

EXTERNAL TRADE MODERNIZATION PROGRAM

(TC-95-02-13)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Federación Ecuatoriana de Exportadores [Ecuadorian Exporters' Association] (FEDEXPOR)

RECIPIENTS: Exporters in the private sector, particularly small exporters

OBJECTIVES: The purpose of this project is to open up new opportunities for investment by the private sector through actions to bring down trade barriers and high entry costs to foreign markets.

DESCRIPTION: To achieve this objective, the project seeks to strengthen the institutional capacity of the private sector to support nontraditional exports by means of three subprograms. Under the first subprogram, consultants would be hired to assist exporters in making optimum use of the trade preferences granted by the United States and European Union to goods from the Andean region. This subprogram would entail identifying market niches abroad, adapting and developing products to meet market specifications, and developing marketing strategies.

The aim of the second subprogram is to improve and expand the trade information services made available by FEDEXPOR to business and to set up a national network. The third subprogram proposes to provide training for instructors, design programs, and develop teaching materials in an effort to establish ongoing capacity to educate businessmen in foreign trade matters.

FINANCING:

Modality:	Nonreimbursable
Recipient:	US\$286,000
IDB (MIF-Window I):	US\$690,000
Total:	US\$976,000

IMPLEMENTATION SCHEDULE:

Execution:	18 months
Deadline for final disbursement:	24 months

Executive Summary

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**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of August 8, 1995, classified this as a Category II operation.

**SPECIAL
CONDITIONS:**

Prior to the first disbursement, the executing agency shall: (i) appoint a coordinator for the program, acceptable to the Bank; (ii) prepare a detailed plan of project execution; and (iii) prepare a list of products required for the start up of subprogram I. Within six months of the date of the first disbursement, the executing agency shall submit the Operating Regulations governing the fund for the financing of export adaptation and development programs for subprogram I.

I. COUNTRY ELIGIBILITY

- 1.1 On September 7, 1994, Ecuador was declared eligible by the Donors Committee for financing under all MIF modalities.

II. FRAME OF REFERENCE

A. Background

- 2.1 In the early 1990s, Ecuador embarked on a process of economic modernization that involved a rethinking of a development model based on intervention by the public sector and State protection for certain privileged economic activities. Most prominent of the initial reforms were a repeal of all industrial development legislation and the opening up of the export sector. Labor legislation was also made more flexible. At the same time, the country pushed ahead rapidly with the process of trade liberalization with its Andean partners through the creation of the Andean Free Trade Zone, which has since become a customs union with the adoption of a common external tariff early this year.
- 2.2 Since August 1992, the present administration has been moving ahead with the process of modernization through a mix of sound macro-economic policy and major structural reforms. The macroeconomic policy has centered on achieving internal and external economic stabilization and on bringing the public sector's accounts into balance, a goal that has enabled the authorities to give the private sector more scope on the strength of a fairly accommodative credit stance. The success of the stabilization program has made it possible for the private sector to operate in an increasingly favorable and less uncertain macroeconomic climate. Inflation plummeted from 60% in 1992 to 25% in 1994 and international reserves rose substantially, to the equivalent of six months of imports. In 1994, the economy grew at a brisk pace of 4%. The border conflict that broke out in early 1995 was a setback for both the economy and public finances, and as a result the government has been going to great lengths to preserve economic stability in order to keep inflation on the decline, fiscal accounts in balance, and GDP growth above 3% this year.
- 2.3 The structural reforms have topped the government's agenda. Deregulation of financial, exchange, and securities markets has led to far greater economic flexibility. The Agricultural Development Act has improved investment conditions in the countryside. Under the Budget Act, management of the budget for the entire public sector was consolidated in the Ministry of Finance. The Exchange Act streamlined the activities of the Central Bank, eliminating the

possibility of deficit financing through Central Bank lending. The State Modernization Act raised the possibility of privatizing services now provided by the public sector, such as electricity, telecommunications, urban sanitation, and ports and harbors. The National Commission on Modernization (CONAM), the agency responsible for the modernization process, has sold Corporación Financiera Nacional's interests in several industrial concerns to the private sector for the sum of US\$92 million. One notable achievement in this privatization process has been the Hydrocarbons Act, which has removed many of the barriers that impeded the entry of nongovernment investors into this sector and in August 1995 the Telecommunications Reform Act was passed permitting the sale of 45% of Empresa Ecuatoriana de Telecomunicaciones' share capital to private investors.

- 2.4 The reforms in the foreign trade sector have been a cornerstone of the modernization process since they seek to minimize government intervention and open the way for competition, private-sector involvement, and market forces in international transactions. Some major reforms have been the elimination of quantitative restrictions on imports, the simplification of the tariff structure, and the country's recent membership in the World Trade Organization. The government's task now centers on administrative reform and improving infrastructure for the export industry. The Customs Act will make it possible to streamline and improve customs controls through simplified procedures and the use of private companies to perform audit services. As well, a single window has been set up to simplify export procedures. The privatization of port services is now under way, and services contracts are about to be awarded for the ports of Guayaquil, Manta, Bolívar and Esmeraldas. This is receiving financial support from the Bank (MIF TC-94-10-14-3).
- 2.5 Participation by businessmen in international trade, particularly export industries, has been growing rapidly since 1986 owing to the decline in the price of oil and the resulting substantial appreciation in the real exchange rate, and the growth of agribusiness. At present, the private sector accounts for 57% of Ecuadorian exports. Bananas, shrimp, seafood, and flowering plants have shown the strongest growth.
- 2.6 Although nonoil exports have taken off over the last 10 years, the development of the sector has been hampered by weaknesses that need to be remedied. These include:
 - a. **Concentrating on a few products**, all of which are natural resource intensive. Ninety-four percent of Ecuadorian exports of primary products and manufactures are natural resource intensive. The country has made little use of the comparative advantages it enjoys in available skilled and unskilled labor.

- b. **Concentrating on relatively few exporters.** There are only 250 companies in Ecuador with the capacity for annual export sales of more than US\$1 million and three of these alone account for 20% of nonoil exports. Considerable interest in exporting by many predominantly small firms, however, has been noted. In 1993, about 1,600 companies reported export sales of less than US\$1 million and most of these were commercial samples to prospective customers outside the country. This is indicative of the great interest expressed by small companies in exporting, which has never been properly developed in the absence of institutional support.
 - c. **Absence of institutional support,** from both the public and private sectors. The elimination of the industrial development law and the draconian budget brought down by the Ministry of Industry and Trade (MICIP) has reduced institutional support for the export industry to a basic minimum. In addition, it is only recently that exporters in the private sector have begun to organize themselves into groups to fill this gap.
 - d. **Inability to make the most of trade preferences** granted by the United States and the European Union. Until now, almost no use has been made of the trade preferences granted by the United States under the Andean Preferential Tariff Act (LPAA) although over 6,100 items are exempt from duty. The same is true of the European Union's special trade regime, whereby many products from the Andean region are allowed to enter the Union freely.
- 2.7 Despite the favorable trend in nonoil exports in recent years, imports, not exports, appear to have benefited most from the trade reforms introduced since 1990. As in other countries of Latin America that have liberalized their trade policy, imports are growing at a faster clip than exports. In 1994, imports soared 32.3% compared with a 21.4% increase in exports. As a result, the traditional trade surplus was whittled down from 9.5% to 2.7% of GDP between 1990 and 1994.
- 2.8 In addition to a declining trade surplus, the balance in services is expected to deteriorate over the next few years as a result of higher external-debt service. In 1994, the Ecuadorian government reached agreement with its commercial bank creditors on a debt restructuring under the Brady Plan, the country began servicing this debt this year. Over the next few years, debt repayments will amount to the equivalent of 1.5% of GDP, and from 3% to 4% of GDP starting in the year 2000.
- B. New institutional framework for external trade
- 2.9 The private sector has not only been increasing its share of exports but the role played by institutions in the private sector in supporting exports has grown steadily. The repeal of the

industrial development legislation (which provided incentives for exports on a case-by-case basis) and the rationalization and reorganization of the Ministry of Industry, Trade, Integration, and Fisheries (MICIP) left a vacuum that is starting to be filled by the private sector. In this regard, the Federación Ecuatoriana de Exportadores [Ecuadorian Exporters' Association] (FEDEXPOR), a private organization of professional associations formed in 1976 to represent the interests of exporters and to offer services to help develop the export industry has played a crucial role. Its board of directors is formed of eight directors from the Federations of Industry and Trade, Producer Associations, Exporter Associations, the Senate and the Congress, and eight directors from both the Sierra and Costa regions for a total of 24. FEDEXPOR has 336 branches in six cities in Ecuador, and represents both traditional and nontraditional exports.

- 2.10 As part of the institutional reform, the government established a new framework to coordinate the investment and trade activities of the public and private sectors in February 1993, with the creation of the National Commission for the Coordination and Promotion of Exports and Investment (CONAPEI). The board of directors of the Commission is chaired by the Minister of Industry and Trade. Five representatives of the public sector and five from the private sector sit on the board.
- 2.11 On August 13, 1993, the Bank approved an operation to develop nontraditional exports in Ecuador (ATN/JF-4374). The first disbursement was made in May 1995 after the country had been declared eligible for financing. The thrust of this program is to provide institutional strengthening for the public sector, specifically for CONAPEI, through four components. These components entail identifying the functions now being performed by each of the Commission's member organizations, preparing a medium-term export plan to ensure the continuity of policy, heightening awareness among companies involved in the transport and distribution of exports, and making consultants available to assist the authorities in the analysis of free zone policies, credit insurance, simplification of procedures, etc. This program proposes specific action in only two areas of activity: flowering plants and wood products.
- 2.12 The present trade modernization program will make use of MIF resources to provide direct support for exporters in the private sector, and will supplement operation ATN/JF-4374, which was recently initiated for the public sector. The purpose of this program is to strengthen the institutional capacity of the private sector to assist exporters by means of three subprograms to be carried out by FEDEXPOR. The activities planned under this program are innovative for Ecuador and do not duplicate other efforts now under way. Subprogram I (making optimum use of trade preferences) consists of very specific actions to make the most of well defined export opportunities, and will target specific product groups and

markets. Neither the activities of subprogram II (trade information system) or those of subprogram III (training in export management) are covered by the CONAPEI program.

III. THE PROJECT

A. Objectives

- 3.1 The general objective of the project is to open up new opportunities for investment by the private sector through activities to make it easier to penetrate foreign markets. Specifically, the project will attempt to boost the institutional capacity of the private sector to assist the export industry, and nontraditional exports in particular, by means of: (i) helping businessmen to make the most of trade preferences given to Ecuadorian exports by the United States and the European Union; (ii) increasing the trade information services available to private exporters; and (iii) setting up a trade management training mechanism for businessmen. A summary of the project is given in Annex I.

B. Subprogram I - Making the most of trade preferences by the United States and European Union

1. Specific objective

- 3.2 Specifically, the purpose of subprogram I is to strengthen the institutional capability of the private sector to promote and encourage the use of trade concessions granted to Ecuador by the United States and the European Union, particularly under the LPAA and the PEC. The program will be carried out by FEDEXPOR, a private exporters' association. This organization will coordinate its efforts, and benefit from contact, with organizations in the public sector, such as MICIP and CONAPEI, that are active in the export sector.

2. Specific activities

- 3.3 In order to satisfy the specific objectives of the subprogram, MIF funding will be used to hire one local and three international consultants to perform the activities described below. These activities will be closely coordinated and carried out simultaneously insofar as is possible.
- a. Identifying producing sectors with market opportunities in the United States and the European Union
- 3.4 Initially, prior to the first disbursement, the executing agency in consultation with agricultural and industrial trade and sector

associations would prepare a list of some 100 to 200 products given preferential trade treatment under the LPAA and by the European Union that Ecuador has the capacity to produce. In principle, this list should not include flowering plants and wood products, the two products selected for specific action under operation ATN/JF-4374. If FEDEXPOR should eventually consider export activities involving these two products desirable, the Bank will study the status of operation ATN/JF-4374 first to prevent possible duplication of efforts.

- 3.5 On the basis of the FEDEXPOR list, an international consultant (four months) and a local consultant (four months) will conduct studies on demand in the United States and the European Union for related product groups. To this end, they will analyze the information available in these countries on imports of these 100-200 products preselected by FEDEXPOR and present a report on each product group analyzed. On the basis of this analysis, the two or three most promising related product groups will be selected (producing sectors) in consultation with local producers and a report will be presented to FEDEXPOR justifying the selection.

- b. Identifying market niches, product adaptation and development according to the specifications of these markets

- 3.6 When the two or three product groups targeted under the program have been selected, two international consultants (14 months each) having experience with at least one of the groups selected will identify market niches for these products. Their work will involve analyzing the special features of the external markets and they will prepare a detailed report of those market segments and niches that Ecuadorian exporters have the capacity to penetrate, outlining the market requirements with respect to volume, quality, seasonal demand, standards (including environmental regulations for organic products in particular), specifications and design, and a competitive price level. In addition, the consultants will identify the principal importers of those products on the list in the markets targeted.
- 3.7 The consultants will advise local producers on how to adapt and develop their exports to meet the specifications of the niches identified. To do so, they will need to begin evaluating producer capacity to meet the needs of the potential export markets. The evaluation will be a comprehensive one, embracing not only installed physical capacity but also such aspects as quality, design, technology, work skills, costs, and adherence to standards of external markets. As a result, diagnostic studies by product will be prepared on the gap between the needs of foreign demand and the production capacity of local business. The consultants will work directly with producers and producer groups, covering all the points listed above, the specifications, foreign technical and sanitary standards, and delivery capability.

- 3.8 The beneficiaries of export adaptation and development activities will pay tariffs and duties set by FEDEXPOR, serving as a contribution to a fund for product activities of this kind as explained in paragraph 4.1.

c. Identifying local producers and promoting the program

- 3.9 Starting in month four, a local consultant (three months) will promote the program through direct visits and surveys of existing and potential producers and exporters of the two or three agricultural and manufacturing product groups finally selected. As well, the consultant will work with the international consultants to identify potential beneficiaries of the product adaptation and development activities.

C. Subprogram II - improving the trade information system

1. Specific objectives

- 3.10 The specific objective of this subprogram is to improve and expand FEDEXPOR's private-sector trade information network, adapting it to the needs of users who will have direct access to the network. The subprogram will seek to integrate FEDEXPOR's present infrastructure into the information services of government institutions in the export sector such as MICIP and the Ministry of Foreign Affairs.

2. Specific activities

- 3.11 Financing in the form of MIF resources and local counterpart funding will be provided to achieve the objectives of this subprogram. To this end, an international consultant will be hired for eight months and services and equipment will be procured as indicated.

a. Identifying information needs, designing a database network, and identifying sources of information, advisory support in network management

- 3.12 The consultant will prepare a survey which will serve as a basis for the information profile on international markets required by exporters and producers. The consultant will use this profile to design a national and international information reporting system that meets the needs of users, including agencies providing services to exporters. The data to be recorded should be as specific as possible, and general information already contained in public sector information systems should not be duplicated.
- 3.13 Next, the consultant will identify the most reliable sources of information required for the profile and input into the records (foreign data banks, specialized services, international foreign trade organizations, publications, etc.), indicating the rates charged and access procedures.

3.14 On this basis, the consultant will design an information network that has the capability to access authorized users directly and is compatible with existing information systems.

3.15 The consultant will provide advisory support for the staff operating the FEDEXPOR system and user groups in the business community.

b. Acquisition of software

3.16 To strengthen and expand the information network in place and to make the necessary changes in design, software will have to be acquired and/or adapted depending on the consultant's recommendations and arrangements will be made to subscribe to selected databases.

c. Acquisition of hardware

3.17 As the information network is upgraded and new software is acquired, FEDEXPOR's database system will be modernized and expanded. This will be done through the acquisition of five computers for FEDEXPOR offices in different cities, two network servers, seven modems, and two routers, as recommended by the consultant.

D. Subprogram III - Establishing a mechanism for training agents in the export sector

1. Specific objective

3.18 This subprogram is designed to strengthen the private sector's institutional capacity to address the need to provide training services for agents in the export sector and exporters in particular by identifying gaps and existing needs.

2. Specific activities

3.19 MIF resources and local counterpart funding will be used to finance the subprogram. To this end, an international consultant and two local consultants will be hired for six months each to assist with the following activities.

a. Establishing a training program for agents

3.20 The international consultant will identify barriers to foreign trade that could be removed or lowered through staff development and advisory assistance and training. In addition, the consultant will evaluate existing capacity to train agents in export activities, trade promotion, and international marketing, including an assessment of existing institutions and the programs offered.

3.21 The international consultant will examine the gap between needs and capacity, and devise a strategy for human resources development in the form of a modular training program for agents with a specific curriculum for each module.

3.22 In addition, selected groups of future trainers and businessmen will be trained directly by the consultant.

b. Preparing support materials for the program

3.23 The consultant will prepare and deliver to FEDEXPOR for publication support materials (i.e. guidelines for the instructor, working material for participants, etc.) for the modular program.

c. Implementation of the mechanism

3.24 FEDEXPOR will organize at its own expense a series of six information seminars for business groups. The registration fees paid by the beneficiaries to attend these seminars will be used to set up a fund to make the program financially self-sustaining. FEDEXPOR will submit a plan for establishment and operation of the fund within 10 months of the date of the first disbursement.

E. Cost and financing

3.25 The projected costs of each component of the program (see Annex III for itemized budget) are shown below by source of financing:

PROJECTED BUDGET (US\$)

	MIF	LOCAL	TOTAL
I. <u>Subprogram I - Trade preferences</u>			
a. Identifying market opportunities	40,000	10,000	50,000
b. Identifying market niches, adaptation, and development	280,000	54,000	334,000
c. Identifying local producers	6,000	6,000	12,000
Total	326,000	70,000	396,000
II. <u>Subprogram II - Trade information system</u>			
a. Identifying needs, network design	70,000	25,000	95,000
b. Acquisition of software, database subscriptions	50,000	20,000	70,000
c. Acquisition of hardware	20,000	26,000	46,000
Total	140,000	71,000	211,000
III. <u>Subprogram III - Agent training mechanism</u>			
a. Setting up a training program	60,000	10,000	70,000
b. Preparing program support materials	40,000	5,000	45,000
c. Implementing the mechanism, seminars	-	60,000	60,000
Total	100,000	75,000	175,000
IV. <u>Coordination activities</u>			
a. Program coordinator	-	50,000	50,000
b. Logistics and administration	-	20,000	20,000
Total	-	70,000	70,000
V. <u>Monitoring</u>	30,000	-	30,000
VI. <u>Travel and per diems</u>	30,000	-	30,000
VII. <u>Contingencies</u>	64,000	-	64,000
TOTAL FOR PROGRAM	590,000	286,000	976,000

F. Organization and execution

- 3.26 **Executing agency.** FEDEXPOR, a private exporters' association, whose composition and functions are described in paragraph 2.9, will carry out the project. As executing agency, FEDEXPOR will make a valuable contribution in terms of staff, physical facilities, logistic support, and contributions in kind, that are essential for the success of the project. FEDEXPOR will be responsible for appointing a full-time coordinator for the program, and this will be charged to the local contribution. The coordinator may be a professional from FEDEXPOR provided: (i) the individual satisfies all requirements in terms of qualifications and experience set out in the terms of reference (Annex II, F); (ii) the individual has been appointed specifically by FEDEXPOR to perform the functions described in the terms of reference; and (iii) the project team indicates its nonobjection to the candidates and the terms of appointment of the professional selected.
- 3.27 The proceeds of the MIF financing will be used to hire consultants, purchase equipment and software, pay for database information services subscriptions, and to hire one outside expert for

technical supervision of the project. On no account may MIF financing may be used to defray the salaries of permanent and part-time FEDEXPOR employees.

- 3.28 **Hiring and procurement.** The consultants will be hired in accordance with IDB procedures and selection criteria. Goods and services for the program will also have to be procured in accordance with Bank procedures. All international consultants and suppliers of goods and services imported for the project must be from MIF member countries.
- 3.29 **Disbursements.** The technical-cooperation funding for subprograms I, II, and III will be disbursed in accordance with IDB procedures. The first disbursement will be conditional on: (i) presentation by FEDEXPOR of a detailed action plan, including a schedule of the activities planned for the first six months of the operation; (ii) formal appointment or hiring, as applicable, of a professional for the position of general project coordinator, to the satisfaction of the Bank and in accordance with the terms of reference contained in Annex II; and (iii) submission of the list of 100 to 200 products that FEDEXPOR is to select for subprogram I.
- 3.30 **Monitoring and evaluation.** The executing agency will prepare three reports for the program, one to be submitted every six months from the date of the first disbursement. The first two reports will examine the progress of the project and may include recommendations on modifications to the subprograms. It may also propose to the MIF recommendations on the reallocation of resources from one budget item to another. An evaluation of the project will be given in the final report, together with recommendations on future action, in accordance with the parameters set out in Annex IV, "Indicators for measurement of project results".

IV. VIABILITY, RISKS, AND SUSTAINABILITY

- 4.1 **Sustainability.** In view of the interest in exporting shown by potential beneficiaries of the project and owners and operators of small and medium-sized businesses now in need of institutional support, the program which is designed specifically to reinforce the institutional capacity of the private sector to support the export sector is considered to be self-sustaining. Subprogram I, to make the most of trade preferences, will furnish FEDEXPOR with an ongoing capacity to support programs of this kind. The registration fees for participants in product adaptation and development activities will be used to set up a fund to finance similar programs in the future. FEDEXPOR will be required to submit the operating plan for the fund within 180 days of the date of the first disbursement. Both subprogram II (upgrading of information services) and subprogram III (training mechanism for agents in the export sector) are aimed at improving and expanding

ongoing capacity to provide information services and training. Fees paid by users of these services would be used to ensure that the operation is financially self-sustaining. The experience of international experts would be shared with local experts taking part in the program, and the work methodology designed in conjunction with the consultants will subsequently be applied by FEDEXPOR to other sectors.

- 4.2 **Risks.** No major risks are foreseen that could hold up or jeopardize the program.

V. COMPLIANCE WITH PROJECT ELIGIBILITY CRITERIA

A. General criteria to determine project eligibility

- 5.1 MIF financing in support of the Ecuadorian export industry is fully consistent with the objectives of the Fund. It will help to increase private investment and to expand the scope of the private sector, thereby speeding up economic growth and social development within the country.

B. Project eligibility criteria for use of the MIF facility

- 5.2 This proposal is consistent with eligibility criteria for MIF financing under the Technical-Cooperation Facility as specified in article 3, section 2, of the Agreement Establishing the Fund, pursuant to which advisory services will be financed as part of reform programs designed to improve the investment climate. The technical-cooperation funding proposed here will be conducive to new investment in projects to expand production capacity, physical infrastructure, and export support services.

VI. COMPATIBILITY OF THE PROJECT WITH THE BANK'S COUNTRY PROGRAM

- 6.1 The initial objective of the Bank's present country strategy is raise productivity and to eliminate distortions caused by the institutional framework and economic policy. This objective entails structural reforms being undertaken by the government and the Bank together to produce a favorable climate for productive investment and growth of the private sector, and this project will make a significant contribution to this objective. It also supplements other IDB operations linked to developing Ecuador's export sector such as the restructuring of transport services (842/OC-EC), strengthening of the customs system (ATN/SF-3887-EC), and nonreimbursable technical-cooperation funding (ATN/JF-4374) aimed primarily at providing institutional support for the public sector through CONAPEI that is calculated to improve capacity to coordinate, formulate, and implement export policy.

VII. AVAILABILITY OF MIF RESOURCES

A. Financing modality

- 7.1 The project will be financed through a donation, based on the following considerations: (i) the Donors Committee declared Ecuador eligible for all modalities of MIF financing on September 7, 1994; (ii) section II of the country eligibility memorandum describes how Ecuador has complied with country eligibility requirements for donations; and (iii) the program will have a catalytic impact on investment since it will contribute directly to encouraging projects to expand production capacity and services for the export industry, as stipulated in article 3, section 5(a), of the Agreement Establishing the MIF. The soundness of these criteria was confirmed in the March 30, 1994, meeting of the Donors Committee (MIF/GN-23).

B. Contribution of the executing agency

- 7.2 FEDEXPOR will make its contribution as follows: it will make available for the project the necessary infrastructure including office space for short-term and long-term consultants, furniture, equipment, and communications facilities. It will also appoint the local counterpart staff and ensure that the project management is committed to its success. The executing agency will also defray at its own expense the cost of the general coordinator for the program and the instructors for the seminars offered in subprogram III. FEDEXPOR will make a total contribution valued at the equivalent to US\$286,000, as follows: (i) budgetary allocations by FEDEXPOR including a 30% increase over 1994 in membership dues, starting in July 1995; (ii) FEDEXPOR staff assigned to the project; (iii) financial contributions from companies taking part in subprogram I; (iv) additional resources from other sources of technical assistance; and (v) payments for services offered by FEDEXPOR for product adaptation and development and for trade information and training that will help to ensure the long-term sustainability of the program.

VIII. EX POST EVALUATION

- 8.1 The results of the operation will be evaluated by an independent consultant based on the degree of compliance with the objectives, according to the indicators set out in Annex IV. This evaluation will be financed with funding from the MIF allocated separately for this purpose, and accordingly not included in the budget for the present program.

MIF — Facility I ECUADOR: EXTERNAL TRADE MODERNIZATION PROGRAM — INDICATORS		
General objective: Open up new opportunities for private sector investment by means of activities to eliminate trade barriers and high entry costs to foreign markets.		
Specific objective: Improve institutional capacity of the private sector to support external trade, and nontraditional exports in particular.		
Subprograms	Activities	Expected results
I. Making use of trade preferences granted by the United States and the European Union	The executing agency prepares initial list of 100 to 200 products	List available prior to first disbursement
	Demand studies, selection of products for program	Market profiles prepared and selection completed in month 4
	Identification of market niches	Consultants' report showing all necessary specifications completed in month 12
	Identification of local producers	Identification initiated in month 4 and concluded in month 6
	Product adaptation and development	At least two export sector programs carried out by month 18
II. Strengthening of trade information system	Design of information network	Profile of trade information needs and network design completed by month 12
	Acquisition of software, database subscriptions	Identification of, and linkage to, sources of information, network in operation in month 15. Staff trained to operate system by month 18
	Acquisition of hardware	Equipment must be in place in month 15
III. Mechanisms for training agents in external trade	Design of training program	Diagnostic assessment of training needs in month 3, program in place by month 8
	Preparing of teaching materials	Materials available by month 10
	Implementation of training mechanism	Six seminars offered between month 10 and month 18

ECUADOR. EXTERNAL TRADE MODERNIZATION PROGRAM
ESTIMATED COSTS (US\$) 1/

Components	Consultants		Travel	Per diems	Misc.	MIF contrib.	Local contrib.	Total
	Months	Amount						
Part I								
Identifying market opportunities	8	40,000	3,000	2,000	-	45,000	-	45,000
Identifying market niches, product adaptation and development	28	280,000	8,000	11,000	-	299,000	-	299,000
Identifying products	3	6,000	1,000	3,000	-	10,000	-	10,000
Support services (FEDEXPOR staff communications, etc.)	-	-	-	-	70,000	-	70,000	70,000
Subtotal	39	326,000	12,000	16,000	70,000	354,000	70,000	424,000
Part II								
Expansion of the network	8	70,000	500	1,500	25,000	72,000	25,000	97,000
Acquisition of software, subscription to information sources	-	-	-	-	70,000	50,000	20,000	70,000
Acquisition of computers, modems, etc.	-	-	-	-	46,000	20,000	26,000	46,000
Subtotal	8	70,000	500	1,500	141,000	142,000	71,000	213,000
Part III								
Expansion of information program	6	60,000	-	-	-	60,000	-	60,000
Support materials	-	-	-	-	40,000	40,000	-	40,000
Trainers	12	46,000	1,000	3,000	-	-	50,000	50,000
Support services	-	-	-	-	25,000	-	25,000	25,000
Subtotal	18	106,000	1,000	3,000	65,000	100,000	75,000	175,000
Support								
Program coordinator	18	50,000	2,000	3,000	-	-	55,000	55,000
Administration, logistic support	-	-	-	-	15,000	-	15,000	15,000
Monitoring	-	-	-	-	30,000	30,000	-	30,000
Services	-	-	-	-	64,000	64,000	-	64,000
TOTAL	83	-	-	-	-	690,000	286,000	976,000

project budget shown on p.p. 9-10, this table provides a breakdown of travel costs and per diems for each subprogram. Consequently, the subtotals may vary.

PROPOSED RESOLUTION

ECUADOR. NONREIMBURSABLE TECHNICAL COOPERATION TO DEVELOP AN INTERNATIONAL
TRADE MODERNIZATION PROGRAM.

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary and to take such additional measures as may be pertinent for the execution of the project referred to in document MIF/AT- with respect to a technical cooperation with the Federación Ecuatoriana de Exportadores (FEDEXPOR), to develop an International Trade Modernization Program.

2. That up to the amount of US\$ 690,000 is authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.