilaterally. The other CSP programmes simply paid virtually no attention to PRODERENA, and vice-versa. There are several reasons for missed synergies: (i) Insular project management teams whose vision just focused on their own programme's objectives; (ii) A culture of disregarding "off-field" opportunities; (iii) The lack of a specific Delegation NRM/environment strategy under CSP 2007-2013, which would have required the EUD to actively promote exchanges between projects and to develop joint actions.

On the relations between the main environmental challenges faced by Ecuador (mining, Amazon basin preservation and climate change) and the EC cooperation, the following can be stressed:

- Mining: While some key staff are experts in the subject, the EUD has no policies or programmes on mining, except that of receiving and analysing information from experts.
- Amazon: Actions on Amazon conservation are limited to those carried out under the various tropical forest projects via the thematic budget line<sup>114</sup>. The EUD held an important policy dialogue with Ecuadorean institutions, after the launch of the Yasuni proposal<sup>115</sup> in 2007. However, this has lost some credibility. The international donor community also shows reduced interest in the proposal.
- Climate change: The EUD has supported a significant set of thematic funded projects both in mitigation (REDD+) and in adaptation. Relations are active with the "*Subsecretaría de Cambio Climático*" of the MAE and with the UNDP/MAE project "Adaptation to Climate Change through Effective Water Governance in Ecuador".

***Environmental concerns are mainstreamed in non-specific interventions at the bilateral level (cfr: JC 4.4)***

Environmental mainstreaming has not been vigorously pursued. Given the fact that none of the other bilateral projects is in environmentally-related intervention sectors, we find that the subject is treated "sufficiently". For three (EXPO-ECUADOR, PASES & PROLOCAL) of the four non-specific interventions analysed, project documents mention environmental concerns. In all cases the usual sub-project approval criterion applies as a safeguard: i.e. sub-projects that could be damaging to the

<sup>114</sup> See for example the project "Red comunitaria e institucional para la conservación del Bosque Tropical Amazónico de la zona fronteriza Ecuador - Perú", which lasted from 2005 to 2009.

<sup>115</sup> The Yasuni proposal consists in the selling of Ecuadorian state bonds on the international market up to half of the value the state could extract from the exploitation of the Yasuni reserve. These bonds would guarantee hydrocarbons discovered in this natural reserve would stay in the ground.

environment are excluded from financing. EXPO-ECUADOR seeks the application of food safety concerns, requiring proper use of production inputs that avoid food contamination. PASES takes the environment into account following the priority given to NRM in the *Plan Nacional de Desarrollo*. PROLOCAL promotes environmental management by stimulating ecologically-sound development. Evidence shows that environmental issues are mainstreamed as far as is required for these types of interventions. Likewise, complementarity and synergies between sub-regional interventions and PRODERENA has been low, as would be expected between sub-regional programmes and a sub-national programme.

***Sustained benefits from EC support appears to be likely after external support comes to an end (cfr JC 4.5)***

Evidence shows good prospects for sustained impact of the results of the most successful components, especially solid waste management and Andean basins. PRODERENA's wider benefits were also estimated to be very good overall, with specific PRODERENA management "models" being taken up by the MAE. The MAE has learnt significant lessons from PRODERENA and is applying these to decentralized environmental management in other Provinces. PRODERENA's limited strategic focus in the various NRM thematic areas is being progressively overcome by the MAE.

Substantial efforts were made to ensure sustainability through approaches such as the publication of technical documents that were promoted through a successful set of workshops held across the northern region. However, time and money limitations have prevented national dissemination of PRODERENA's lessons through workshops and distribution of manuals to other provinces. Systematization and dissemination should have been managed at an earlier stage of the programme, with dedicated staff and greater volumes of resources.

Over the next few years, higher sustainability is expected in those actions that respond most closely to local communities' livelihood needs, as these most strongly influence the priorities of GADs. For example, given the raised awareness of GADs and communities about water resources and the need for watershed management systems, it is highly likely that impacts in improved water resource quantity and quality will persist. However, this will require the resolution of the bottleneck in approving an agreed national Water Law, and the rollout of ambitious watershed management programmes.

MAE and phase-out. At all stages of the overall programme and in the grant projects, considerable thought was given by PRODERENA's stakeholders to sustainability concerns. Project closure was reasonably orderly and was consistent with the good quality of project management through the project's lifespan. However, full phase-out was still hampered (as of late 2011) by unresolved accounts and counter-claims between the MAE and the EUD. While there is positive institutional memory in the MAE of PRODERENA, MAE's perception of the programme PMU as an "Island Unit" is still held today. During the programme's life this led to relatively low ownership by the MAE, and has meant that lessons were not optimally incorporated into the MAE's institutional planning and approaches. One aspect of this is that the recommendations of the Final Impact Report have not been systematically followed up, leading to lost opportunities for ensuring sustainability.

GADs. PRODERENA trained staff, management units, and capacity-strengthening measures continue to manage and influence Municipal and Provincial NRM policies. A major legacy of PRODERENA is the large amount of information on environmental management that was generated, with much environmental and NRM information still being analyzed and used. On the other hand, some concerns remain and are linked to the ongoing vulnerability in GADs to theft and shifts away from intended uses of the human and physical resources; and to the uncertainty of transfers of resources from the central government – once budgetary allocations are confirmed – to enable GADs to effectively work on NRM issues.

Provincial Governments. A key aspect of sustainability is the generation of planning capacities across the GADs. Indicators are that Provinces and Municipalities have much larger environmentally-related budgets, vehicles, and more staff with relevant skills. For Municipalities, many UGA staff are still being selected on the basis of their abilities, not politics. With the UGA in place as a valued institution,



focused on achieving long-term planned results, staff trained under PRODERENA are still highly sought after, due to their advanced sets of skill: *“Debidamente formadas, son las personas que dan continuidad a las avances de las instituciones”*<sup>116</sup>.

Parishes and communities. As noted above, participation levels of, and benefits received by, key local stakeholders – Parishes, CBOs<sup>117</sup>, NGOs, universities, consultants – were good in most of the supported projects. Parish Councils and communities continue to apply good practices in participatory NRM and are now aware of their roles when interacting with new sources of support, and the environmental education provided through PRODERENA continues to make people think in a “joined-up way” about their relationships to the environment and join forces to protect it, thereby ensuring that benefits can be reaped in the longer term.

#### 4.5 HEALTH

##### EQ. 5: TO WHAT EXTENT HAS EC SUPPORT CONTRIBUTED TO IMPROVE EQUITABLE ACCESS TO QUALITY HEALTH SERVICES?

###### Introduction:

Support to the health sector was a key component of the EC cooperation strategy with Ecuador in the first programming period (2002-2006). At implementation level, the support provided took the form of the *“Programa de Apoyo al Sector Salud de Ecuador”* - PASSE, a €28 M programme implemented in the period 2005-2009, with the overall aim of supporting the decentralization of the health system and of contributing to the improvement of equality, coverage, quality and efficiency of health and basic sanitation services in three provinces of *Sierra central (Bolívar, Chimborazo and Cotopaxi regions)*. More specifically, the PASSE was designed with the objective of i) developing national capacities to increase the access to health services of better quality; ii) supporting the process of transforming the health sector and iii) building a Model of Comprehensive and Intercultural Care based on Health Promotion, Disease Prevention and Primary Healthcare.

It is important to note that the presidential election of 2006 marked a substantial change in the decentralization process supported through PASSE in the health sector until 2007. The Constitution of the Republic of Ecuador adopted in 2008 (art. 261), specifies that the central government will have exclusive jurisdiction over the health public policies. The competencies of the local governments were defined in the Code of Territorial Organization, Autonomy and Decentralization (COOTAD) adopted in 2010, which explicit the exclusive competencies of the municipalities in the health sector that are restricted to the planning, building and maintaining the physical infrastructure. In conclusion, according to the Constitution, the competencies of the definition of the health public policies cannot be decentralized in the local governments.

###### Answer to EQ 5 – Summary box

EC support to the Public health strategy has been effective and responsive to the evolution in national priorities and needs. Throughout the conception and implementation of the PASSE, the EC has accompanied the public healthcare reform, mainly in its decentralisation policy, confirming the programme's relevance and its integration within the new policy framework adopted by the government.

Efforts put in place through the PASSE and aiming at strengthening institutional capacities have enabled the accomplishment of notable results. This is particularly true at centralised/ministerial level, whereas at decentralised level, specifically with the Provincial Health Directorates, results were more limited.

Looking at coverage, quality and equity of health and sanitation services, important progress has

<sup>116</sup> “People who are making institutions progress have been adequately trained”

<sup>117</sup> Community Based Organisations

been recorded during the last years, including preliminary steps towards the integration of traditional and alternative medicine within the Primary Healthcare formal system. Though these achievements can only be partly attributed to PASSE (which for example has achieved all its goals in terms of physical execution), it is expected that benefits of EC support will be sustained in the longer term. The increasing importance attached by the Government to the Health sector, the assumption of full ownership by the Ministry of Health (MSP) of the PASSE and the leading role of the MSP in the implementation of the Health sector reform and in the execution of the Model of Integral and Intercultural Healthcare (MAIS) are all elements that point to the sustainability of the Project's achievements

***EC public health support strategy reflected the evolution of national priorities and needs (cfr: JC 5.1)***

Through the conception and implementation of the PASSE, the EC has accompanied the public healthcare reform, mainly in its deconcentration policy. The first phase of implementation of the PASSE was marked by the approval, in 2002, of the Comprehensive Law on the National Healthcare System "*Ley Organica del Sistema Nacional de Salud*" (LOSNS)<sup>118</sup>. The new legislation set the basis to establish the key principles for the organisation and functioning of an improved and more effective healthcare system across the country. Deconcentration constituted the key approach to execute the Comprehensive Health Plan "*Plan Integral de Salud*"<sup>119</sup>. The LOSNS foresaw the creation of three new institutions at three different levels: the Health National Council "*Consejo Nacional de Salud*" (CONASA) at national level, the Provincial health Council "*Consejos Provinciales de Salud*" (CPS) at provincial level and the Municipal Health Council "*Consejos Cantonales de Salud*" (CCS) at cantonal level. The responsibility of formulating a Comprehensive Health Plan and of identifying measures for its implementation fell upon the CONASA and the Ministry of Public Health "*Ministerio de Salud Publica*" (MSP).

With a view to responding to existing policies and needs in key policy areas, the design of the PASSE placed strong emphasis on the strengthening of the health service network, the improvement of water and basic sanitation services and the strengthening of community organisation and participation in health issues, in line with the LOSNS principles (I-5.1.2). More specifically, one of the five components of PASSE aimed at supporting and strengthening healthcare institutions at cantonal and provincial levels, as well as at strengthening existing capacities at national level to implement the Comprehensive Health Plan.

Following the approval of the 2002-2006 CSP and during the implementation of the PASSE, national policies and priorities further evolved. Current national priorities are set in the Constitution of Ecuador of 2008, which establishes access to health services as a right and sets a transitory measure determining the increase in the public expenditure in this area. The "Plan Nacional del Buen Vivir" (PNBV) of 2009 details the specific objectives to be pursued within the health sector with a view to improving the living conditions of the population, and sets out eight policy components for the health sector (see I-5.1.1).

Changes in policy at national level gave rise to changes in the implementation of the PASSE. Indeed, while the first phase of the programme was marked by political instability affecting the performance of the Ministry of Health (MSP) as well as the implementation of the "*Ley Organica del Sistema Nacional de Salud*", in the second phase (2007-2010), the change in government marked a

<sup>118</sup>Ley No. 80. RO/ 670 de 25 de Septiembre del 2002.

<sup>119</sup> A real decentralisation policy in the health sector will be conducted only from 2012 onward. The Municipalities will hold the responsibility of infrastructure construction and equipment. Central government maintains definition of policies and coordination with decentralized levels (Gobiernos Autónomos Descentralizados or GADs) in planning, construction and maintenance. Transfer of competencies as well as financial resources is organized through article 154 of the Código Orgánico de Organización Territorial Autonomía y Descentralización (COOTAD). This law on territorial organisation and decentralisation was approved by Parliament in 2010.

Decentralisation is transfer of competencies and resources to the GADs. Deconcentration is simply the transfer of competencies (and resources) to local agencies of the same Ministry of health or education. The same applies to the Ministry of Environment (ME).



substantial shift towards a new approach to Public Health policy and the implementation of a healthcare reform as of 2007. In this regard, it is worth noting that although the PASSE was formulated prior to the start of the health reform in 2007<sup>120</sup>, it was designed in a fairly flexible manner that allowed it to respond to the progressive evolutions of the policy of the sector.

The newly defined policy addressed the health sector by emphasising preventive care, supporting community involvement and encouraging traditional medicine. In this second phase, the MSP assumed the leadership of PASSE and decided to use the Programme as an effective tool to support the Model of Comprehensive Healthcare "*Modelo de Atención Integral e Intercultural*" (MAIS) in Bolivar, Chimborazo and Cotopaxi regions.

At the same time, increased institutional stability (the same Minister of Health remained in office until the end of the programme) gave continuity to the MSP leadership and by extension to the PASSE<sup>121</sup>, thereby increasing the dynamism of the programme and assuring greater flow of resources to beneficiaries<sup>122</sup>.

As underlined in the final evaluation, the EC support to the Public health strategy has been very effective and responsive to the evolution in national priorities and needs as evidenced also by the support provided to the Ministry of Health in the definition of new policies and specifically the design of MAIS "*Modelo de Atención integral de Salud*" in 2008. Indeed, in December 2007, an addendum to the Financing Agreement was signed in order to support Local Initiatives to provide useful insights to MAIS design and, later, to contract a technical cooperation team to finalise its design (see I.5.1.3).

Overall, this confirms the relevance of the PASSE and its integration within the new policy framework adopted by the government. This said, delays in the execution of the PASSE, due to the lack of absorption capacity in the sector combined with the limited human resources available, restricted the participation of the EC in the support of new initiatives under the CSP 2007-2013 in line with the new government strategies<sup>123</sup>. As a result, no reference to the support to the health sector is made in the Mid Term Review of the CSP 2011-2013. PASSE still has not been officially closed as a number of administrative acts still need to be finalised and recorded (e.g. final reception of infrastructure).

***EC support has contributed to the strengthening of health-related capacities at decentralized and in particular at centralised / ministerial level (Cfr: JC .5.2)***

One of the key focus areas of the PASSE was linked to the strengthening of the institutional capacities of the national and local actors. Efforts put in place have enabled the achievement of notable results. This is particularly true at centralised/ministerial level, whereas at decentralised level, specifically with the Provincial Health Directorates "*Departamentos Provinciales de Salud*" (DPS), results were more limited (see I.5.2.3). The strengthening of the Ministry of Public Health "*Ministerio de Salud Publica*" (MSP) is also evidenced by the fact that, as of 2007, the MSP has assumed a leading and dynamic role in the implementation of the PASSE and more broadly of the Health reform sector and execution of "*Modelo de atención de salud integral*" (MAIS).

Several guidelines of the PASSE have been adopted, modified and amplified by the MSP in its implementation of the Primary Healthcare (APS). Under the lead of the MSP and with the support of the PASSE: i) 840 public civil servants have been trained to the first and second level of care following the MAIS standard (training that is being extended by the MSP to several other provinces of

<sup>120</sup> The Health system reform encompasses the following aspects: a) definition of the role of the State in the Health, b) formulation of a health national policies framework, c) modernization of the Public Health Ministry (MSP), d) decentralization, e) reform of the Social Security Law.

<sup>121</sup> Refer to PASSE Final Evaluation 2010, page 12

<sup>122</sup> Refer to PASSE Mid-term review(2008), page18

<sup>123</sup> Indeed, the most negative aspect of the PASSE has been its short time duration of the execution (3 years real of execution instead of the 5 years defined by the Financial Convention). This situation caused: a) an overload of the activities that stood in the way of an appropriate follow-up and a clean implementation in the time, b) a short time to make adequate tender processes and the lack of control upon the water and sanitation works, c) premature closing of the PASSE Provincial Offices that made difficult the separation with the PASSE and the transfer to the assets of the Project to the Provinces in the best conditions.

the country); ii) a total of 3,000 persons among executives, technical staff and community staff received training in the new directives of the Primary Healthcare with lasting effects (trained people are still in place); and iii) training has been provided to public servants, health auxiliaries, midwives and promoters in the family and community health model with the participation and under the coordination of the Provincial Health Directorates (DPS) of the three targeted provinces (Bolívar, Cotopaxi, Chimborazo).

PASSE has also significantly contributed to the integration of traditional and alternative medicine within the Primary Healthcare (*"Atención Primaria en Salud"*) formal system, particularly through the diagnostic of traditional, indigenous and alternative medical practices as well as training of the traditional practitioners, midwives and other alternative agents (see I.5.2.5).

Although the evaluation reports point out to lack of consultative processes with key beneficiaries and actors, above all at decentralised level during the identification phase, the PASSE has played a significant role in supporting the establishment of the three *"Consejos Provinciales de Salud"* for the Bolívar, Cotopaxi and Chimborazo provinces, and of 24 *Consejos Cantonales de Salud*, one for each of the 24 cantons as foreseen by the LOSNS. Moreover, the PASSE supported each council in the elaboration of a Local Health Plan *"Plan de Acción de Salud Local"* (PASL) through training, workshops, exchange of experience. Despite these significant achievements, results at decentralised level have been more limited. The PASSE final evaluation points out that there was limited evidence of effective execution of the Local Health Plans<sup>124</sup> (see I.5.2.1 & I.5.2.4) and that neither the DPS nor the Health operating Units *"Unidades Operativas de Salud"* (UO) applied the new System of Budget and Financial Management *"Sistema de Gestión Presupuestaria y Financiera"* (SGPF) thereby raising issues linked to sustainability<sup>125</sup> (see I.5.2.2).

At the end of the programme, the participation of communities in the health sector was still limited, primarily because of the limited timeframe of the project that hindered stronger inclusion and ownership of local communities (see I.5.2.2 & I.5.2.3).

***EC support in the health sector has partially contributed to the attainment of better equity, coverage and quality of health and sanitation services, as foreseen by the public healthcare reforms' over the period (Reforma del Sector Salud & Modelo de Atención Integral e Intercultural) (Cfr: JC.5.3 & JC.5.4)***

When the PASSE was designed, the health and sanitation situation in the three provinces of Cotopaxi, Chimborazo and Bolívar was critical. The majority of the population did not have access to basic health services due to an extremely disarticulated institutional offer leading to severe flaws in the quality and coverage of services provided. 25% of the population of the three provinces included in the PASSE was not attended by any institution and 70% had no health insurance, according to the 2007 information.

In this framework, EC support has directly contributed to the increased coverage of health services, to the sustained increase of human resources (generalists, paediatricians and country doctors) and to their increased capacities and skills<sup>126</sup>. Additionally, there was an incipient effort in the establishment of new health centres (mainly those related to primary health attention, such as *"Puestos y Centros de salud"*, see I.5.3.2) as well as water and sanitation infrastructure.

<sup>124</sup> "En la mayoría de casos (66%: 2 de 3) las entrevistas reflejan que los PASL no están en ejecución." (PASSE Final Evaluation, (2010) page 95.)

<sup>125</sup> In the POA 2006 of PASSE, two activities were envisaged in order to implement within the MSP and DPSS, the new system for budget and financial management. At ministerial level, a technical assistance was contracted and the consultants conducted the diagnostic of the budget and financial management of the Ministry of Health. They elaborated the ToR for the Design and Test of Budget and Financial Management system for the MSP and the three DPSS. Two calls for tender were launched, but given that no offer was received, the application of SGPF could not be carried out.

<sup>126</sup> Based on INEC statistics, the number of paediatricians and gynaecologists has increased on average by 7% between 2003 and 2009.

The goals related to the physical execution of the PASSE have been reached. Based on the final evaluation report, more than 247 infrastructural works have been financed, leading to 122 new or improved health infrastructures, 123 water and sanitation structures, and 2 waste management systems. As a result, 5.3% of the three provinces' population received Wat&San benefits, although 8.4% are still being excluded<sup>127</sup> (see I.5.3.5). Increased coverage is also visible when looking at the positive trends in the evolution of the indicators of drinking water systems nationwide, which show that between 2006 and 2009 there has been a gradual increase in the coverage of basic infrastructure. Indeed, coverage of piped water from public networks increased from 27% in 2006 to 73% in 2009 (see I-5.3.5).

Nevertheless, although important improvements were made during the last years, some of which can be attributed directly or indirectly to PASSE, there are still challenges to face when it comes to guaranteeing the provision and access to sanitary infrastructure, particularly in rural areas where access to the public network of water provision is almost half that of urban areas (see I.5.3.4).

Finally, when looking at equity, it is worth recalling that the programme's intervention strategy, both initially and following changes in what was defined by the Mid-term review as the second phase, focused strongly on health promotion and prevention based on community participation. It was expected that this, in conjunction with the adoption of an integrated and intercultural approach, would have allowed targeting the population with lower income and lower access to health services. In this respect, the coordination of programme activities was well articulated and the inclusion of local actors helped overcome problems and promoted health in a traditional context, linked to the Andean culture. These actions enabled strengthening the linkage and complementarities with conventional /occidental medicine as part of the intercultural aspect of the community. The Final Evaluation confirms the existence of these initiatives and points out that although there seems to be no real integration but rather a rapprochement between the two practices, significant progress has been made in recognising the value of traditional medicine<sup>128</sup>.

#### ***Sustained benefits from EC support are very likely to remain over time (Cfr: JC .5.5)***

Key elements of the strategy implemented by the PASSE are based on the strengthening of capabilities of actors in the health system, both at national and local level. This capacity building process, together with the decision to embed the programme within the Ministry of Public Health (MSP), is expected to enable institutional capabilities to remain over time. In addition, several studies and analyses undertaken in the framework of the technical assistance have been taken into account in the policy and guidelines of intervention of the MSP. Among them: a) the MAIS model, b) a listing of basic medicines by the sanitation certification system, c) a study on the costs system that has been used to start the analysis work about the care logic and the cost/benefit model. The PASSE Project also promoted the reference and contra reference system in coordination with the Intercultural Health department of the MPS, the DPS ("*Departamento Provincial de Salud*") and community leaders. The system aimed to the care of the population at the first level of reference and to promote the traceability of the attended population. Even though the reference circuit produced good results, the contra reference presented failures due to insufficiencies in the information system in the relation between hospitals and operational units (district or cantonal). The increasing importance attached by the Government to the Health sector, the assumption of full ownership by the MSP of the PASSE and the leading role of the MSP in the implementation of the Health sector reform and in the execution of the MAIS are all elements that point to the sustainability of the Project's achievements (see JC 5.2).

<sup>127</sup> PASSE, Final Evaluation, page 67.

<sup>128</sup> Based on the interviews conducted during the final evaluation of PASSE, only 14% of the operating units visited gave some type of attention to intercultural adaptation. Sources: Evaluación de Medio término del Programa de Apoyo al sector Salud en Ecuador- PASSE", (Nov. 2008) & Evaluación Final del Programa de Apoyo al sector Salud en Ecuador- PASSE", (Sept. 2010).

More specifically, because of the efforts deployed by the Government to enhance expenditure levels in health services, in line with the Constitution's transitory measure that establishes a goal of at least 4% of GDP expenditure in the health sector<sup>129</sup>:

- the total amount of expenditure in the health sector grew by more than 150% in the last five years; and
- expenditure in the health sector as a proportion of the National Budget (*"Presupuesto General del Estado"*) has reached 5.6% in the first half of 2010, while it was of 3.6% in 2007/2008<sup>130</sup> (see I-5.5.3).

#### 4.6 INSTRUMENTS & AID MODALITIES

##### EQ. 6 TO WHAT EXTENT HAS THE EC ENSURED AN APPROPRIATE MIX OF INSTRUMENTS (GEOGRAPHIC AND THEMATIC) AND AID DELIVERY METHODS TO ACHIEVE ITS OBJECTIVES?

###### Introduction:

This question focuses on the link between the choice of financing instruments and implementation mechanisms, and their appropriateness as regards: i) the outputs, results and expected impacts of the intervention, and ii) the specific policy, institutional, and human resource capacity context within which the intervention will take place. In doing so, the question also looks at the internal coherence of Commission supported interventions (both under the CSPs/RSPs and under the thematic budget lines) and in particular whether the objectives pursued have been articulated so as to maximise their contribution to overall objectives.

###### Answer to EQ 6 – Summary box

Throughout the evaluation period, the EC has used a wide variety of aid modalities and instruments, including: (i) contribution agreement with international organisations (PROLOCAL), (ii) sector budget support combined with technical assistance resources and other non financial inputs, (iii) project approach.

The choice and mix of aid modalities observed has significantly evolved during the 2003-2010 period and was strongly linked to the context within which the interventions took place. Overall implementation mechanisms were found to respond to the programmes' objectives and needs of national counterparts, foreseeing where relevant technical assistance and capacity building components would be necessary.

The shift towards budget support during the 2007-2010 period, made possible by the formulation of sectoral policies, allowed to further strengthen ownership and alignment to national priorities and systems and to overcome limitations encountered during the implementation of earlier interventions, which followed the project approach (delayed start-up, over-estimation of absorption capacities and institutional constraints).

Improvements have also been registered as regards convergence and synergies among the various types of interventions implemented throughout the period. During the first period, despite the existence of converging objectives between some programmes, overall coherence and synergies remained low both when looking at the three levels of interventions (national, regional and sub-regional) and when looking at bilateral interventions and projects financed under the thematic budget lines. On the one hand, the formulation and implementation of national, regional and sub-

<sup>129</sup> Constitución Política de Ecuador 2008, Disposiciones transitorias: *El Presupuesto General del Estado destinado al financiamiento del Sistema Nacional de Salud, se incrementará cada año en un porcentaje no inferior al 0,5% del PIB, hasta alcanzar al menos el 4%*.

<sup>130</sup> It has to be noted, however, that the high levels of expenditure in 2010 were sustained by a high proportion of external funds. *Source: Ministerio de Finanzas*

regional programmes have not been leveraged to develop complementarities and synergies at the three levels although some linkages on the ground have been witnessed. On the other hand, while EC priorities as defined in the country strategy papers were de facto complemented through the use of Thematic Budget lines, complementarities and synergies were not actively sought during the design of interventions leading to the implementation of projects, which often ran in parallel to each other.

Efforts to strengthen coordination in the areas of education and the growing involvement of the EU Delegation in the follow-up of horizontal thematic programmes are leading to improvements. The active participation of the EUD and the GoE in the identification and formulation of key areas of intervention in the second phase of EURO-social and the improved technical knowledge and activities undertaken by the EUD (e.g. local and centralized call for proposals under different thematic instruments) are testimony to this.

***The observed mix of aid modalities used was highly influenced by the overall context within which the interventions were to take place (cfr: JC 6.1)***

In terms of financing instruments, the geographical instruments ALA<sup>131</sup> and DCI-ALA<sup>132</sup> have absorbed approximately 70% (i.e. € 156.2 M) of total EC allocations to Ecuador during the 2002-2010 period. The remaining 30% (€ 65.7 M) has been allocated through the thematic budget lines with the Non State Actors related-budget lines, including ONG PVD and DCI-NSAPVD, absorbing approximately 10% of total EC allocated funds (€23M).

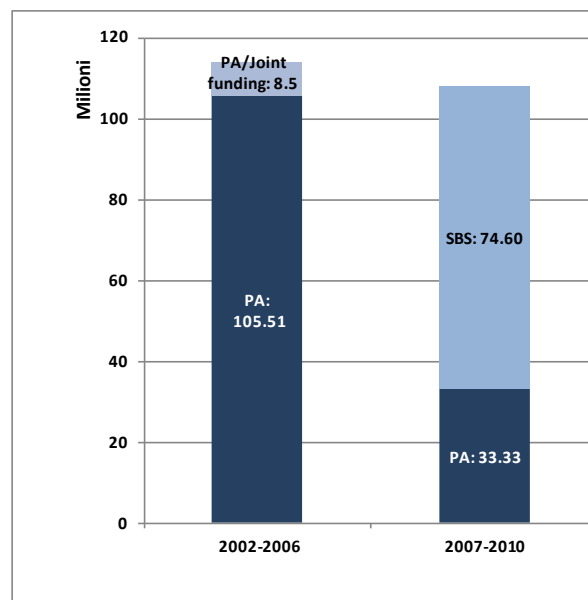
Throughout the period analysed, the choice of aid modalities and the observed mix of modalities were strongly linked to the context within which the interventions were to take place.

As a result, a variety of aid modalities was used throughout the total period. Overall the 2002-2010 period is characterised by:

- a marked preference for the project approach during the 2002-2006 period, which absorbed the great majority of allocated funds (€139M or 62% of funds);
- a significant shift towards the use of sector budget support (SBS), which absorbed one third of total allocations over the 2002-2010 period but almost 70% of allocations between 2007 and 2010.

Despite the Commission's explicit preference for the use of budget support wherever possible, most interventions financed under the ALA regulation between 2002 and 2006 were implemented through a project approach with a well-defined geographical scope focusing on specific disadvantaged areas<sup>133</sup>. Political instability, poor governance and limited capacity of Ecuadorean institutions to design and implement national development programmes prevented the EC from

**FIGURE 11: EC ALLOCATED FUNDS BY AID MODALITIES AND PROGRAMMING PERIOD (2003-2010), M€**



Legend: PA = Project Approach; SBS = Sector Budget Support  
Source: Own elaboration based on CRIS data

<sup>131</sup> Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America.

<sup>132</sup> Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation.

<sup>133</sup> For example PRODERENA in Imbabura, Carchi and Esmeraldas, PASSE in Bolívar, Chimborazo and Cotopaxi.



shifting towards budget support. In addition, before 2006, the EC had little experience in budget support in Latin America<sup>134</sup>. In all cases, the design of the interventions and the choice of the aid modality were tailored to the specific context, needs and strategies of the Ecuadorean Government. PASSE aimed at supporting the execution of the Comprehensive Law on the National Healthcare System "*Ley Organica del Sistema Nacional de Salud*" (LOSNS) that was approved in 2002; PRODERENA aimed at strengthening decentralized environmental management systems ensuring "good governance" in three strategic provinces of the North, and PROLOCAL responded to a much needed support to rural development in poor regions and shared some characteristics of a sector wide approach<sup>135</sup> (I-6.1.3 & I-6.1.4).

In 2007, the emergence of a stronger national leadership, the extensive use of planning instruments and the definition of clearer sector policies enabled opening towards budget support in line with the EC strategy. As a result, following the analysis of compliance with the eligibility criteria, the EC launched two SBS programmes, one in the education sector and one in support to the public policy towards micro, small and medium enterprises (MSMEs).

The shift towards SBS allowed to: i) provide a critical mass of resources to support effective long-term national policies; ii) support longer-term governance improvements (i.e. definition of long term strategy, distribution of responsibilities between relevant institutions, capacity building of institutions involved); iii) encourage the adoption of improved public financial mechanisms including budget monitoring. Moreover, various projects contributing to strengthen the governance and accountability process complemented SBS interventions, including:

- studies to improve Public Finance Management (PEFA),
- accompanying projects '*veedurias*' enhancing the role of CSOs in improving the monitoring process of the PDE and Objective 11 of PNBV,
- long term and short-term technical assistances to the SENPLADES in the elaboration of monitoring indicators of the PNBV and PASES, and technical advice to plan execution.

***Aid modality and implementation mechanisms take into consideration the beneficiary institutions' capacities leading to the inclusion – where necessary - of technical assistance (Cfr: JC .6.2)***

Across the evaluation period, there is evidence that the EC has sought to take into consideration the beneficiary institutions' capacities, adjusting the aid delivery modality and programme design accordingly. An institutional analysis aimed at assessing national partner/counterpart organisations was carried out for EXPOECUADOR, PROLOCAL and PRODERENA, while the PASSE evaluation explicitly mentions the lack of a consultation process when defining the logical framework and the Programme Estimates (I-6.2.1). As a result, and depending on the institutional capacities of counterpart institutions:

- programme implementation was either directly carried out by a national institution (as is the case of EXPOECUADOR with the CORPEI) or organised through a parallel institution / unit (as is the case of PASSE, PRODERENA or PROLOCAL, which was not integrated into the structure of public administration);
- programme design was tailored to enhance responsiveness to the institutional development needs thereby leading to the inclusion of external technical assistance and/or capacity building components, although with varying results (I.6.2.2.)<sup>136</sup>.

<sup>134</sup> The first BS support programme in LA was launched in Nicaragua in 2003.

<sup>135</sup> PROLOCAL included more than one major donor (WB and EC), relied on a strong participation (including financial) of national institutions and on a monitoring and evaluation system based on indicators commonly shared. However it did not support an existing national policy but indirectly helped designing a new public policy towards poor rural areas by introducing successful innovative practices and applying best practices.

<sup>136</sup> The results on the effectiveness of the technical assistances and capacity building activities vary across and within projects. For EXPOECUADOR findings indicate that the CORPEI benefited from the high quality international technical assistance and from the opportunities of international relations linked to the presence of the ITA. For PASSE it was found that the international technical assistance did not coordinate effectively with the Ministry of Public Health (MSP). For PRODERENA, findings point out that the PMU tended to run their activities parallel to the national entities, without contributing to an internalisation process within the MAE. Finally, for PASES it was found that an optimal mix

Findings, however, indicate that the application of 'n+3 rule' had not taken into account the absorption capacity of the institutions / implementing partners thereby affecting the execution of the programme. More specifically, the need to carry out all contractual procedures before the third year delayed the effective implementation of PRODERENA, PASSE and PROLOCAL. In the case of PASSE for example, this administrative constraint, coupled with the delayed effective implementation of the programme, stretched the resources of the Project Implementation Unit (PIU) too thinly. The need to launch the majority of tenders for works and services in the third year has negatively affected the quality and relevance of the financed work and loosened the quality control on the projects or works implemented (I.6.3.2. & I.6.3.4).

***The shift towards budget support has enhanced the achievement of sustainable results (Cfr: JC.6.3)***

Significant differences have been witnessed in terms of efficient implementation of interventions and sustainability of results. The shift towards budget support during the period 2007-2010 has significantly enhanced the timely and efficient implementation of interventions, thus allowing to overcome limitations linked to the traditional project approach and most notably the significant delays in project implementation. Evidence points to the fact that SBS – by aligning to the GoE's objectives, using targets and indicators defined by the GoE, and relying on national procedures - has contributed to the attainment of sustainable results. The role of 'Educiudadania' under the framework of existing 'veedurias ciudadanas' has enhanced responsiveness of the programme to the aid effectiveness agenda and application of the principle of ownership (increasing civil society involvement in promoting citizen participation in the monitoring and completion of goals of the education policy).

A positive correlation between national ownership and sustainability is, however, also witnessed across the programmes of the first programming period. This is the result of both the alignment of project objectives to those of the government (e.g. support to the decentralisation process under both PRODERENA and PASSE) and of the emphasis placed on the need to strengthen capacities at local level. (I-6.3.5).

In these cases however, the sustainability of the interventions implemented through the project approach has been hindered by external variables, including high turnover in the beneficiary institutions and limited involvement of the national counterpart in the definition of the strategy and external constraints. For instance, in the case of EXPOECUADOR, external constraints such as limited access to finance for MSMEs, the need of reforms to promote an enabling business environment, weakness of professional associations, and the lack at the time of a comprehensive Trade and Private Sector Development (TPSD) Strategy<sup>137</sup> have hindered the long-term impact of the programme. Finally, in the case of EXPOECUADOR, PASSE, PRODERENA and PROLOCAL, administrative problems linked to the complexity of EC procedures, the delayed launch of the programmes and/or the delayed arrival of the technical assistance, the application of the 'n+3 rule'; all contributed to reduce the implementation timeframe of the project affecting the overall sustainability. (I-6.3.3)

***Despite converging objectives of a number of interventions and more recent efforts to promote coordination, coherence and synergies between interventions financed by the Commission under different instruments remain low (Cfr: JC .6.4)***

The overall coherence of EC development interventions between thematic and bilateral cooperation and between national, sub regional and regional interventions is limited. Overall, despite converging of objectives between some of the projects implemented at national, sub-regional and regional level,

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of long term and short term technical assistance was devised allowing to flexibly respond to the needs of the different public institutions involved (I.6.2.3 & I.6.2.4).

<sup>137</sup> As of 2008, Correa's government has developed an extensive array of strategies and plan promoting Trade and private sector development (TPSD). For further details refer to I-1.1.1.



e.g. in terms of strengthening national capacities at ministerial and local level, interventions have not been designed with a view to being mutually supportive, and as a result, few evidences of synergies have been found during implementation. Positive examples are given by Urb-AL and waste management projects financed under the thematic budget, as well as by EUROSociAL, UNIVIDA and PASSE, where complementarities were not embedded in the design but appear when looking at financed health initiatives.<sup>138</sup> The same applies to complementarities and synergies (absence thereof) with the Commission's Humanitarian aid & civil protection interventions. In fact, although ECHO does not take into account the objectives and priorities defined in the CSPs, and has independent management and project design, some coordination efforts with the EUD did take place e.g. in response to the 2008 floods (I-6.4.3).

With a view to overcoming some of these limitations, the EU Delegation in Ecuador, together with the EUD in Peru and Montevideo, agreed in 2009 to improve coordination by means of sharing - on a monthly basis - information about the regional activities involving Ecuador. However, as confirmed in the field phase, synergies between bilateral and regional cooperation remain poor, coordination is limited to information sharing, and there are no structural links between the final beneficiaries and the DUE.

Looking in more detail at the Economic Development area, again converging objectives do emerge but despite potential (e.g. between AL-Invest and EXPOECUADOR / PASES, CORPEI was one the Eurocentros of AL-Invest III) there is little evidence of complementarity. Synergies between the programmes have not been fully exploited (CORPEI though eligible did not actively take part to the initiatives of AL-Invest III). More recently, the EUD has aimed at enhancing coordination by actively involving SENPLADES<sup>139</sup>, with a view to increase convergence and synergies between PASES and AL-Invest IV. In addition, AL-Invest IV is continuing the activity of Expo-Ecuador and has developed some synergies with the '*Facilidad de Cooperación UE-CAN para la Asistencia Técnica al Comercio*' (FAT)<sup>140</sup>. (I.6.4.2 & I.6.4.3).

Improvements can also be noted when looking at the second phase of EURO-SociAL whereby the EUD and the GoE have actively participated in the identification and formulation of the key areas of intervention leading to the inclusion of new themes, which appear to be increasingly linked to the national strategy<sup>141</sup>.

Finally, when looking at complementarities with interventions carried out under the Thematic Budget lines, the picture does not change much. On the one hand, thematic budget lines have been used to complement EC priorities as defined in the country strategy papers, especially in supporting governance and democracy. They have also provided the only means to support activities in the area of environment and natural resource management in the 2007-2010 period. On the other hand, complementarities and synergies were not actively sought during the design of interventions leading to the implementation of projects that often ran in parallel to bilateral ones. This was the case of

<sup>138</sup> In the first phase of EuroSociAL (2005 -2010), Ecuador actively took part to around 40 initiatives relating to Health. The Ecuadorean Ministry of Health was the main beneficiary of EuroSocialSalud, but the Ecuadorean Institute for Social Security, the Ministry of Finance and Ministry of Labour also benefited from experience exchanges and trainings. Out of the 40 initiatives financed under EuroSociAL Salud, 14 were related to Social Health Protection and encompassed twinning arrangements and workshops.

<sup>139</sup> It is important to underline that SENPLADES has been involved as the Ministry of Planning because, the 5 entities involved in the fourth phase of AL-Invest are as follows: Chamber of Industry of Cuenca, National Chamber of Manufacturers of Bodyworks., CORMIPYME., Ecuadorean Federation of Exporters., Ministry of Industry and Competitiveness., PROIMBABURA

<sup>140</sup> FAT programme (ALA/2005/17-607) was implemented under the subregional cooperation framework between the EU and the Andean Community. The specific objective was strengthening public and private institutions directly involved on the areas relating to regional integration and trade with the EU providing technical assistances to solve technical, legal and commercial issues.

<sup>141</sup> In the education sector, the Ministry of Education (MoE) has required support to develop national strategies in order to enhance the performance of teachers in line with the targets defined in PAPDE II. The Ministry of Finance (MoF) has required support in improving public financial management (PFM) according to international standards, multi-year planning and public purchase rules in line with the national strategy and in line with PASES, which encompasses a component of technical assistance in the areas of (i) relation between budgeting and planning, (ii) investment quality and (iii) monitoring the National Plan execution (see EQ7),

PRODERENA, which operated as a stand-alone project, with no explicit links to thematic programmes. It is expected that the improved technical knowledge and activities undertaken by the EUD (e.g. establishment of thematic platforms within the Delegations and set-up of local and centralized call for proposals under different thematic instruments) will allow increasing synergies between projects with converging objectives.

#### 4.7 BUDGET SUPPORT

**EQ. 7 TO WHAT EXTENT HAS THE MOVE TOWARDS THE USE OF SECTOR BUDGET SUPPORT, IN THE TWO FOCAL SECTORS OF EDUCATION AND ECONOMIC DEVELOPMENT, CONTRIBUTED TO THE IMPROVED IMPLEMENTATION OF POLICY REFORMS, INCLUDING MANAGEMENT OF PUBLIC RESOURCES, IN THE TWO SECTORS?**

##### **Introduction:**

The answer to this evaluation question is based on the findings that have emerged in relation to the analysis of the two sector budget support (SBS) programmes the EC has implemented in Ecuador, both of which have been funded under the CSP 2007-2013. These are:

- the PAPDE '*Programa de Apoyo al Plan Decenal de Educacion*' (2008-2012), a 4 year programme of € 41.2m committed in 2008, aimed at supporting the implementation of the government's Decennial Education Plan (PDE); and
- the PASES '*Programa de Apoyo al Sistema, Social, Economico, Solidario y Sostenible*' (2009-2012), a 4 year programme of € 33.4m committed in 2009, aimed at supporting the implementation of the National Development Plan addressing the sector of micro, small and medium enterprises (MSMEs).

##### **Answer to EQ7 – Summary box**

The EC financed sector budget support interventions were found to be of great relevance. PAPDE supported the first significant state policy in education, which started in 2006 and received an important popular and political backing; PASES supports the SME sector following an ambitious plan towards structural economic change. Both programmes took place when the role of the government was increasing through enhanced planning, higher state revenues and social expenditure, and an acceleration of much needed PFM reforms. A more nationalistic orientation of the government also secured a strong appropriation of the budget support process.

The first characteristic of both interventions is a successful mix of inputs used:

- Between 2008 and 2011, all disbursement conditions were met and targets attained so that disbursements up to € 60.2 m were integrally and (almost) timely executed.
- Both programmes used result and process indicators with a strong component of PFM indicators.
- Policy dialogue led to a trusting relationship between GoE and EC.
- In PASES, short term (since 2008) and long term (since 2011) technical assistance programmes were/are very much appreciated. The long term TA focuses on the improvement of a medium term budget framework, planning and monitoring results of the National Development Plan.
- PAPDE supported a strong civil society participation in monitoring and controlling the implementation and results of the Education Plan (PDE).

During the 2008-2011 period, there was a clear improvement in the framework for public policy and expenditures:

- Following the mandate of the new 2008 Constitution, the involvement of civil society in dialogue, monitoring and control of public policies has further increased, especially in education.
- Public social spending through the national budget has strongly and regularly increased since

2000.

- Technical capacities in SENPLADES and in the Ministry of Education on policy design, planning and monitoring policy results have increased although much remains to be done, especially in monitoring and improving quality of public investment.
- Public Finance Management has improved on the financial side through the single treasury account in 2008, a new integrated financial management information's system – e-SIGEF - and the adoption of a new Planning and Public Finance code in 2010.
- Policy preparation and use of budget as a policy instrument have improved through a medium term budget framework, and a better monitoring of policy results.

Were these trends linked to EC Budget Support?

It is difficult to establish a clear link between the above-mentioned achievements and the BS interventions. However, while these achievements, especially in terms of PFM, benefited from a strong government leadership and ownership, BS programmes have played a significant role in supporting the framework for public policy:

- The PEFA evaluation was the base for the improvement of the PFM legal and institutional framework.
- EC technical assistance provided through PASES has usefully supported the planning and monitoring process.
- The financing of a monitoring mechanism through civil society institutions aimed at enhancing monitoring and control of public policies has complemented the active role of the EC, albeit with more significant results in the education sector than in the economic sector.
- The set of conditions attached to EC disbursements is deemed to have acted as a positive incentive, although this is impossible to prove.

The main challenges remaining for the next years are:

- The improvement of the link between budget and development plan, of the planning procedures and of the monitoring of results do not yet allow to assess the impact of the policy 11 of the PNBV on the development of the productive sector and more especially on the SMEs.
- Budget transparency is insufficient and is not progressing significantly.
- The EC is still the only donor in Ecuador providing budget support.

***The design of the SBS operations (including the mix of SBS inputs) was well tailored to the specific political, economic and institutional context (cfr: JC 7.1)***

The formulation of clear government sector policies as of 2006 enabled the definition and subsequent implementation of two SBS programmes, thereby allowing the EC to shift its cooperation towards a more programmatic approach in line with the Paris Declaration. This has effectively enhanced the country ownership and the alignment of EC support to the demands and priorities set by the Government of Ecuador, as well as to the needs of the country.

Indeed, both programmes aim at supporting the implementation of government strategies and policies: (i) in the education sector, by supporting the Ten-Year Educational Plan 2006-2015 (PDE), and (ii) in the economic sector, by supporting the new National Development Plan 2007-2011 (PND) aimed at establishing a sustainable and inclusive economic system in the sector of MSMEs. In both cases, the choice of budget support programmes by the EC can be viewed as: i) an endorsement of the Government's reform policy from an important member of the donor community; and ii) a mean to increase alignment by placing aid on budget and on treasury.

Two additional issues are worth mentioning when looking at the relevance of the programmes:

The first is related to the fact that the two programmes were drafted taking into account the views of the main economic and social actors and supporting national development plans that represent the needs and priorities of both the population and the current government<sup>142</sup>.

The second is linked more specifically to the PASES and is related to the fact that it represented a shift in the strategy followed by the previous 2002-2006 CSP, shift that has allowed to increase the degree of alignment of the Commission's support to the government's strategies/policies<sup>143</sup>.

In both cases, the programme design covered the typical package of inputs usually provided by donors under budget support programmes; that is:

- a transfer of funds to the Consolidated Fund of the National Treasury of the partner country, disbursed on the basis of previously agreed disbursement conditions;
- policy dialogue focused on the implementation of the supported development strategies / plans;
- conditionalities encompassing (i) preconditions to be met before signing the financing agreement, (ii) disbursement conditions (eligibility criteria) and (iii) performance indicators.
- provision of capacity building support, including technical assistance (TA) aimed at strengthening the capacity of the partner government in areas related to the objectives of the BS programmes.

That said, the tailoring of the design of the programmes to the specific political, economic and institutional context is visible when looking at the specific mix of inputs provided.

**Transfer of funds.** With reference to the financial inputs, between 2008 and 2011, the EC transferred to the national treasury a total of € 60.2M (€ 40.6M under PAPDE and € 19.6M<sup>144</sup> under PASES). The main features of these disbursements were as follows:

PAPDE: i) all 4 fixed instalments and all 3 variable instalments were paid integrally (all targets were met); ii) most instalments were paid with one to four months delay, although two instalments were paid one to three months in advance of schedule.

PASES: i) all 4 fixed instalments disbursed were paid with a 4 to 6 months delay but within the scheduled year; ii) the first variable instalment was paid integrally<sup>145</sup> but with more than one year delay compared to the TAPs prevision<sup>146</sup>.

Generally, budget support was reasonably predictable and both programmes were managed efficiently by all partners. Even if disbursements suffered some delays, most of the reports presented by the GoE were analysed by the EC and approved at the EUD level in only a few weeks. This rapidity should also be viewed in light of the existence of a programme component aimed at strengthening the role of civil society in the monitoring of the development plans. The inclusion of an independent appraisal mechanism accelerated the evaluation process and facilitated a relation of trust between the GoE and the EC. This feature played an important role in relation to the monitoring and assessment of a number of indicators that are likely to suffer from important error margins (see below).

<sup>142</sup> The Ten-Year Education Plan (PDE) supported by PAPDE was defined on the basis of a long participatory process led by the previous GoE. It was subject to a national referendum in 2006 where it received almost 70% of approval, and was later endorsed by the present government in 2007. On the other hand, the PND supported by PASES was equally drafted taking into account the views of the main actors of the social and economic spheres. It was first approved in 2007 as the National Development Plan (PND) and then revised in 2009 under the name of National Plan of Good Living (PNBV).

<sup>143</sup> Instead of focusing on the objectives of export promotion, trade agreements and economic integration, it aligns with the PND in its orientation towards "inside" development ("*desarrollo hacia adentro*") and the internal market (exports are not seen as the main motor of economic development) but without denying the need to "strengthen the position of Ecuador in the international economy" (PND, policy 11.25).

<sup>144</sup> An additional amount of up to € 10.4M should be paid in 2012 in two instalments.

<sup>145</sup> Three out of the six indicators didn't meet their targets and were neutralized. See above.

<sup>146</sup> The disbursement calendar was reappraised in 2010 (Addendum No1) and the two variable installments, initially forecasted for 2010 and 2011, were moved to 2011 and 2012. Compared with this reappraisal, the first variable installment was only a few months late.

As anticipated, both programmes include policy dialogue and allow for complementary activities such as technical assistance and civil society participation in monitoring and visibility. Although funding for these activities amounts to only € 0.6M (1.5% of total budget) in the case of PAPDE, it amounts to € 3.4M (10% of total budget) for PASES, thereby allowing additional complementary resources that appear to be particularly relevant at the initial stage of the implementation of a new SBS programme.

With specific reference to **policy dialogue**<sup>147</sup>, it is important to note that in the education sector, policy dialogue started well before the launching of PAPDE and played a determining role in defining the priority given to this sector in the 2007-2013 CSP. The same can be said about PASES, as support was given to the monitoring of the PND through technical assistance missions since 2008.

According to interviewees, the EC policy dialogue mainly focused on: i) the identification and establishment of a set of indicators to monitor the implementation of the PDE and PND; and ii) monitoring procedures, indicators and targets to be used throughout the implementation of the EC funded programmes<sup>148</sup>. This role of policy dialogue expresses the respect for the autonomy of the GoE in policy design and strategic choices. It is clearly a positive characteristic and is considered as such by the Government.

While it could be argued that policy dialogue was limited by the fact that the EC is alone in BS: there is no joint donor initiative on BS and thus no common policy dialogue either<sup>149</sup>; it is deemed unlikely that in Ecuador a “real” policy dialogue (the possibility to influence policy design) would have significantly added value.

Finally, there is an important day-to-day informal dialogue, which is similar to public relation management, but which gives the EUD access to high level civil servants and to information. Although difficult to quantify, this policy dialogue process has helped creating a mutual trust between the two parties, which in turn is deemed to have greatly facilitated the realisation of a PEFA evaluation in 2009, financed by EC.

**Conditionality and indicators**<sup>150</sup>. Part of the set of indicators included in both programmes stem directly from the national plans supported by these programmes: the PDE (*Plan Decenal de Educación 2006-2015*) for PAPDE and the PND (*Plan Nacional de Desarrollo*) in the case of PASES. Furthermore, it is worth noting that upon request of the GoE, a number of indicators of the PASES were adapted in light of the new “*Plan Nacional para el Buen Vivir*” (PNBV) in 2010.

The analysis of the indicators and conditions set for the disbursement of the different instalments leads to the following observations:

- The mix of fixed and variables instalments is well balanced, with the fixed instalments representing 45% and 47% of total commitments in PASES and PAPDE, respectively.
- In both programmes the indicators chosen to monitor results and trigger disbursements include both process and results indicators. In the first case they can be easily monitored and traced back to government action. In the second case (result indicators) they may present specific problems which can be linked to two major considerations:
  - i. a number of indicators is partly exogenous to Government's policy: they depend on the business (and/or climate) cycle and will perform well if economic growth is strong and

<sup>147</sup> See Annex 8: I-7.1.4, I-7.2.1, I-7.2.4, I-7.3.2. There are different levels of policy dialogue: with the central government, with local governments, with other donors, with civil society... Here, we only refer to the policy dialogue with the central government and more specifically with the main institutions directly responsible for the implementation of the budget support programmes: SENPLADES, Ministry of Education, Ministry of Finance.

<sup>148</sup> In the case of PASES, formal “high level meetings” take place twice a year between SENPLADES and the EUD. The agenda is fixed jointly by both parties and each party takes notes of the meeting for its own internal use. Apart from these, other more informal meetings take place between the same or with other actors on an ad hoc basis. **Source:** interviews MN 106 and MN 122. In the case of PAPDE, an intense policy dialogue involving public and private institutions linked to the education sector took place during 2012 in order to prepare the set of indicators for the PAPDE II programme deemed to start in 2012.

<sup>149</sup> This may have a positive effect from the country's point of view by preventing the donors forming a « common front » in order to impose their view on policies.

<sup>150</sup> The complete sets of indicators is presented in Annex 8, I-7.1.4.

badly otherwise. Therefore, given the importance of the international economic surrounding (international trade represents 60% of Ecuador's GDP) and the uncertainties linked to this context, these indicators poorly reflect the results of public policies. This is typically the case for some of the indicators selected for PASES<sup>151</sup>

- ii. some indicators are subject to important error margins, which in turn could affect the amount of resources disbursed. This is the case for PAPDE indicators related to results on the quality and quantity of education<sup>152</sup>. Although they are standard indicators widely used internationally, they are likely to be subject to large measurement errors<sup>153</sup>. In PASES, it is the case of indicators related to the measurement of poverty and employment because they rely on surveys and small samples. Therefore, the precision of these indicators is not sufficient to account for variations in targets from one year to another in only one or less percentage point.
  - For PASES, only one indicator refers to the SME sector and to policies supporting it. Therefore the PASES monitoring system does not enable a complete appraisal of the policies in favour of the SME sector, which is at the heart of the policy 11 of the PNBV. This is due to the fact that PASES indicators were chosen amongst the PND (and thereafter the PNBV) indicators which, until 2010, did not include more indicators on the progress of SMEs.
  - Some targets for results indicators are little ambitious. This is the case, for example, of indicator 9 of PASES, the targets of which are below the values obtained in the years 2000, 2001, 2004 and 2007<sup>154</sup>.
  - In both PAPDE and PASES, a number of indicators referred to PFM. In particular, the payment of one of the fixed instalments was linked to a regulatory condition and benefited the Ministry of Finance instead of, respectively, the Ministry of Education and SENPLADES. See JC 7.3 for more details.

Finally, for both programmes and for each disbursement (fixed and variable instalments), the GoE (Ministry of Education in the case of PAPDE and SENPLADES in the case of PASES) provided a detailed analysis of the three eligibility criteria that constitute the general conditions of budget support: i) macroeconomic stability; ii) progress in PFM; and iii) progress in the application of the sectoral (PAPDE) or national (PASES) development plan. Evaluations of the specific conditions and targets were also provided for and – through the inclusions of additional components (see below under capacity building) – the EC was also able to cross-check most of this information through the Grupo FARO reports which offered independent assessments of the general conditions.

**Technical assistance** was linked to PASES and mainly directed to SENPLADES. TA was provided in different forms, through both short and long-term missions. It started prior to the launching of PASES (in 2008) in order to support – through short term missions – the design of indicators for the PND and the monitoring of results<sup>155</sup>. This short term TA was later reinforced (as of 2011) with a view to responding to immediate needs from various public institutions through calls for proposals<sup>156</sup>.

<sup>151</sup> SENPLADES, following the evaluation for the first variable instalment in October 2010, asked – and obtained – the “neutralization” of 3 indicators (No 6, 7, 9). These had not met their targets, not only because of the international economic crisis of 2009 but also because of a drought, which in turn directly affected agricultural production (indicator 9) but also affected production of electricity (hydro-electric power) and thus industrial production (indicator 6). The “neutralization” of indicators for reasons exogenous to the government action is foreseen in the PASES TAPs.

<sup>152</sup> Indicators 4: net enrolment rate in basic education; 5: repetition rate in primary education; and 6: completion rate in basic education in rural and urban areas. Indicator 4, for example, presents measurement problems because it looks at the relation between data stemming from the education Ministry (collected by the teachers themselves) and data stemming from projections of the last population census.

<sup>153</sup> Their error margin is probably more than 5%. An assessment of the quality of education statistics is given in “Educiudadanía – Acompañando al Plan nacional de Educación” – Mayo 2010.

<sup>154</sup> Indicator 9 (first set) is: “participation of manufacturing SME's production in the non petroleum industrial production”. Targets for 2009 to 2011 were respectively 10%, 10.3% and 10.4%. **Source:** SENPLADES: “Informe de avance del convenio de financiación, entre la Comunidad Europea y la República de Ecuador – Indicadores Tramo Variable”, Octubre 2010.

<sup>155</sup> The first mission took place at the end of 2008 and aimed at the “Evaluación, Diagnóstico y Formulación de Indicadores para el establecimiento del Sistema Nacional de Información del Ecuador”. The second mission took place in



Long term TA strengthens capacities in previously identified areas and tackles three main issues: (1) linking budget and planning (through multi-year budget planning), (2) improving quality of investment and (3) monitoring and evaluating the PNBV. This TA started in 2011 and also supports the organisation of the short term TA.

In line with the participatory process followed during the definition of the supported strategies and in line with the need to increase transparency of the overall processes, the programmes also included components aimed at capacity building / strengthening of civil society participation in monitoring the development plans. As a result:

- under PAPDE, a civil society consortium (led by the FARO group, a national think-tank specialized in education) was contracted in 2008 following a call for proposal to accompany (through consultations and monitoring exercises) the Education Decennial Plan (PDE). Results covered: i) an assessment of the education sector policy and progress in the implementation of the PDE 2006-2015; ii) macroeconomic performance; and iii) follow-up of PFM;
- under PASES, a consortium led by the "Asociación Cristiana de Jóvenes" (the national branch of an international NGO) was contracted in 2010 to train local groups from the Civil Society, which would then monitor and control the execution of the objective 11 of the PNBV.

Finally, it is worth mentioning that the PAPDE also included a component aimed at enhancing its visibility mainly through communication media in Ecuador. (see I-8.5.1 in Annex 8)

This particular mix of inputs shows a real concern from the EC in: (i) ensuring alignment of the programme to national strategies and plans; (ii) continuously assessing the eligibility criteria of budget support; (iii) strengthening the planning and monitoring processes and the PFM systems (recognized as an existing weakness); and (iv) supplying civil society in Ecuador with some of the financial means to participate effectively in the monitoring of public action.

According to a Faro report: "...since 2009, the civil society has assumed a relevant role in the link between the international cooperation and the public sector. A visible example of this role has been developed by *Educiudadanía*, an initiative of the civil society (supported by the European Union) which monitors the Decennial Plan for Education, and which has been able to generate spaces of collaboration among the different actors, in order to reach success in the education policies. Additionally, *Educiudadanía* has played an important role in increasing the transparency and accounts in the sector"<sup>157</sup>.

***SBS operations, mainly through civil society participation and technical assistance, have contributed to the strengthening of the sector policy framework (policy, managerial and institutional capacities, monitoring systems) (Cfr: JC.7.2)***

Despite the short implementation timeframe of the SBS, the EC's contribution to the strengthening of the policy framework is positive. The main findings that support or qualify this judgment are the following:

- Through the *Educiudadanía* consortium and the Faro group, the EC has contributed to the involvement<sup>158</sup> of civil society institutions in the dialogue, monitoring and control of public policies. This has contributed to the democratic process in the country and is very much in line with the new constitution approved in 2008. See also JC-7.1. However, the consortium that is monitoring and controlling the application of the policy 11 (PASES) since the beginning of 2011

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the first quarter of 2010 and aimed at the "implementación de metodologías e instrumentos para dar soporte al proceso de toma de decisión y seguimiento del plan nacional 2009-2013"

<sup>156</sup> Eight short term missions were approved in 2011. Topics cover public finance and macroeconomics, tax systems, information technology, planning, economic geography, etc. These short-term TAs are demand driven: public institutions linked to PASES are encouraged to present technical assistance projects. The proposals received undergo a selection process driven by a commission composed by representatives of the institutions involved and the ATI team. **Source:** Programa PASES – Asistencia Técnica Internacional de Corto Plazo. Noviembre 2011.

<sup>157</sup> Grupo Faro: Education Report, September 2010, p.28

<sup>158</sup> This involvement predates EC contributions

has not met with the same success and is confronted with effectiveness and sustainability problems (see I-7.1.3).

- Long term technical assistance is supporting the design of a common pattern of quality evaluation. It is also supporting the improvement of information and the design and use of adequate indicators measuring the performance of the SME sector.
- Both short and long term technical assistance missions received a high appreciation from almost all GoE officials interviewed during the evaluation<sup>159</sup>. These officials stress their usefulness in strengthening the public sector capacity (mostly SENPLADES) in planning and monitoring results of the PNBV (See Annex 8: I-7.1.3).
- All disbursements have taken place as planned, which indicates that results have been achieved, especially results referring to strengthening institutional capacities, such as indicators 5 and 10 of the PASES first set of indicators<sup>160</sup>, or the fixed instalments indicator of PAPDE<sup>161</sup>.
- Various interviewees from outside the Ministry of Education confirm that the staff from this Ministry has increased its technical capacity in policy design, planning and negotiation with the Ministry of Finance and with the SENPLADES. Relations between these three institutions have improved. The interviewees do not automatically attribute this improvement to PAPDE. However, budget support, with its system of result oriented planning and evaluation, offers an important practical training on these matters and an opportunity for enhancing staff's technical capacity.
- The EC is presently leading the round table on education, which gathers GoE, donors and civil society. In this round table, coordination is increasing in quality and quantity and is supporting the GoE in its efforts to measure the results and impact of its sectoral policies in education. A PAPDE 2009 ROM report, confirmed by interviews in the field, stresses that the strengthening of the AGECI<sup>162</sup> should improve coordination between national institutions and with donors.

***Mainly through the PEFA evaluation and (eventually) through PFM indicators, EC cooperation has contributed to improving public financial management (PFM) (Cfr: JC .7.3)***

Available data and reports enable to conclude that significant progress has been made in terms of PFM, albeit starting from a relatively low level (see I-7.3.3). The main changes recorded during the last years include:

- The implementation of a unique treasury account (starting in 2008).
- The adoption of a new integrated financial management information system – e-SIGEF (also starting in 2008).
- The extension of the e-SIGEF to local governments and autonomous entities<sup>163</sup> of the non-financial public sector (ongoing reform measure).
- Presentation - before November of each year in accordance to Art. 295 of the new Constitution,- by the Ministry of Finance to the Parliamentarian Assembly of the budget with a multi annual budget forecast. This was done for the first time in 2009 with a forecast until 2013<sup>164</sup>.
- The approval by Parliament of the Organic Planning and Public Finance Code (COPLAFIP) in October 2010. The PEFA study constituted the work base for that code. COPLAFIP unifies the various legal texts on public finance, establishes a budget management focused on the goals

<sup>159</sup> This appreciation is confirmed by documentary sources. For example the second short term mission (2010) produced an extremely detailed and complete report (it contains almost 700 pages), and on the other hand a very positive evaluation of the mission from the EC Delegation.

<sup>160</sup> Indicator 5: "Sistema Integrado de indicadores económico-productivos elaborado y aplicado". Indicator 10: "Sistema integrado de calidad, sanidad e inocuidad en funcionamiento".

<sup>161</sup> "Fixed installments indicator: "the satisfactory implementation of the agenda between the Ministry of education and Finance concerning the management and financing of teacher posts."

<sup>162</sup> AGECI was the Agency for International Cooperation in November 2007 by Executive Decree No.699 and as of July 2010, the AGECI turned into the SETECI.

<sup>163</sup> In 2008, according to information provided by the Ministry of Finance only 8.6 % of a total of 1,305 non central government entities of the non public financial sector were already linked to the e-SIGEF.

<sup>164</sup> See: Note on Release of 3<sup>rd</sup> and last variable instalment of Euro 2,000,000 of the PAPDE (Programa de Apoyo al 'Plan Decenal de Educación 2006 – 2015' de la República del Ecuador), December 2010.

defined in the National Plan for Good Living and aligns the budget processes with the development planning. This Code also led to a reform of the inside organization of the Ministry of Finance.

- Progress made in the transparency of the budget. Improvements are regularly reported in the analysis of PFM performance linked to each disbursement<sup>165</sup>. However, the Open Budget Index 2010 scored Ecuador's at 31 out of 100 for the transparency of its budget, which is well below the average score of 53 for the other countries of South America<sup>166</sup>. See Annex 8, I-8.3.3.
- The link between PFM and sector performance is being reinforced through the design of a method to evaluate the quality of proposed investments (implying the future possibility to select investments on a quality basis) and to monitor their execution at a financial and at a physical level (see also JC 7.4).

Although it is difficult to define in accurate terms the contribution of the EC's SBS operations to these improvements, a number of findings do indeed indicate that the SBS programmes have played / are playing a role in furthering improved PFM practices within the country, mainly through PEFA and through the inclusion of specific PFM related indicators among the disbursement conditions.

The main findings gathered indicate that:

- In response to the assessments made during the preparatory phase of the two SBS programmes, which highlighted the weak PFM performance (see I-7.3.3), the EC has: i) included specific indicators related to improvements in the PFM system within the conditionalities for disbursement<sup>167</sup> as well as an indicator related to the carrying out of a PEFA evaluation; ii) put into place a close and effective monitoring of the PFM system (JC-7.1).
- Amongst the existing PFM indicators used in both programmes, two of them had a special status because they conditioned the disbursement of fixed instalments benefiting the Ministry of Finance (instead of the SENPLADES or the Ministry of Education). The first of these indicators was linked to a PAPDE fix instalment (€0.6m) that was paid in 2009. The condition referred to the implementation of the e-SIGEF system. The second pertained to a PASES fix instalment (also €0.6m) that was paid in 2011 and referred to the presentation to Parliament of the Planning and Public Finance Code. Both conditions were fulfilled. These conditions were not designed to push through new important PFM improvements ("you don't buy a reform") which, according to a number of GoE officials, would have been implemented anyway<sup>168</sup>. However, it is a widely held view that they did contribute to accelerate their adoption, although this is impossible to prove.
- The findings of the PEFA evaluation were extensively used – and thus very useful – during the elaboration of the new Planning Code, even if its results were not released by the Ministry of Finance<sup>169</sup>. Even so it should form a baseline for the next PEFA evaluation.
- Although technical assistance provided through the programmes was not oriented towards furthering improvements in PFM, some TA was provided in order to improve the e-SIGEF system.

<sup>165</sup> See for example: Public Finances Management (GFP), Annual Follow-Up Report, Ecuador 2010 – 2011, EUD Quito, September 2011.

<sup>166</sup> Ecuador's score indicates that the government provides the public with minimal information on central government's budget and financial activities during the course of the budget year. This makes it extremely difficult for citizens to hold the government accountable for its management of the public's money.

<sup>167</sup> PFM issues were very much taken into account in the choice of the PAPDE and PASES indicators.

As for PAPDE, out of a total of 9 different indicators used for fixed and variable instalments, 3 refer to PFM. These are the two fixed instalment indicators and the variable Instalment Indicator No 3 "relation between public debt and GDP". As for PASES, the first set of indicators (up to 2010) contained 3 PFM indicators out of a total of 10 (Fixed + variable tranches) while the second set included 3 PFM indicators out of 8 (including the special fixed tranche for the Ministry of Finance).

<sup>168</sup> Some GoE officials express the view that financial incentives (or other pressures) are useless when the Government knows what he wants. In the words of one of them: "*PASES has one main merit: its commitments are real Government's commitments. That is the reason why targets are met. This shows how seriously this cooperation instrument was designed: it focuses on the real objectives of the Government. Otherwise it would be a delusion*".

<sup>169</sup> The Ministry of Finance approved the final PEFA report on March 31, 2010, but did not wish to publish the report. It is worth mentioning that the Authorities not only demonstrated a high ownership and leadership concerning the PEFA study but also expressed their overall satisfaction with the work carried out.

- Technical assistance is provided in order to evaluate the quality of investment and monitor their execution.
- Technical assistance is also provided in order to design and use indicators measuring the performance of the public policies benefitting the SME sector.
- Policy dialogue played an important role linked to the PEFA exercise that was financed by the EC, but PFM improvements cannot be attributed to a policy dialogue that concentrates on practical questions of mutual interest such as programme implementation (see JC 7.1).

***SBS operations have, to some extent, contributed to improve policy implementation through technical assistance but not through financial inputs (Cfr: JC.7.4)***

From 2000 to 2010, increase in social spending has been spectacular: in ten years, social spending was multiplied by 10 and its share in GDP passed from 2.8% to 8.2% (I-7.4.1).

Data gathered shows that the financial resources made available through SBS operations have not played a significant role from a quantitative point of view. While it is likely that they have provided some additional flexibility to the government's budget, the role and importance of SBS operations are to be found in the other components of BS, i.e. technical assistance, civil society participation, policy dialogue and other complementary actions linked to the budget support. In the case of PAPDE, various interviews also confirm the fact that it has contributed to improving working relations between the Ministry of Education, SENPLADES and the Ministry of Finance. Data provided in Table 8 indicates that:

- From a macroeconomic point of view, EC's SBS operations are not significant even in relation to the rather small deficit level of the central government: EC's support reaches 1% of this deficit only in 2008 and 2009 (see line 10).
- Although the education budget has increased significantly both in absolute and relative terms (see lines 4, 6, 8 and 16) with the share of education increasing from 10.7% of total budget in 2008 to 13.9% in 2010, and from 3.5% of GDP to 5.2%, it should be noted that education was progressively gaining importance since the year 2000, i.e. well before the application of the PDE. (see Annex 8, I-7.1.2 and I-7.4.1). However, the present data (5.2%) is not far from the PDE objective of reaching 6% of GDP by the year 2015.
- From a sector point of view, the EC's budget support operations are not particularly significant either: in the education sector they represent less than 1% of the sectoral budget (line 11), a significant part (11%) of the non executed budget only in 2009 (line 12) and less than 4% of the increase in the executed budget from one year to the other (line 13).
- In the SBS operations in Ecuador, there is a tacit understanding that EC disbursements support investments in the focal sectors. In spite of fungibility of resources, the Planning Code specifies that resources from international cooperation must be destined to investment<sup>170</sup>. In line with this, most of the BS financial resources are allocated to investments by SENPLADES. In this sense PAPDE disbursements were significant: they reached almost 7% of investment in education in 2009 (line 14).

One conclusion of these figures is that a relatively modest increase in the sectoral execution rate, as shown on lines 5 and 15, could have a bigger impact on the budget available for education, than an SBS. Another conclusion is that PAPDE has contributed, even if marginally, to the financing needs of investments in the education sector.

No comparable information can be found related to the objective 11 of the PNBV<sup>171</sup>.

<sup>170</sup> See article 64 of the Organic Planning and Public Finance Code.

<sup>171</sup> Budget categories still do not correspond to planning categories for sectors such as SME.

**TABLE 8: EC DISBURSEMENTS AND THE NATIONAL BUDGET: 2008 TO 2010 (US\$M)**

	2008	2009	2010
1. CE disbursements in SBS	8.0	31.6	8.0
2. PAPDE disbursements - education	8.0	26.6	4.0
3. Central Government budget deficit	766	2635	1708
4. Executed education budget (presupuesto devengado)	1,911	2,831	3,061
5. Non executed education budget*	851	233	339
6. Executed education budget increase in relation with previous year	210	920	230
7. Executed investment budget in education	338.2	384.9	347.1
8. Education in % of total budget	10.7	14.2	13.9
9. Deficit in % of GDP	1.4	5.1	2.9
10. CE disbursements/deficit (in %) (line 1/line 3)	1.0	1.2	0.5
11. PAPDE in % of education budget (line 2/line 4)	0.4	0.9	0.1
12. PAPDE in % of non executed education budget (line 2/line 5)	0.9	11.4	1.2
13. PAPDE in % of increase in education budget (line 2/line 6)	3.8	2.9	1.7
14. PAPDE in % of investment in education (line 2/line 7)	2.4	6.9	1.2
15. Education Budget execution rate (1 – line 5/line 4) in %	65.5	91.8	89.0
16. Education as a % of GDP	3.5	5.2	5.2

Source: own elaboration based on EU Delegation and Ministry of Finance

\*Non executed budget is the difference between the "presupuesto codificado" (initial budget + increases introduced during the execution period) and the "presupuesto devengado" (executed budget).

Through its long-term ITA team, the EC is providing technical assistance in order to overcome two recognized shortcomings of the Ecuadorian planning:

- The first is the lack of a true national public investment system. Presently, investments projects are given priority by SENPLADES according to their political priority and to the way they fit into the PNBV. Technical assistance supports the design of a common pattern of quality evaluation, which is recognized as a priority.
- The second is the insufficient monitoring of investment executed or in execution, both at a physical level and at a quality level. Technical assistance consists in improving information and the design and use of adequate indicators. Its goal is to design, measure (establishing time series), and put into practice 95 indicators measuring the performance of the SME sector (Objective 11 of the PNBV). These indicators will also establish linkages with other objectives of the PNBV such as objectives 2 and 6 dealing with equity, labour, development conditions, etc. This should be done by the end of 2012 or beginning of 2013 and it is hoped that it will permit updating the PNBV and making it more practical. The next step would be to disaggregate the MSME sector according to the size of enterprises.

#### 4.8 3CS, VALUE ADDED & VISIBILITY

##### EQ. 8: TO WHAT EXTENT WAS THE EC STRATEGY DESIGNED AND IMPLEMENTED SO AS TO MAXIMIZE THE EC'S VALUE ADDED AND VISIBILITY?

###### Introduction:

This question will look at the Commission's added value, which is closely related to the principle of subsidiarity and relates to the extra-benefit that EC support generates due to the fact that it was identified, designed, financed/implemented through the Commission. In order to do so, the question will assess the extent to which EC support is framed within national donor coordination and harmonisation mechanisms, and the extent to which knowledge and relevant analysis, lessons learned and good practices are exchanged within these fora, with a view to enhancing the complementarity among EC, EU Member States and other donors.

Finally, the question will also look at how the EC is perceived among key stakeholders and at the extent to which it corresponds to the image the Commission intended to convey.



### Answer to EQ8 – Summary box

The Commission is perceived by government officials as a key player that supports national development efforts. According to national and international stakeholders, the Commission's main value added lies in the implementation, for the first time in Ecuador, of a successful mechanism of sector budget support. As a result, the main value added of the Commission in terms of intervention strategy is primarily linked to the choice of aid modality rather than to the actual supported sectors. Overall, the Commission, in particular through BS, has: i) increased alignment to national priorities and to national procedures and systems for the disbursement of financial resources; ii) contributed to improvements in terms of planning and monitoring systems; iii) contributed to foster sector dialogue, accountability and sector-wide participation in public policies.

In addition, the Commission has gained an increasingly important role in fostering coordination mechanisms. On the one hand, it has supported government efforts aimed at improving harmonisation and alignment (capacity building programme to AGECI), and appears to be the best performing donor when looking at the amount of aid channelled through the national PFM system (84% in 2010 versus an average of all donors of 24%). On the other hand, it has assumed leadership of three out of the seven sectoral roundtables '*Mesas*' established by AGECI in 2009.

However, the existence of donor consultation and coordination mechanisms is yet to translate into effective sharing of information and policy analysis, truly coordinated programming processes and progress in terms of harmonisation, which is lagging behind. To date, there is little evidence of synergies between the interventions of the Commission and those of other EU member states and only few examples of coordination between various interventions mostly related to complementarities among interventions. These findings are confirmed by the moderate achievements in the indicators dealing with harmonisation as reported in the OECD DAC Survey on the Paris Declaration (2011).

The two SBS programmes included components financing the role of CSOs in the monitoring process in order to ensure accountability of Government initiatives. Despite unequal results, both components are perceived as efforts to increase participation of CSOs in the processes leading to the elaboration and implementation of public policies.

### ***The existence of coordination mechanisms among donors and between donors and governments is yet to translate into the effective sharing of information and policy analysis and truly coordinated programming processes (cfr: JC 8.1)***

The change in government in 2007, the subsequent publication of the first Ecuadorian National Development Plan and the creation in 2007 of the Ecuadorian Agency for International Cooperation (AGECI)<sup>172</sup> – together with the new EU Code of Conduct on Division of Labour in Development Policy<sup>173</sup> – contributed to increase coordination among donors and between donors and the government.

As of April 2009, the '*Secretaria Tecnica de Cooperacion Internacional*' (SETECI)<sup>174</sup>, previously AGECI, launched harmonisation and alignment roundtables in order to enhance coordination between the donor community, representatives of central and local government as well as civil society representatives. These roundtables cover both overall issues (*Mesa Global de Diálogo de la Cooperación Internacional*) and sector specific issues. At EU Level, donor coordination takes place at

<sup>172</sup> Worth noting that the AGECI has benefited from a capacity building programme financed by the EC, Belgium and Spain (*Fortalecimiento Institucional de la AGECI y del Sistema Ecuatoriano de Cooperación Internacional* – FORTISEC, DCI-ALA/2007/019-032).

<sup>173</sup> Communication from the Commission to the Council and the European Parliament of 28 February 2007 entitled "EU Code of Conduct on Division of Labour in Development Policy" [COM(2007) 72 final].

<sup>174</sup> As of July 5 2011, the SETECI constitutes part of the Ecuadorian System of International Cooperation (SECI). SETECI is a decentralized public entity with its own technical, administrative and financial procedures. It is affiliated to the Ministry of Foreign Affairs, Trade and Integration and its Secretariat is nominated by the Ministry of Foreign Affairs. It is responsible for coordinating external funds and contributing to align donor policies to the country's priorities. Indeed, the SETECI constitutes the direct interlocutor for donors.



two levels: i) through thematic roundtables on 7 specific sectoral issues with the EUD taking the lead of 3 of these “Mesas”, namely Education, Economic Development and the Prevention of natural risks; and ii) through the meetings of the heads of cooperation, which are usually held on a quarterly or bimonthly basis.

Findings from both the desk and the field phase, however, point to the fact that despite the existence of a formal donor coordination mechanism, the thematic platforms are not convened on a regular basis nor do they appear to be particularly dynamic, with many donors emphasising the lack of room for effective policy dialogue. At the same time, it appears that donors do not meet on a voluntary basis, but rather wait to be convened by the SETECI.

Overall, there is little evidence of information sharing processes with regard to joint evaluations and policy analyses, whereby EU MS and EC officials have confirmed that despite the carrying out of several joint missions, information is shared more on an informal basis rather than through a more structured and official basis. A case in point is represented by the decision of the Ministry of Finance not to release the results of the PEFA conducted in 2010 and financed by the EC<sup>175</sup>.

The same type of reasoning applies when looking at programming. On the one hand, the formulation of the Commission's CSP for 2007-2013 has included a consultation process with EU MS and other donors in order to prioritise interventions and ensure complementarity and coherence. On the other hand, the different programming periods followed by donors and the progressive disengagement of some donors from the financing of development cooperation in the country (e.g. France, Netherlands, UK), have weakened the interest to push for a joint programming process. That said, while MS interventions are not always explicitly coordinated with Commission's interventions, there is no major inconsistency among them nor are there overlaps or conflicts. On the contrary, there is indeed evidence of some kind of division of labour or division of intervention sectors between the EU donor community<sup>176</sup>, as well as scattered evidence of coordinated or joint interventions (I.8.1.2 & I.8.1.4).

As highlighted in the OECD survey on Aid Effectiveness<sup>177</sup>, there is ample room for improvement in terms of increased effectiveness of international aid and coordination among donors and between the Ecuadorean state and the international community. A mutual accountability mechanism<sup>178</sup> between the Ecuadorean government and the international cooperation is yet to be put in place. The reform of the SETECI, its stronger link to the Ministry of Foreign Affairs, and the new role SETECI will be called in to play in the negotiation phase of the programming process, could positively affect the elaboration of a shared agenda. Finally, improvements are also called for when looking at the performance assessment framework, both in terms of transparency and in terms of enhanced clarity

<sup>175</sup> Because of the absence of the World Bank since 2007, Ecuadorian PFM is no longer monitored on a regular basis by a multilateral institution. Therefore, donors have no easily available information and the decision not to release the PEFA evaluation (which became the sole in-depth study on PFM) deprived most donors from an important source of information. This is especially the case of the MS, which feel that, being EU members, they financed a service to which they have no access.

<sup>176</sup> The cooperation of EU MS is different in terms of approach and areas of intervention: i) Belgium focuses on Health, Water and Sanitation and Rural Development and has withdrawn its support to the education sector in light of the presence of Spain and the EC; ii) Germany focuses on Natural Resource Management, State modernization and Support to the Decentralization process; iii) Spain focused on Vocational training and economic development (specifically on remittances and micro-credit) and is progressively withdrawing its support to education given the weight of the EC in this sector.

<sup>177</sup> Ecuador signed the Paris Declaration on Aid Effectiveness in 2009 and in 2011 the monitoring survey of Paris Declaration was conducted, see OECD-DAC 2011 *Survey of the Monitoring of the Paris Declaration – Main Report*, Paris, October 2011. The survey was conducted in the first months of 2011, 10 donors took part to the survey: Belgium, European Commission, France, Germany, Global Fund, Inter-American Development Bank, Japan, Spain, United States, and the United Nations.

<sup>178</sup> Based on OECD-DAC Survey on Paris Declaration, a mutual accountability mechanism includes three elements: (1) the existence of shared agenda (2) specific targets for aid effectiveness at country level, both for the partner country and donor and (3) an evaluation of those goals, conducted in the two recent years by the donors and the country and discussed in a broad and open forum.

of institutional responsibilities in relation to the implementation and monitoring of the PNBV<sup>179</sup> (I.8.1.3 & I.8.1.5).

***EC support has contributed to increase ownership and alignment especially during the 2007-2010 period marked by the shift towards budget support; progress in these areas is yet to translate in improvements in terms of harmonisation (Cfr: JC .8.2)***

The year 2007 is a landmark also when looking at issues of ownership, harmonisation and alignment (H&A), as it marks a significant change in terms of both policy dialogue and overall international cooperation processes.

The issuing of the two development plans i.e. the PND (2007-2010) and the PNBV (2009-2013), and the adoption of new legal frameworks including the New Code of Planning and Management of Public Finances, the new Code on Production and the new Code concerning decentralisation and autonomy at territorial level (COOTAD) have provided the basic pillars on which enhanced ownership, harmonisation and alignment have been built (I.8.2.1).

In the OECD Survey on Paris Declaration, stakeholders have pointed to remarkable progress towards a more operational development strategy, including:

- Clearer link between the overall national development strategy and the sectoral plan;
- The goals of the PNBV are prioritized and linked to the MDGs;
- The strategy is legally tied to the budget through a budget for mid-term planning;
- PNBV formulation included the participation of the Local Governmental authorities (*Gobiernos Autonomos Descentralizados* (GAD));
- Participation of CSOs to the National Decentralised System of Participatory Planning (as stated by art. 279 of the 2008 Constitution) and approval in 2010 of the Comprehensive Law of Citizen participation '*Ley Orgánica de Participación Ciudadana*' (I.8.2.1 & I.8.3.2).

As pointed out in EQ 6, evidence points to the fact that the shift towards SBS during the period 2007-2010 – by aligning to the GoE's objectives, using targets and indicators defined by the GoE, and relying on national procedures - has significantly contributed to enhance both ownership and alignment. That said, in the preceding period as well, the EC had formulated and implemented programmes (e.g. PRODERENA and PASSE) that had favoured the alignment of project objectives to those of the government and had promoted ownership both at central (with mixed results in the case of PRODERENA) and local level.

According to the OECD DAC Survey on Paris Declaration (2011), 24% of the total volume of aid provided was disbursed using the partner government PFM system, with marked differences across donors. The overall picture is one in which the EC is the best performing donor in this respect, with 84% of aid provided in 2010 channelled through the Ecuadorean PFM system, while other donors such as the United Nations and the IDB register lows of respectively 5% and less than 20% of aid channelled through the country's PFM system<sup>180</sup>. Furthermore, the disbursement of budget support financial resources by the EC has until now been highly predictable and the Commission has long ago abandoned the system of parallel Project Implementation Units (PIU) (I.8.2.3). In brief, in Ecuador, the EC seems to be, by far, the donor that has contributed the most to increased ownership, in particular through the provision of budget support an aid modality that: i) is on treasury and on budget; ii) uses the national procedures; and iii) contributes to the financing of government priorities.

On the other hand, progress in terms of harmonisation is lagging behind. Evidence of progress on harmonisation is limited to a few examples of effective coordination between donors. Improved coordination mechanisms among donors and with government (see JC 8.1), and the intense levels of

<sup>179</sup> Based on the OECD-DAC: 2011 Survey of the Monitoring of the Paris Declaration, the score obtained by Ecuador in terms of quality of results-based monitoring frameworks is 'C'. This indicator captures both the extent to which sound data are collected and the way in which information is used, disseminated amongst stakeholders and fed back into policy making and implementation, and is measured through three dimensions: i) The quality of the information generated; ii) Stakeholders access to the information, and iii) Co-ordinated country-level monitoring and evaluation systems.

<sup>180</sup> Source: OECD-DAC: 2011 Survey of the Monitoring of the Paris Declaration- Country Profile (2011).

participation of the EC to round tables and coordination meetings<sup>181</sup> are yet to translate into significant improvements of harmonisation and coordination on the ground. To date, there is little evidence of synergies between the interventions of the Commission and those of other EU member states and only few examples of coordination between different interventions mostly related to complementarities among interventions.

In this respect, the OECD DAC Survey on the Paris Declaration (2011) points to weak to moderate achievements when looking at the specific indicators dealing with harmonisation. More specifically, the report shows that in Ecuador:

- only 31% of technical cooperation provided was coordinated and only 15% of aid was provided in the form of programme-based approach, versus average figures of respectively 57% and 45% in the sample of 78 countries surveyed; and
- indicators measuring the commitment made by donors to work together to enhance complementarity and reduce the cost and burden associated with duplicative work at the country level are more or less in line with the average of the 78 sample countries. Figures are respectively 19% (indicator 10a 'Co-ordinated donor missions') and 22% (indicator 10b 'joint country analytic work') for Ecuador versus 22% and 44% overall average of sample countries.<sup>182</sup>

***EC support has contributed to improvements in governance and democratic accountability, particularly regarding the role of Civil Society in relation to the monitoring of government reform implementation efforts in the education sector. However, there is mixed evidence when looking at overall improvements in this area (Cfr: JC .8.3)***

EC contributions to improved governance and democratic accountability are primarily linked to the inclusion within the framework of the two SBS programmes of components aimed at enhancing the role of CSOs in improving the monitoring process and ensuring accountability of the Government initiatives. "EduCiudadanía", a civil society surveillance of the implementation process of the education policy in the framework of the PAPDE, and 'Programa de Diálogo y Veeduría Ciudadana al Plan Nacional Para El Buen Vivir con énfasis en el Objetivo 11' in the framework of the PASES (see EQs 3 and 7). Despite unequal results under the two programmes (very good under PAPDE and still at a very early stage under PASES), both components are perceived as effective means to enhance ownership and participation of CSOs and as vectors to supply a feedback to the elaboration and implementation of public policies. In this respect, Ecuadorean CSOs have expressed strong interest to extend the *veeduría* approach to new areas such as human rights, justice, health and environment (I.8.3.1).

When looking at the broader picture at national level, results are mixed. On the one hand, the Government has been trying to encourage CSO participation to the elaboration of public policies. The issue of the Comprehensive Law of Citizen participation '*Ley Orgánica de Participación Ciudadana*' allows citizens to contribute to public policy definition and signals a willingness at regulatory level to enhance the role of civil society with regard to the budgeting process. For instance, the Control Unit of State Budget Execution '*Unidad de Control de Ejecución del Presupuesto*' (UCEP) provides professional and technical support to the members of the National Assembly, to the Specialized Commissions and to CSOs on the follow-up of public budgets and the PNBV implementation (I.8.3.3 & I.8.3.4). On the other hand, results on the ground are still limited. According to the results of the Open

<sup>181</sup> As reported by External Assistance Management Reports (EAMR).

<sup>182</sup> Sources: OECD-DAC: 2011 Survey of the Monitoring of the Paris Declaration- Country Profile (2011) & Aid Effectiveness 2005-10: Progress in implementing the Paris Declaration, OECD (2011).

Indicator 4: 'Strengthening capacity through co-ordinated support' measures the commitment made by donors in the Paris Declaration to provide technical co-operation that is both aligned with partner countries' priorities, and that makes use of common procedures to reduce the burden and increase the efficiency of this assistance. .

Indicator 9 looks at the use made of programme-based approaches (PBAs) identified by the Paris Declaration as one way of ensuring that aid is provided in a way that makes increasing use of partner countries' systems for planning, funding and following government activities.

Budget Survey 2010<sup>183</sup>, Ecuador ranks 42 out of the 94 countries surveyed, with a score of 31 out of 100 (below the average score of 53 for the other countries of South America). This score indicates that the government provides the public with minimal information on central government's budget and financial activities.

Additionally, further to the government decree 982 of 2010 regulating CSO and article 10 of the '*Convenio Básico de Cooperación Técnica y Funcionamiento*', civil society representatives have expressed reduced confidence with regard to the fairness of the political debate. This is due to the fact that this increases the vulnerability of CSOs through the introduction of greater control practices and increased possibility of closure and dissolution of the organisation under a discretionary threat to the security and public peace of the state (I-8.3.3 & I-8.3.4).

***The Commission is perceived as a key player supporting national development efforts. According to national and international stakeholders, its main value added is in having implemented, for the first time in Ecuador, a successful mechanism of sector budget support. (Cfr: JC.8.4 & JC.8.5)***

The Commission is perceived by government officials as a key actor in supporting national development efforts mainly because of its commitment to budget support and thereby the alignment of support to the national development priorities. (I.8.5.2)

More specifically, the value added of EC support in terms of intervention strategy is linked to the implementation of its two sector budget support programmes in the areas of economic development and education. However, in this respect, the comparative advantage of the Commission is primarily associated with the choice of aid modality, i.e. SBS, rather than to a sector specific comparative advantage.

Additionally and according to national authorities and some of EU MS, EC value added also lies in: i) its alignment to the national priorities and new economic model proposed by the government (the *Economía Popular Solidaria*); ii) its use of national procedures and contribution to the improvements in terms of planning and monitoring; iii) the increased space for policy dialogue while safeguarding the government's autonomy in policy design ; and iv) its contribution to capacity development at all levels (public institutions at central and local level as well as civil society organisations), which has contributed to foster sector dialogue, accountability and sector-wide participation in public policies (I.8.4.2 & I.8.4.4).

From the EU MS side, there is a mixed perception on the EC's role. On the one hand, the Commission is recognised as a key actor and facilitator: it leads three donor coordination sector roundtables; it has been selected as the donor focal point for the OECD/DAC Monitoring Survey of the Paris Declaration; it has played a key role in favouring the undertaking of the PEFA assessment, among others. On the other hand, not surprisingly, it appears that donors' knowledge of the EC's intervention strategy is linked to the degree to which they are involved / financial commitments are made (I.8.5.3 & I.8.4.2 & I.8.4.4).

Visibility and knowledge of the Commission's interventions among CSOs also varies, depending on the extent to which the organisations are or have been involved in the implementation of EC funded interventions. In all cases, there appears to be a strong demand for increased consultation / dialogue and dissemination mechanisms, especially in terms of findings and best practices. This demand is being addressed by the EUD with a view to strengthening its visibility in both the education and environment sectors. Ongoing efforts include the organisation of focus groups with the donor community, workshops with CSOs, sistematization of researches and studies, and set-up of the PAPDE communication campaign and event organisation. (I.8.5.1 & I.8.5.3).

<sup>183</sup> The Open Budget Index was created by the Centre on Budget and Policy Priorities. The index is based on a survey of 85 countries, only five of which scored more than 80 points. The scores analyse the clarity, scope and availability of documents on public spending. The International Budget Partnership's Open Budget Survey assesses the (1) availability in each country assessed of eight key budget documents, (2) the comprehensiveness of the data contained in these documents, (3) the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), (4) the opportunities available to the public to participate in national budget decision-making processes.

## 5 CONCLUSIONS, LESSONS LEARNED & RECOMMENDATIONS

This chapter presents:

- conclusions emerging from the evaluation findings and analysis presented in chapter 4 “Answers to the Evaluation Questions”;
- lessons learned from the successful implementation of sector budget support operations; and
- recommendations emerging from this evaluation.

### 5.1 CONCLUSIONS

The conclusions are structured in clusters to facilitate the overall synthesis and to draw lessons for the purpose of programming, design and implementation. They are presented below and detailed thereafter. Each conclusion further refers to the EQ(s) on which it is based.

TABLE 9: CONCLUSIONS

CLUSTERS	CONCLUSIONS
Strategy and EC value added	C1: Strong alignment to GoE priorities and responsiveness to population needs
	C2: Main EC value-added stems primarily from the use of budget support as the preferred aid modality
	C3: Good coherence at strategic level but limited at implementation level
Aid modalities	C4: Adequate choice of aid modalities in light of country context
	C5: Budget support benefited from a strong national leadership
Results and impacts	C6: Limited results of support to trade, and outcomes of support to economic development (SME) still mostly unknown
	C7: Satisfactory achievement of objectives in environment, health and rural development
	C8: Significant though unequal progress in the achievement of EC supported government objectives in the education sector
	C9: Positive results of budget support due to appropriate mix of inputs

#### Conclusion 1: Strong alignment to GoE priorities and responsiveness to population needs

The EC strategy in Ecuador was relevant: it aligned to government priorities and reflected population needs. The move to budget support was in itself an expression of improved alignment although it did not trigger significant improvements in terms of donor harmonisation. *Based on EQ1 to EQ7*

The two main interventions in the **social** sectors (PASSE in health and PAPDE in education) were well aligned to government priorities and contributed to the implementation of significant reforms. PASSE aimed at supporting the execution of the Comprehensive Law on the National Healthcare System “*Ley Organica del Sistema Nacional de Salud*” (LOSNS), which was approved in 2002; PAPDE supported the Education Plan “*Plan Decenal de Educación*”, which was approved in 2006 through a referendum.

The same holds true when looking at the **environment** sector, whereby PRODERENA succeeded in strengthening decentralized environmental management systems in three strategic provinces of the North. The strong ownership it engendered at local level proved that it responded well to population needs.

In the areas of **trade and economic development**, EXPOECUADOR and PASES aimed at enhancing efficiency and competitiveness of the MSME sector, which absorbs the majority of the country's workforce. Furthermore, PASES directly supports the National Development Plan on this sector.

In **sustainable rural development**, PROLOCAL responded to a much needed support to rural development in poor regions following a period of deteriorating poverty indexes. It also gave rise to lasting policies both at central and local level.

The move to budget support (PAPDE and PASES) was in itself an expression of improved alignment to government objectives, but did **not** lead to improved harmonisation between donors. The EC was the first donor to supply budget support in Ecuador and to date remains the sole donor to use this aid modality in the country.

### **Conclusion 2: Main EC value-added<sup>184</sup> stems primarily from the use of budget support**

The comparative advantage of the EC vis a vis EU member states stems primarily from the provision of sector budget support and from its financial weight, coordination and convening capacity rather than from sector-specific considerations. *Based on EQ8*

The main comparative advantage and value added of the EC stems primarily from the provision of aid in the form of budget support. This allows the EC to:

- Enhance alignment by using national systems for programme design, managing, monitoring and reporting.
- Have access to a privileged dialogue, exchange of information (i.e. on PFM) and relations of trust with the GoE.
- Support national development priorities linked to the implementation of the PNBV.
- Provide substantial financial support in two concentration sectors.

Overall, the main EC value added is therefore at supra-sectoral rather than sectoral level. It also stems from its coordination capacity especially vis a vis MS, which has improved although it is not yet fully exploited.

The visibility of the EC has also been improving, especially in the education sector where, besides providing budget support (which has limited visibility in and of itself as it contributes to the achievement of national development goals), it leads the education round table.

### **Conclusion 3: Good coherence at strategic level but limited at implementation level**

Coherence between interventions financed by the Commission under different instruments is good on paper but scarce in the field. Synergies between interventions remain low. *Based on EQ 1, 2 and 6*

Despite converging objectives, the coherence of EC development interventions between thematic and bilateral cooperation and between national, sub regional and regional interventions was limited. Overall, interventions have not been designed with a view to being mutually supportive and as a result, few evidences of synergies have been found. Positive examples exist and some improvements have been registered, but these are scarce, especially in the areas of economic development and environment where regional and thematic budget lines are important.

### **Conclusion 4: Adequate choice of aid modalities in light of country context**

The Commission has developed a successful project approach during the period 2002-2006; the subsequent shift toward budget support in the period 2007-2010 has further increased ownership and alignment and has allowed to overcome inherent limitations of the project approach. *Based on EQ8*

During the first programming period (2002-2006), the project approach was by far the preferred aid modality due to the lack of viable alternative options. Overall results in term of influence on policies

<sup>184</sup> The EC value-added as evaluation criteria is defined as the extent to which the development interventions add benefit to what would have resulted from Member States' interventions alone in the partner country.



and sustainability were better than expected but were limited by inefficiencies (delays and high transaction costs), lack of ownership at central level and lack of policy dialogue (see C7).

Since 2006, the definition of national sector policies and planning frameworks paved the way for budget support in line with the EC strategy and oriented the choice of the focus sectors (education and MSME). This choice proved successful in terms of efficiency and effectiveness (see C9).

The potentiality of thematic budget lines was not fully used because of lack of complementarities with other interventions and budget lines (C3) and because of limited coordination between different interventions even inside the NGO sector.

Overall, the observed mix of modalities (project approach centralized or decentralized, sector budget support, joint financing with the World Bank) is a consequence of a variety of country specific considerations as well as of the evolution of the EC's financial instruments and does not owe much to a deliberate willingness to have a variety of aid modalities, for instance in order to spread risk or strengthen different kinds of implementing partners.

### **Conclusion 5: Budget support benefited from a strong national leadership**

Budget support provided sound support to policy implementation, respecting fully the strong government leadership and high ownership in policy design and strategic choices *Based on EQ 3, 7 & 8*

In Ecuador, where the leadership of Government is presently strong, the EC has successfully adopted Sector Budget Support as the preferred aid modality. This has allowed the Commission to contribute to the implementation of nationally owned development policies, and in particular to the monitoring of the reform implementation efforts through the adoption of shared results monitoring systems.

In line with the strong government leadership and ownership, policy dialogue did not tackle issues related to strategies and policy design, but was rather focused on procedures, monitoring and evaluation, extending in the case of the Education Decennial Plan (and PAPDE) to discussions on indicators.

This "limited" role of policy dialogue expresses the respect for the autonomy of the GoE in policy design and strategic choices, and its leadership in the choice of indicators and targets. It is not to be considered as a weakness of the budget support programmes.

This conclusion confirms the findings of other evaluations<sup>185</sup>: budget support is an effective tool in countries where governments are committed and capable of implementing robust development policies; it cannot modify a government's policy or generate commitment but may influence the content and pace of reforms.

### **Conclusion 6: Limited results of support to trade, and outcomes of support to economic development (SME) still mostly unknown**

Through its bilateral cooperation, the EC launched two main programmes supporting trade and economic development. These programmes were very different in term of modalities and means but both aimed at developing the SME sector. Both also faced different but specific constraints that made impacts limited in one case and outcomes mostly unknown in the other case. *Based on EQ 1, 2 and 7*

Trade and economic development are sectors where there is a real need to combine different aid modalities and ensure coherence between different budget lines. This is so because some policies clearly depend on public action<sup>186</sup> while some direct services to MSMEs are best provided by the private sector. As a result, the Commission has provided support in these areas through different approaches. However, despite their relevance and efficient execution, both the project approach and the sector budget support have led to limited results.

<sup>185</sup> See for example Enzo Caputo, Antonio de Kemp and Andrew Lawson: "Assessing the Impact of Budget support – Case studies of Mali, Tunisia and Zambia", OECD/DAC, Evaluation Insights, Number 2 – October 2011.

<sup>186</sup> Examples of these policies are credit regulation, access to public markets, export quality control, etc.

In the first instance - support delivered through the private sector and directed towards SMEs that could afford paying services provided (EXPOECUADOR) - efficiency and effectiveness of the programme were hindered by constraints linked to the lack of public policy in this sector, to inherent limitations of the EC procedures, and to the lack of sustainability of the intervention.

In the second instance - backing of public policies through sector budget support (PASES) - the recentness of the public policies aimed at strengthening the MSME sector and the limited number of indicators linked to this sector constrained the capacity to monitor and evaluate these policies. This led to a situation in which the results of the reform efforts are still mainly unknown<sup>187</sup>, in addition to the more long-standing constraints linked to the difficulty of providing efficient services to MSMEs through the public sector<sup>188</sup>.

These efforts were complemented by a regional programme based on the private sector (AL Invest), which is an indispensable part of a global support to trade and economic development.

### **Conclusion 7: Satisfactory achievement of objectives in environment, health and rural development**

EC cooperation achieved satisfactory results in the sectors of health, environment and rural development, surpassing expectations in terms of sustainability and even influencing public policies in those sectors. However, they could not overcome the limitations inherent to the project approach: weak integration in the state structure, limited coherence and coordination with other interventions, limited coverage and inefficiencies linked to EC procedures. *Based on EQ 1, 4 and 5*

In **environment**, PRODERENA served as a "policy laboratory", offered numerous and significant results, and benefited from a strong ownership at local level, which increased its sustainability. However, this programme could not reach a real decentralization of environment competencies and was weakly integrated into the Ministry of Environment.

In the **health** sector, PASSE accompanied the public policies, at first in 2005 by supporting the decentralization of public health services, and later on in 2007 by supporting the reform emphasising preventive care, community involvement and encouraging traditional medicine. It achieved concrete results through investment and training programmes and through the adoption by the Health Ministry of guidelines prepared by the PASSE for primary healthcare. Despite important delays and administrative difficulties, and limited results at decentralized level, the assumption of full ownership by the Ministry of Health (MSP) of the PASSE and the leading role of the MSP in the implementation of the Health sector reform confirm the relevance and sustainability of the project's achievements during its second phase (2007 onward).

Despite its weak integration into the state structure, PROLOCAL served as a laboratory of best practices in **rural development** and had a lasting effect on public policies applied during the following years through public institutions such as PRODER and IEPS. It also demonstrated to have important impacts at local level by enhancing local planning capacities, increasing production, employment and revenues.

### **Conclusion 8: Significant though unequal progress in the achievement of EC supported government objectives in the education sector**

Progress in the implementation of the Decennial Education Plan has led to significant improvements and strong likelihood of achievement of goals by 2015. Despite this, progress in some policy components of the PDE, such as in adult education, lags behind. The EC's contribution to achievements has been significant. *Based on EQ 3 and 7*

<sup>187</sup> However, given that most of these policies have been recently implemented it is probable that even if precise indicators could have been measured, they would have showed little effects due to the necessary time lag between implementation and impact. On the other hand a new set of indicators related to the MSME sector is being progressively designed and measured since 2011 (see EQ7).

<sup>188</sup> Examples of these services are credit collaterals, training and information, market studies, counseling...

Policies, measures and resources put in place by the GoE in the education sector in the framework of the implementation of the *Plan Decenal de Educación* (PDE) have led to significant improvements in terms of equitable access to quality education. The last independent progress report related to the implementation of the PDE indicates that in 2010, after completing half of the implementation period (five years out of ten), the overall level of achievement of the PDE goals for the whole country was 67%, thereby indicating good prospects for achievement of overall goals by the end of 2015. This overall score, however, hides marked discrepancies among specific policies or components of the PDE, and further efforts will therefore be needed to achieve the targets set, especially in relation to goal 4 'Eradication of illiteracy and consolidation of continuous adult education'.

Although it is difficult to attribute to budget support the successes and failures of a sector policy, it is indubitable that the PAPDE programme has contributed to the above-mentioned achievements. In particular, the SBS programme, through its various inputs (financial resources, policy dialogue, conditionalities and the financing of the external monitoring system) has:

- reinforced the coordination mechanisms among various functional areas within the MoE and between the latter, SENPLADES and the Ministry of Finance;
- provided financial resources, which, in combination with the conditionality matrix and policy dialogue, have acted as an external discipline measure reinforcing the already strong commitment of the GoE at the various levels; and
- financed the monitoring and control of education public policies through the active involvement of civil society institutions.

### **Conclusion 9: Positive results of budget support due to an appropriate mix of inputs**

Despite the relatively low weight of the financial resources provided in terms of coverage of reform efforts, the Commission has succeeded in putting in place **a successful mechanism of sector budget support**, which has allowed to: i) support policy implementation, in particular by favouring the adoption of result oriented monitoring and reporting systems; ii) provide needed technical assistance; and iii) favour civil society participation. *Based on EQ3 and 7*

In a country such as Ecuador (medium size and medium income), amounts committed in the form of budget support are not particularly significant with respect to the national budget, also in view of the fact that the EC is the sole donor providing budget support. As a result, the implementation of reforms would have been pursued even in the absence of the BS financial contribution<sup>189</sup>.

Despite this, the SBS programmes have favoured the adoption of a result oriented monitoring and reporting culture, which is viewed as an important contribution to the government's efforts (monitoring and evaluation reports are presented on time, are complete and of good quality)<sup>190</sup>. The importance of the SBS programmes is twofold:

- From a political point of view, they provide support to a country that has interrupted its relations with the World Bank, that has presently no stand-by agreement with the IMF and that had doubts about the potential benefits of a commercial agreement with the EU. This support is especially important since it backs the National Development Plan (PNBV), which is the political and economic credo of the present government.
- From a technical point of view the shift to budget support presents a number of advantages:
  - It increases alignment to the Government's priorities (see C5). The GoE's autonomy in policy design and its leadership in setting indicators and targets are fully accepted by the EC.
  - It contributes to the definition and implementation of result oriented frameworks in planning, monitoring and reporting that are required for the application of the National

<sup>189</sup> In education, between 2008 and 2010, financial resources provided through the PAPDE covered 3.6% of the executed investment budget but covered only 0.5% of the global (current expenditures + investments) executed budget in education. See EQ 7 (Table 8 for details)

<sup>190</sup> Official reports from SENPLADES (PASES) or from the ME (PAPDE) presenting results of indicators are rarely challenged by the EC.

Development Plan. Therefore, the methods used in PAPDE and PASES are slowly being improved and extended on a larger scale.

- It contributes to the strengthening of existing capacities through the provision of a flexible, high quality technical assistance in response to needs and demands of the public sector, especially in light of the increased importance of the budgetary and planning process.
- It finances other constitutional mandates such as the involvement of civil society in the control and monitoring of the National Development Plan (PNBV) and of the Education Plan (PDE).

Finally, the EC has contracted a local think-tank to monitor progresses in the application of the Education Plan and in the PFM, and to follow the evolution of the macro-economic situation. This has contributed to the rapidity of the administrative process and to the establishment of trust relations between the main stakeholders involved in the implementation of the budget support programmes.

From an operational point of view, the analysis of the two BS programmes show that selected indicators suffered from a number of limitations:

- The first phase of PAPDE used indicators with an excessive margin of error, such as enrolment or attendance rates. It is hoped that this will be corrected in the next phase of PAPDE, which also will give more importance to the quality of education and thus to quality indicators.
- PASES used too many indicators exogenous to government action and weakly linked to the MSME sector. The next phase will focus more on indicators of the performance of the MSME sector, as these are being presently drafted and measured by SENPLADES.

## 5.2 LESSONS LEARNED

Ecuador offers an interesting experience in budget support with some characteristics that may be useful for other countries and donors. These are presented in the form of two lessons learned on budget support.

<b>TABLE 10: LESSONS LEARNED FROM BUDGET SUPPORT</b>
Lesson learned 1: government ownership and commitment are of paramount importance
Lesson learned 2: in middle income countries such as Ecuador high-quality non financial inputs are often more important than financial inputs

The main **lessons learned** from the experience of two sector budget supports in Ecuador are the following:

### **Lesson learned 1 from budget support: government ownership and commitment are of paramount importance** *Based on C5*

Government's ownership and commitment are major factors of success of budget support and should therefore be respected and fostered as happened in the case of Ecuador where limited discussions on issues related to policy design took place. Respect of government leadership, however, can and should be accompanied by a close and strict monitoring of results in order to provide an adequate feedback to the policies implemented. In turn this monitoring role can be carried out by Civil Society where this is possible (as in the education sector in Ecuador; see LL2) or through public channels where it is not.

## **Lesson learned 2 from budget support: in middle income countries such as Ecuador high-quality non financial inputs are often more important than financial inputs** *Based on C9*

Other factors of success of the SBS programmes implemented in Ecuador that should be taken into account when designing / implementing BS programmes in other LA countries that will continue benefiting from EC bilateral cooperation are primarily related to the mix of non-financial inputs. Among them:

- 1) The provision of high quality and flexible short-term technical assistance through an original form of call for proposals focusing on public institutions. This is indeed an innovative form of supplying technical assistance: it ensures that assistance is demand driven and it promotes a certain competition for quality proposals amongst public institutions.
- 2) Use of existing national analytical capacity to monitor ongoing programmes which is important because it ensures that this capacity is recognized and therefore strengthened.
- 3) Inclusion of civil society organisations in policy dialogue, whenever possible. By supplying expertise in some sectors such as education, civil society is recognized as an important actor, especially as regards the monitoring of the education development plan, which in the case of Ecuador has been financed by the Commission. The promotion of mechanisms that foster civil society participation could be replicated in other countries in areas such as education, health, human rights, environment, etc. where civil society has an actual and/or potential significant role to play.

### **5.3 RECOMMENDATIONS**

The recommendations emerging from this evaluation aim at providing Commission policy makers and managers with advice based on the analysis and conclusions related to the EC cooperation with Ecuador during the period 2002-2010. In drafting these recommendations, the team has also taken into account the new Development Cooperation Instrument (DCI) regulation issued on the 7-12-2011.

The new DCI, which covers the period 2014-2020, provides an indicative financial allocation for the main budget lines and proposes reforms with three main objectives: simplification, differentiation and flexibility. In order to reach a better differentiation in aid between beneficiary countries, the DCI states that ***“In principle, high income, upper middle income and other large middle income countries, which are on a sustainable development path and/or have access to large domestic and external resources to finance their own development strategies, would graduate out of bilateral aid programmes”***. Therefore bilateral aid would be reserved to ***“countries which need it the most, and lack the required financial capacities for their own development”***<sup>191</sup>.

Because of the application of this criterion, only seven Latin American countries would eventually continue benefiting from bilateral aid and Ecuador is not among them<sup>192</sup>. The same document, however, emphasizes that all Latin American countries, including Ecuador, will continue to benefit from regional and thematic programmes.

The inter-institutional decision process is on-going. It is however clear that emphasis will be placed on enhanced regional and thematic approaches in the future.

In light of the possible new orientation of future Commission support to Ecuador as a result of the new Development Cooperation Instrument (DCI), the recommendations address the three following areas:

- Sectors that should be continued through other budget lines: (i) environment, (ii) trade and economic development, (iii) adult education: R1, 2 and 3.

<sup>191</sup> Proposal for a Regulation of the European Parliament and of the Council establishing a financing instrument for development cooperation COM (2011) 840 final, Brussels, 7.12.2011. Respectively page 7 and page 9.

<sup>192</sup> Ibid. Annex III. This list includes: Bolivia, Cuba, El Salvador, Guatemala, Honduras, Nicaragua and Paraguay.



- Designing, where relevant, a reorientation strategy in order to ensure continuity: R4.
- Short term recommendation that applies to the implementation of bilateral aid in 2012 and 2013: R5.

R4 and R5 are most urgent and should thus be given high priority. As the new regulation would not become effective before 2014, R1 to R3 are not considered as being of high urgency.

<b>TABLE 11: RECOMMENDATIONS</b>
R1: Ensure continuity of support to the environment sector through (sub-) regional cooperation and thematic budget lines
R2: Ensure continuity of support to trade and economic development through regional cooperation in support of both the private and public sector, especially if a trade agreement is signed with Ecuador
R3: Ensure continuity of support to adult education by supplying practical proposals with a view to strengthen GoE capacity to comply with the targets set by the Plan Decenal de Educación
R4: Taking into account recommendations 1 to 3, design, where relevant, a strategy which will allow some continuity of activities in specific sectors
R5: Improve quality of investments and quality of indicators in the two ongoing SBS programmes (PAPDE and PASES)

#### **Recommendation 1: Ensure continuity of support to the environment sector through (sub-) regional cooperation and thematic budget lines**

Some new challenges linked to climate change and more generally to the environment could and should be addressed at regional or sub-regional level (e.g. climate change is presently addressed through Euroclima at regional level with a low €5 M budget for 4 years). An increase in this cooperation is justified by the needs of the country and would also allow building on the experience gained by the Commission in relation to environmental issues in Ecuador. Furthermore, an increase in this type of cooperation perfectly fits the new DCI for the 2014-2020 period, where it is foreseen that these issues will absorb almost one third of the total financial allocation to the budget line *global public goods and challenges thematic programme*: “at least 50% of the funds, will serve for climate action and environment-related objectives prior to the use of the markers based on OECD methodology (Rio markers)” (Annex VII, p.47).

Finally, in view of the increased importance of the mining sector in Ecuador due to the fact that the country has started a transition out of petrol and into traditional forms of metallic minerals exploitation, increased access to environmental and NSA thematic budget lines could help mitigate the high cost in terms of environmental damage and social conflicts that such a shift could entail, thereby preventing to the extent possible some problems experimented by neighbour countries<sup>193</sup>.

#### **Recommendation 2: Ensure continuity of support to trade and economic development through regional cooperation in support of both the private and public sector, especially if a trade agreement is signed with Ecuador**

*Based on C6*

<sup>193</sup> The latest well known example of a long and difficult social conflict provoked by the environmental damage caused by mining is the Conga gold mine project which would make the Yanacocha mine (Cajamarca – Peru) the largest gold mine in South America. Yanacocha is located not far from Ecuador's southern border and on the same gold field as Southern Ecuador.



With or without a commercial agreement with the EU, Ecuador will need to gradually overcome the weaknesses of its business environment that constitute a major constraint to the competitiveness of Ecuadorean SMEs vis a vis their neighbours and competitors. Means to increase Ecuador's participation in the AL Invest Programme<sup>194</sup> will have to be pursued with a view to enhance capacities of organisations such as Chambers of Commerce, Trade Associations, Export-Promotion Agencies in supporting the internationalisation of Ecuadorian SMEs and more broadly private sector development. At the same time, new ways of working with the public sector should be considered to reinforce public institutions (e.g. customs). In particular, should a trade agreement be signed with Ecuador, it should include a support to upgrade some key public institutions and to alleviate red tapes, which hamper investments and exports of non-traditional products.

Beyond the Ecuadorian case, the trade and economic development area is typically an area where it is important to apply an appropriate mix of modalities in order to support simultaneously Government and private efforts.

**Recommendation 3: Ensure continuity of support to adult education by supplying practical proposals with a view to strengthen GoE capacity to comply with the targets set by the Plan Decenal de Educación** *Based on C8*

Experience gained during the first years of implementation of the PDE and the increasing capacities demonstrated by the Government are expected to enable the country to purposely proceed with the successful implementation of the PDE. This said, despite significant progress in the implementation of the PDE, progress in adult education lags behind. The PDE has set a target of 3.5% of illiteracy rate as for 2015, and although this target has almost been achieved in urban areas, in rural areas the illiteracy rate remains above 15%.

Ongoing measures to improve continuous adult education will need to be strengthened in order to comply with the targets set by the *Plan Decenal de Educación*. It is recommended that a short term mission should be organized in order to assist the EUD in supplying practical proposals and ways in which the Commission can support the GoE in order to meet this goal.

**Recommendation 4: Taking into account recommendations 1 to 3, an exit strategy should be elaborated in order to allow a certain level of continuation for activities in key sectors**

Priority should be given to the design, where relevant, of an exit strategy with a view to:

- 1) Forecast necessary activities so as to ensure the sustainability of ongoing programmes.
- 2) Review and assess the extent to which budget lines (thematic, regional and sub-regional) can be accessed and used to ensure continuity of support of key sectors (see R1 to R3).
- 3) Coordinate future EC cooperation with EU Member States and other donors in order to harmonize programmes and secure some continuity of the EC's accumulated experience in Ecuador.
- 4) Verify and discuss with EU MS and other donors the extent to which they could become involved in the provision of budget support in order to give continuity to the successful adoption of this aid modality in Ecuador.

**Recommendation 5: Improve quality of investments and quality of indicators in the two ongoing SBS programmes (PAPDE and PASES)** *Based on C9*

In **PAPDE**, serious effort has been made to adapt indicators to the new priority given to enhancing quality (rather than quantity) in primary and secondary education. This effort should be further pursued by strengthening the dialogue processes and involving other institutional stakeholders.

<sup>194</sup> The AL-Invest Programme facilitates the process of internationalisation of LA SMEs by directly funding projects for organisations that represent and promote private sector development, e.g. Chambers of Commerce, Trade Associations, Export-Promotion Agencies, etc.

Attention should also be paid in selecting indicators that do not suffer from a wide error margin as is the case of enrolment rates.

In both programmes, efforts to enhance quality of investment should be continued and intensified. This implies on the one hand the selection of investments on a quality basis (rather than on a political basis), and on the other hand the monitoring of these investments both at a financial and at a physical level<sup>195</sup>.

In **PASES**, very significant progress is being recorded with regards to the design, measurement and putting in place of a large set of new indicators to monitor the performance of the MSME sector. New PASES indicators are expected to be chosen among these, in order to monitor progress of policies supporting this sector. These indicators should be tightly related to public policy measures or effects and thus relatively independent from exogenous factors such as climate or business cycle.

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<sup>195</sup> In turn, this implies an improvement of the information system in order to know, at any time, the advancement of the financial commitments and of the physical execution of any investment.