

Republic of Ecuador

Country Programme Evaluation

Executive Summary

1. This is the first country programme evaluation (CPE) conducted by the International Fund for Agricultural Development (IFAD) in Ecuador since it started up operations in 1978. In 2004, together with the Government of Ecuador, IFAD prepared a country strategic opportunities paper (COSOP). This CPE, covering the period 1997-2012, includes a review of the COSOP and an evaluation of four projects and 11 grants (three national, six subregional and five regional) approved during the period.
2. Ecuador has benefited from a total of eight projects approved by the Executive Board since the outset of IFAD operations in 1978. With the exception of a loan granted on highly concessional terms in 2004, IFAD funding has been provided on intermediate terms (until 2008) and ordinary terms (since 2009). IFAD supervises its operations directly and has had a part-time liaison officer based in Quito since 2008. The current Country Programme Manager (appointed in February 2013) is located in the IFAD subregional office in Lima, Peru.
3. As a result of steady growth in per capita income, Ecuador transitioned from being classified as a low-income country in the early years of the millennium to an upper-middle-income country in 2010. The country experienced a severe economic and political crisis at the end of the 1990s and political instability continued until 2008, when a new constitution was adopted. The past five years have seen political stability and steady improvement in economic, poverty and social development indicators. However, the incidence of poverty remains high nationally and even higher in rural areas, at 32.8 per cent and 52.9 per cent in 2010, respectively. Agriculture is the main source of employment and income for rural people.
4. The constitution of 2008 generated a deep-seated change in the country's pro-poor institutional and political framework, particularly for poor people living in rural areas. The new model establishes a complex institutional system that calls for coordination among multiple public agencies, rests upon decentralization, and limits public indebtedness exclusively to financing for investment projects with financial payment capacity.
5. In view of the major changes described above, this CPE distinguishes between two periods, marked by different political and institutional contexts: a first period from 1997 to 2007, when Ecuador was affected by great political instability and a severe economic crisis beginning in the late 1990s, and a second period from 2008 to 2012, as the adoption of the new constitution ushered in a phase of profound political and social change.
6. IFAD's portfolio of approved projects for Ecuador in the past 15 years includes: one project with limited IFAD participation, namely the Development Project for Indigenous and Afro-Ecuadorian Peoples (PRODEPINE) approved in 1997, closed in 2004, and funded, implemented and supervised mainly by the World Bank; the Development of the Central Corridor Project approved in 2004, which had disbursed 62 per cent of IFAD-approved funds at end-2012;¹ and two new projects – the Ibarra-San Lorenzo Development Project and the Buen Vivir in Rural Territories Programme – for which implementation began in 2012.
7. The relevance of the older projects – PRODEPINE and the Development of the Central Corridor Project – is considered moderately unsatisfactory. Their objectives

¹ Latest disbursement data at August 2013 is 82 per cent (IFAD, PPMS [Projects and Programmes Management System]).

were consistent with government policies at the time of their design. However, the targeting in PRODEPINE, focused exclusively on indigenous and Afro-Ecuadorian peoples – which have a high incidence of poverty but are minorities – implied to compromise on the potential of projects as an instrument for poverty reduction at a national level. The design of the Development of the Central Corridor Project was not fully aligned with the main spheres of action outlined in the 2004 COSOP, mainly as a result of limitations in addressing financial services and in the gender strategy. In addition, changes in the project implementation arrangements – transferred from the Ministry of Agriculture to another institution associated with the Ministry of Economic and Social Inclusion – led to difficulties in reaching the poorest people as a result of rigorous collateral and organizational levels requirements.

8. The relevance of the more recent projects is satisfactory. In the last project approved in 2011, the Buen Vivir in Rural Territories Programme, the proposed financing for development funds, institutional strengthening at community level, and conversion of conventional production to sustainable agroecological models is fully consistent with the current Government's priorities and with IFAD's institutional objectives. The objectives of the Ibarra-San Lorenzo Development Project approved in September 2009 are equally relevant, although their implementation depends on coordination among multiple public agencies and a decentralization process that is still incipient.
9. Portfolio effectiveness is rated moderately unsatisfactory. Overall, despite some positive results, the portfolio has made moderately unsatisfactory progress in relation to achieving the immediate project objectives: promoting social and productive investments targeted to poor rural people, business development and promotion, strengthening rural organizations, managing natural resources and cultural diversity, and land titling and purchases. The only completed project – PRODEPINE – achieved positive results in terms of credit unions and investment subprojects, but did not achieve the objectives initially set in support of rural finance services. As IFAD accepted the challenge of implementing and supervising this component in the midst of a financial sector crisis, the implementation of the component fell short of plans. Despite major strides made in the last year, the other project evaluated – the Development of the Central Corridor Project – is only 62 per cent implemented almost nine years after approval and less than one year from the completion date, with closure scheduled for September 2013.² It is too early to measure the effectiveness of the Ibarra-San Lorenzo Development Project or the Buen Vivir in Rural Territories Programme as they are just commencing implementation.
10. Portfolio efficiency is rated moderately unsatisfactory as well. The internal rate of return on investment subprojects evaluated showed mixed results, and the protracted delays in project implementation – mainly as a result of political instability and institutional changes that took place during the approval and implementation period – affected the portfolio's efficiency. These problems with portfolio management translated into high administrative costs. On the other hand, support to credit unions was efficient and the delay in approval and effectiveness improved substantially in the last project approved, at eight months, compared to an average of 22 months for projects in Latin America and the Caribbean overall.
11. Impact is rated moderately satisfactory. Despite its limited magnitude owing to limited progress in the field, impact is considered positive overall. Greater access to credit through credit unions, appreciation in the value of land purchased or titled, and profitable productive investments have contributed to increasing the incomes and assets of beneficiaries in some cases. The impact on institutions and policies is

² Extended to December 2014.

highlighted – in particular the contribution made to the drafting and adoption of legislation to protect indigenous culture and setting up group microcredit lines, which made a significant contribution to the rural financial system in Ecuador. A positive impact was also made on social capital through the strengthening of rural organizations and the formulation of development plans in various municipalities supported by the programme.

12. The programme's contribution to innovation and scaling up is rated moderately unsatisfactory. IFAD's portfolio proposes various innovations in areas such as private markets for technical assistance, incentives for enhancing cultural heritage, value chains in rural production and agroecological systems with environmental conservation initiatives. Nevertheless, most of these innovations have yet to be implemented. In addition, successful initiatives such as credit unions carried out under the only completed project, PRODEPINE, were not replicated or scaled up in subsequent projects. The proposed innovations are also highly dispersed, with no clear agenda or priorities for scaling up.
13. Progress on gender equality is rated moderately satisfactory. Support for credit unions under PRODEPINE contributed to empowering indigenous women and had a positive knock-on effect on their incomes and their personal and community lives. The Development of the Central Corridor Project included women in several investment subprojects with broad potential impact on gender equality – particularly value chains such as *cuy* or guinea pigs and granulated unrefined cane sugar, where rural women are the main agents. However, although IFAD's programme built gender considerations into all projects, the gender equality strategies overall are not structurally mainstreamed into the central thrusts of project intervention or into the key production activities among beneficiary families. In addition, there is limited permanent specialized capacity within project implementation units, where high turnover among gender-specialized personnel reflects generally low status and pay levels.
14. IFAD's performance is rated moderately satisfactory. Following a first period of low visibility in Ecuador, IFAD's flexibility when faced with changes in the country context has been a positive factor since 2008, in supporting implementation of the new framework enshrined in the constitution. IFAD has also exercised closer monitoring since 2008, including adoption of direct supervision, more frequent supervision missions and the establishment of a liaison officer in-country. Although the partnership with government counterparts is good, some relationships are still being consolidated and the strategic cooperation framework leaves room for improvement.
15. The performance of the Government of Ecuador is also rated moderately satisfactory. In general the Government has shown a good level of commitment and ownership with respect to IFAD-funded projects in the country. The Government's performance has been affected by high levels of political and institutional instability over much of the period under review. This has led to high turnover among the institutions responsible for implementation, irregular fulfillment in providing counterpart funds, and problems with monitoring and assessing the impact of operations, although improvements are observable in the new projects.
16. The performance of non-lending activities is rated moderately satisfactory. Results on policy dialogue are mixed. During the first period evaluated, IFAD had limited visibility in Ecuador and was considered mainly a lending agency rather than a key interlocutor in policy dialogue. However, dialogue with the Government intensified with preparation of the COSOP in 2003-2004 and during design of the Development of the Central Corridor Project and the Ibarra-San Lorenzo Development Project. During those discussions, the Government and IFAD identified territorial development as the central thrust of policy dialogue. Although the concept of

territorial development continues to be key, the success of dialogue on this subject has been limited by poor results under the corridor projects supported by IFAD. On the other hand, major progress has been made on policy dialogue in recent years – essentially during preparation of the more recent Buen Vivir in Rural Territories Programme – and also through the support to the Rural Dialogue Group – financed by a subregional grant, which promotes exchanges between civil society, the Government and IFAD on rural development policy.

17. IFAD has achieved an adequate level of partnership with national government agencies, principally the Ministry of Finance and project implementing institutions, as well as with local governments. Relationships with other entities responsible for government strategy – such as the Planning Secretariat and the Technical Secretariat for International Cooperation – are not yet fully consolidated. The partnership with other international cooperation agencies has generally been low, in part because of IFAD's limited presence and visibility and in part because several of these organizations have recently withdrawn from the country or reduced their rural development activities. Recent improvements are highlighted, such as collaboration with the Investment Centre of the Food and Agriculture Organization of the United Nations (FAO), mobilization of US\$2.7 million in cofinancing from the *Global Environment Facility* and US\$15 million from the Spanish Food Security Cofinancing Trust Fund for the last programme approved.
18. IFAD has successfully supported knowledge management, mainly in the form of regional grants for research, systematization, knowledge dissemination and exchanges of experience through networking or internships. On the other hand, contribution to knowledge management from projects has been limited, owing to the absence of an adequate monitoring and evaluation (M&E) system and lack of analysis of best practices generated by such projects.
19. The relevance of the COSOP was moderately satisfactory. The 2004 COSOP was consistent with the objectives of the Government of Ecuador at the time it was prepared in 2003-2004, and proposed an appropriate combination of instruments in support of the programme in Ecuador. The COSOP was prepared prior to 2006, when IFAD adopted the practice of preparing results-based strategies. Accordingly, the COSOP does not set objectives but rather refers to areas of intervention, and includes some questionable approaches. The concept of territorial development was highly relevant, but its application in proposing three longitudinal geographic corridors was not based on a diagnostic of the possibility of adapting such an approach to political and geographical conditions in Ecuador. In particular, it did not give sufficient consideration to the function of decentralized autonomous governments. Targeting the COSOP to geographic areas with a high percentage of indigenous and Afro-Ecuadorian population was also relevant in giving priority to marginalized groups with a high incidence of poverty. However, the COSOP did not take into account lessons learned from the PRODEPINE final report, which contained a critical reflection on the advisability of combating poverty by focusing on ethnic groups, thus generating a loss of equity with respect to other groups in rural areas with similar poverty rates.³ Finally, the CPE questions the achievement of very long-term objectives using short-term instruments with limited flexibility.
20. Following the adoption of a new constitution in 2008, the COSOP lost relevance and IFAD did not prepare a new COSOP to adjust to a fundamental change in the country context. The constitution set forth a completely different vision to the one prevailing hitherto, giving rise to numerous legal and institutional reforms. IFAD considered it prudent not to prepare a new COSOP until the changes had been consolidated. However, commencing in 2008-2009, IFAD restructured the existing project portfolio and prepared a new programme, the Buen Vivir in Rural

³ Although the highest incidence of poverty is found among indigenous people, mestizo or mixed-race people have the largest share of poverty at 70 per cent, as they are more numerous and live largely in rural areas similar to those of indigenous people.

Territories Programme. The strategy underlying this programme is relevant and its objectives are closely aligned with the Government's strategies and policies, IFAD's Strategic Framework, and the needs of poor rural people. Nevertheless, the delay in updating the COSOP has placed constraints on the potential of IFAD's programme in Ecuador. The absence of a new COSOP is generating instability and leaves undefined key aspects of cooperation between IFAD and the Government of Ecuador on non-lending activities – such as policy dialogue, knowledge management and the innovation and scaling-up agenda. In addition, the lack of a new COSOP has left the new programme without an updated results management framework that would reflect the new requirements placed on it by the Government and IFAD.

21. The COSOP's effectiveness is rated moderately unsatisfactory. Progress made on achieving the implicit objectives of the main areas of intervention is limited owing to low levels of implementation for the projects it proposed. At the time of this writing, in 2012, just one of the three projects identified in the COSOP had made any progress on implementation, at about 60 per cent.
22. In short, the CPE rates collaboration between IFAD and the Government of Ecuador for the period 1997-2007 as moderately unsatisfactory, given the moderately unsatisfactory performance of the COSOP and the project portfolio. The period 2008-2012 is rated moderately satisfactory in view of the improvements in relevance of the new portfolio approved, progress on policy dialogue, and strong alignment between the Government's priorities and IFAD's programme, although several challenges remain. Despite major promising advances in the past four years, the rating is moderately unsatisfactory overall.

Summary of the CPE ratings for IFAD-Government collaboration overall

<i>Evaluation Criteria</i>	<i>Group one (projects approved prior to 2008)</i>	<i>Group two (projects approved after 2008)</i>	<i>Overall rating</i>
Performance of project portfolio	3	5*	3
Non-lending activities	3	4	4
Performance of COSOP	3	4	3
Overall rating	3	4	3

* Only relevance was rated.

The CPE offers **six key recommendations**:

A. Recommendations of a strategic nature

23. **Strengthening the institutional anchoring of the country programme.** IFAD's future programme in Ecuador should, first of all, ensure more stable and sound institutional positioning for both negotiating and implementing the programme – which depends upon coordination and participation by multiple government agencies. Accordingly, IFAD will need to expand its relationships and coordination efforts with all ministries and government agencies associated with the programme – the Ministry of Social Development Coordination, the Ministry of Production, Employment and Competitiveness Coordination, the Ministry of Foreign Affairs and Human Mobility, the Technical Secretariat for International Cooperation and, most importantly, the National Planning and Development Secretariat (SENPLADES) – and to involve these entities in programme supervision. At the same time, it is essential for the programme implementing unit to maintain a

certain degree of independence and autonomy so that, within the framework of prevailing legislation and under the direction of the relevant ministry, it is able to provide efficient management and is protected from political volatility or unforeseen institutional changes. Stability in norms and agreements would be ensured by participation and supervision of the many entities concerned.

24. **Opening to other actors.** The decentralization process is fundamental to the Government's current development policy. This process is upheld by the constitution, which stipulates that Ecuador is organized as a republic and governed under a decentralized approach. The Organic Code of Territorial Organization, Autonomy and Decentralization establishes a context of decentralization of competencies and various principles of complementarity and subsidiarity. Therefore, IFAD should explore opportunities for operations with autonomous decentralized governments, especially with provincial governments. The current limited institutional implementation capacity of those governments should be considered an opportunity for IFAD to provide institutional strengthening support.
25. **Strengthening of non-lending activities in the framework of strategic guidelines and country priorities.** Non-lending activities have taken on a predominant role since Ecuador transitioned from being classified as a low-income country in 2000 to a upper-middle-income country at present. Accordingly, IFAD's contributions to policy dialogue, the introduction of innovative approaches, and knowledge dissemination and management take on special significance for future collaboration. IFAD will need to outline an innovation programme and indicate priority areas for specific innovations applicable to the country, and will have to generate an adequate M&E system for that programme. Also, IFAD will need to set out a scaling up strategy so that the Government, other donors and the private sector may replicate and scale up such innovations. IFAD will also need to strengthen its knowledge management activities, facilitating access to new knowledge in the area of agricultural production, food security, food sovereignty, and environmental issues. It should also promote exchanges of experiences with other countries in the region or other regions receiving IFAD support, and facilitate access to international experts as a significant value added to the country programme. In addition, IFAD will need to continue to support promising advances in policy dialogue emerging from more recent experiences in designing the Buen Vivir in Rural Territories Programme and the support to the Rural Dialogue Group.

B. Recommendations for the future country programme

26. **Select flexible lending instruments in support of programmes rather than projects.** Territorial development programmes constitute the essence of the Government's policy in support of rural development. IFAD's support has therefore evolved from an initial approach of upgrading agricultural production to one of territorial development. The objective of such an approach is to stimulate various economic sectors – such as sustainable tourism, artisanal production, fishing and services – to create more employment opportunities and alternative income sources to agriculture. Support for the Government's plans as a rural development partner – within the framework of the new country priorities set forth in the Buen Vivir National Plan and the decentralization process – calls for instruments that can support programmes with greater flexibility – and that can achieve results over the longer term than traditional instruments used to support projects. IFAD should try to partner with other international organizations and seek greater local counterpart funding to cofinance and jointly develop flexible instruments in support of such programmes.
27. **Strengthen the M&E system.** The lack of an M&E system was a major weakness encountered by the CPE. Accordingly, the Government should, with IFAD support, strengthen the M&E system, including impact assessment, and ensure that it is aligned with national M&E mechanisms at SENPLADES and local governments. In

addition, the new IFAD-supported programme should have a tangible, realistic results management framework. M&E for grants should also be strengthened in order to internalize lessons learned, improve visibility and ensure that an effective contribution is being made to the programme.

28. **Increase country presence.** The CPE recognizes that closer monitoring by IFAD, through direct supervision and the presence of a liaison officer in Quito since 2008, has helped to improve portfolio status and give IFAD better visibility in Ecuador. Nevertheless, the CPE recommends that IFAD strengthen its country presence⁴ in view of the high cost of managing the programme from Rome and also with the aim of collaborating more actively with the Government on policy dialogue and knowledge management, and to strengthen the partnership with the Government and other donors. IFAD should, in consultation with the Government, consider the possibility of establishing the country programme manager in Ecuador, or alternatively managing the programme from a subregional hub.

⁴ In accordance with the decentralization agenda under way at the Latin America and the Caribbean Division