

PILOT PROGRAM FOR MICROENTERPRISE MANAGEMENT SERVICES

(TC-96-09-12-6)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Corporación Financiera Nacional [National Finance Corporation] (CFN)

BENEFICIARIES: 30,000 microenterprise (ME) workers and owners

OBJECTIVES: The fundamental objective of the program is to provide technical assistance to microenterprise by means of a system of partial and direct subsidies for training in this sector, through the use of training vouchers, as a high-impact strategy to develop greater quality and variety and to tailor business, technical, and manufacturing skills more closely to the needs and preferences of industry and other areas of the economy.

DESCRIPTION: The program will: (i) facilitate the training of 30,000 participants (microenterprise workers and owners) in business management, technology and manufacturing courses; (ii) inform and provide guidance for 30,000 potential participants regarding available training opportunities; (iii) support the implementation of at least six (6) projects to identify and disseminate pedagogical and administrative innovation for the benefit of at least eighteen (18) training institutions (TIs); (iv) thereby help to mold available training opportunities more closely to the needs and preferences of microenterprises, thus fostering self-sustainability and coordination in this segment of the training market; and (v) promote the transfer of this pilot project to the Consejo Nacional de Capacitación [National Training Council] (CONAC), integrating the voucher system with the changes under way in the regulatory and institutional framework of technical education.

The proposed design utilizes three key components to develop a business services market: (i) a training product specifically for microenterprises will be defined and basic standards of quality for training institutions offering the product will be validated; (ii) a mechanism to provide direct, partial subsidies in the form of training vouchers issued to prospective users will be introduced; and

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(iii) information on training opportunities will be disseminated to such individuals.

FINANCING:	Modality:	Grant (MIF Facility III-A)
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Local counterpart:	US\$ 927,600
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MIF:	US\$1,260,000
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Total:	US\$2,187,600
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EXECUTION TIMETABLE:	Twenty-four months after the prerequisites for the initial disbursement have been met.
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ENVIRONMENTAL CLASSIFICATION:	The Environment Committee, at its meeting of November 12, 1996, classified this as a Category II operation.
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I. COUNTRY ELIGIBILITY

- 1.1 The Donors Committee has declared the Republic of Ecuador eligible for financing from the Multilateral Investment Fund (MIF).

II. BACKGROUND

A. Characteristics of the microenterprise sector

- 2.1 The microenterprise (ME) sector in Ecuador is very large and very diverse. At least 1,100,000 persons are estimated to work in this sector, representing 38% of the economically active population. These enterprises are engaged in a broad range of activities, primarily commercial operations, followed by service businesses and small-scale manufacturing and microindustry operations. Their internal organization is very simple, with just a few individuals with minimal basic training discharging multiple functions. Against that background, improved productivity and management of these enterprises depends almost entirely on the limited external training opportunities available to them.
- 2.2 Ecuadorian microenterprises currently face the growing need to adapt to changes taking place in their respective markets. In order to meet these demands, they must respond to the ever-increasing need to update their workers' skills, improve their procedures and technical capabilities, and refine and monitor their administrative processes. The demand among microenterprises for training is heterogeneous, dispersed, and increasingly diverse, and they are not sufficiently informed about available opportunities. Nevertheless, their preferences are very similar when it comes to the ways in which training services should be delivered. They prefer short courses which are designed to solve concrete problems, which employ practical exercises and dynamic methods to enhance their applicability, and which are offered at convenient times for entrepreneurs and their workers.

B. Training opportunities for microenterprises

- 2.3 The services currently available to the sector, particularly with respect to business training opportunities, are minimal. For the most part, the available opportunities do not meet the microenterprises' requirements regarding course delivery, the course material is not sufficiently diverse to meet their varied and variable needs, and the quality is not sufficiently high to ensure that the abilities, skills and knowledge imparted can be utilized in practice.
- 2.4 In the public sector, the Servicio Ecuatoriano de Capacitación Profesional [Ecuadorian Vocational Training Service] (SECAP), which

was established in 1966, has had a monopoly on skills development and vocational training with curricula that have focused on training workers for jobs in large companies, particularly big industry. The manner in which SECAP has been financed (compulsory payments by enterprises in the formal sector equal to 0.5% of payroll), its internal organization, the fact that its management is not market-oriented (only 3% of its total costs are recovered from the market), plus the fact that it is both a regulator and a provider of training services, are all factors that have prevented SECAP from providing the informal sector, and microenterprises in particular, with training that is sufficiently broad in scope, properly tailored to its target market, and of the required quality and effectiveness.

- 2.5 Secondly, a large number of nongovernmental organizations (NGOs) have received substantial funding from abroad to develop free training activities for microenterprises in the form of short, general courses in business operations which such enterprises often must take as a prerequisite for access to credit. These activities have been shown to have limited impact on the productivity and quality of business operations of the enterprises which received the training and have failed to generate a market for microenterprise training with any discernible measure of self-sustainability. The unit costs of the courses offered (expressed in teaching hours) are, for example, four times higher than those offered by SECAP. Moreover, the inefficiency of this type of training institution and its distorting effect on market prices have been intensified by government subsidies (for example, through foreign debt purchase and sale arrangements).
- 2.6 Thirdly, a sizable group of small training institutions offers courses that are more closely suited to the needs of the target group and are completely market-oriented (100% of their costs are recovered from course fees and their unit costs are lower even than those of SECAP), although they do face some problems relating to quality and they are constantly fighting with inspectors from the Dirección Nacional de Educación No Escolarizada Popular Permanente [National Office of Lifelong Informal Public Education] (DINEPP), a factor that hinders the establishment of short, intensive courses. These TIs are staffed by technical specialists who serve both as instructor and director of the institution, and their training programs are offered through sectoral trade associations (for bakers, electronics workers, electricians, etc.) and by institutions that provide specialized training in how to run a business which are relatively well developed and focus on a spectrum of small and medium-sized companies.
- 2.7 The training institution sector is large, and has the potential to generate significant training opportunities for microenterprises. However, the course offerings are not yet diverse enough to meet the varied training requirements of this type of enterprise, and the course delivery methods are not always consonant with their

preferences. Furthermore, in nearly all cases, problems with the quality of the training offered undermine the applicability of the knowledge imparted.

C. The institutional framework for training in the microenterprise sector

- 2.8 Ecuador's technical training system is undergoing a significant transformation. Under the auspices of the Proyecto de Educación de Adultos y Formación Profesional [Adult Education and Vocational Training Project] (PREDAFORP), which is being financed by the World Bank, a complete overhaul of the regulatory framework for skills development and vocational training has been proposed. The current consensus is that the new system should be guided by the following principles: (i) separate entities, functioning autonomously, should regulate, finance and implement training activities in Ecuador, their mandate should be limited to providing training opportunities, and their regulatory authority should be transferred to a new institution, Consejo Nacional de Capacitación [National Training Council] (CONAC); (ii) increased competition among training institutions should be encouraged; (iii) the role of the demand for training as a dynamic feature of the new system should be enhanced; and (iv) the government should play a subsidiary role, with a view to correcting market limitations. The transformation that is under way offers intriguing prospects for the proposed pilot operation to exert a decisive influence on the modalities and arrangements for microenterprise training in the context of the future national training system.
- 2.9 Nevertheless, since CONAC is still being established and it will take at least two years for it to begin operations, an effort was made in the field to identify an institution with the ideal profile to serve as the executing agency for the program during this two-year demonstration project. The desired institutional profile had to include the following features: (i) a technical profile naturally suited to providing training to workers and businesses; (ii) the organizational resources for the program to function smoothly; (iii) the institutional strength to ensure the necessary credibility and transparency to attract international cooperation and the vast microenterprise sector; and (iv) the legitimacy and influence required to play a role in the development of the future national training program when the pilot project is transferred from this program to CONAC.
- 2.10 Consideration was given first to the possibility of centralizing the program within a private entity. Some private institutions were identified which met the first requirement (technical profile) and could satisfy the second (organizational resources) given some institutional strengthening. However, the options explored posed problems when it came to the third criterion (institutional strength and credibility) as well as the fourth (legitimacy and influence). The latter two criteria must be taken into account so

that the pilot program can be executed properly, and a second phase will be viable and self-sustaining over the long haul once the project is extended nationally.

- 2.11 When consideration turned to public institutions, it was noted that the ministries involved in recent years with programs to promote training and microenterprise had technical weaknesses which emerged when the programs were implemented and that those ministries proved highly vulnerable to political pressures when it came time to allocate resources.
- 2.12 Although its institutional profile is not ideal, the Corporación Financiera Nacional (CFN) fulfills most of the criteria to be able to execute this pilot project, which will be transferred to CONAC in a possible second phase. CFN possesses the institutional structure and resources needed both to manage the hiring of a consulting firm to perform the key program functions and to finance the recurrent costs of the training voucher fund, using the proceeds of the administration fee of the Global Microenterprise Credit Program (SF/851-EC). ^{1/} Furthermore, CFN has sufficient institutional strength and enjoys credibility both at home and abroad. It is therefore in a position to call on other institutions to provide technical support through the creation of a program advisory council in which representatives of the technical secretariat of CONAC will participate, thereby ensuring the transfer of the pilot project. In addition, under the new law for CNF currently being drafted, the executing agency will be able to carry out activities such as those proposed for this program as part of the restructuring process supported by the Bank's Multisector Credit Program.
- 2.13 Moreover, the proposed program design entrusts full implementation of the training activities to private institutions under a system of open competition, leaving CFN a "second-tier" role as coordinator, monitor and indirect source of financing.

III. DESCRIPTION OF THE PROGRAM

A. Objective

- 3.1 The fundamental objective of the program is to provide technical assistance to microenterprise by means of a system of partial and direct subsidies for training in this sector, through the use of training vouchers, as a high-impact strategy to develop greater

^{1/} The program has provided for CFN to channel 50% of the administration fee into microenterprise support activities (including training vouchers).

quality and variety and to tailor business, technical, and manufacturing skills more closely to the needs and preferences of industry and other areas of the economy.

- 3.2 This demand-driven test will be conducted for 24 months and will target a population of 30,000 economically active microenterprise workers and owners in Quito and Guayaquil.
- 3.3 The program has the following specific objectives:
 - a. Establishment of a system of training vouchers which will:
(i) stimulate demand for microenterprise training by providing a partial, direct subsidy; (ii) promote existing and future training options that are geared to the needs and preferences of microenterprises through the retroactive payment of market subsidies; (iii) avoid distortions in negotiations on supply and demand with respect to the suitability, quality and cost of training courses; and (iv) foster increasing self-sustainability of training opportunities for the microenterprise sector.
 - b. Establishment of an information and reference service to facilitate access by MEs to available training and technical assistance services and to keep providers abreast of the needs and preferences of microenterprises.
 - c. Establishment of a resource fund to support the identification and dissemination of pedagogical and administrative innovation for the management of training opportunities which are molded to the needs and preferences of microenterprise and meet acceptable standards of quality and effectiveness.

B. Goals

- 3.4 The goals of the program are as follows:
 - a. facilitate the training of 30,000 participants (microenterprise workers and owners) in business management, technical and manufacturing courses;
 - b. inform and provide guidance to 30,000 participants in training courses about all available training opportunities and advise all participating TIs on training requirements and preferences in the microenterprise sector;
 - c. support the implementation of at least six (6) projects to identify and disseminate pedagogical and administrative innovation for the benefit of at least eighteen (18) training institutions;

- d. transfer the experience gained in this pilot program to CONAC so that it can offer such training services on an ongoing basis throughout Ecuador.

C. Description

- 3.5 In order to achieve these specific objectives, the program has been organized into three components: technical assistance to establish and monitor the program; a fund to provide training vouchers and information and reference materials; and a fund to support pedagogical and administrative innovation for participating TIs.

1. Technical assistance to establish and monitor the program

- 3.6 Pursuant to the terms of reference set out in Annex IV, the initial component will provide financing primarily to hire a specialized consulting firm to launch and monitor the program. The fact that this is a pilot program justifies hiring a single firm to assume responsibility for standardizing the material developed so that it can be expanded within the framework of a broader project. This will make it easier to coordinate the various entities involved, will ensure the homogeneity and technical quality of the activities to be carried out in each area, and will make it possible to establish a clear division of labor and delegation of responsibilities in order to attain the goals envisaged, in particular, the extension of this pilot project to the entire country through CONAC. Although the choice of this option may result in some delays because of the bidding process that must be followed, once the activities have gotten under way the various components of the program will be able to function simultaneously and in a consistent manner. Furthermore, program resources will be used to finance an information and reference component which will be installed at program "windows" (see the next paragraph) to provide background information on the TIs, the courses offered, costs, content, schedules, etc., thereby facilitating the decision-making process for microenterprises. In addition, financing will be provided for the printing and dissemination of program materials in order to bring as broad a wide range of microenterprises as possible into the project.

2. The training voucher fund

- 3.7 MEs will be informed via a publicity campaign, referred to earlier, and will be invited to visit the four program "windows" (which will be set up at locations in the community that are close to areas with large concentrations of microenterprises) to pick up training vouchers with a unit value of US\$20 in sucres, as well as information and reference material on the TIs and the courses offered. The voucher fund will be fixed at a total of US\$600,000 (30,000 vouchers).

- 3.8 Public announcements will also be made (in various media) to attract training institutions that may wish to participate in the program. TIs which apply will be included in a Registro de Instituciones de Capacitación [Register of Training Institutions] (RICAP) administered by CFN, their eligibility will be evaluated and, if they meet the eligibility criteria, they will be invited to sign a participation agreement.
- 3.9 MEs will visit the "windows" where, after their status as microenterprises has been confirmed on the basis of the definition established in the Global Microenterprise Credit Program, 2/ they can pick up the training vouchers and information on the courses of interest to them. When they participate in the selected training course, they will turn in the voucher in partial payment of the relevant fees. Once the training course has ended, the TIs will be able to redeem the vouchers after verifying the redemption rate.
- 3.10 In addition to performing the tasks already referred to, the consulting firm, with the support of CFN, will supervise the delivery of the vouchers to the program "windows," approve courses (among other criteria that must be met, courses must run for at least 20 hours and have a maximum of 20 participants), conduct inspections at the beneficiaries' premises and supervise the courses given. Annex III contains the Operating Regulations of the voucher fund.

3. Fund to support pedagogical and administrative innovation for training institutions

- 3.11 The second component, the fund to support pedagogical and administrative innovation for training institutions, will provide partial funding for technical assistance activities (organized by the TIs themselves) to improve the suitability, quality and effectiveness of training opportunities available to the microenterprise sector. On the basis of experiences in other countries which have introduced similar programs, the fund will tailor the services offered as quickly as possible to the kinds of courses required by microenterprises, thus shortening the program's start-up. The fund's resources will total US\$150,000 and they will be available only during the first 12 months of the operation. Any unused balance will be transferred to the voucher fund.
- 3.12 The proceeds of this component will be available to all training institutions which have signed valid program participation

2/ In order to participate in the program, MEs must: (i) not have more than 10 employees (including the owner); (ii) have assets under US\$20,000 (excluding real estate); and (iii) if they are agricultural producers, own no more than 10 hectares of farmable land.

agreements and which also have given at least three training courses under the program, have redeemed 25 training vouchers for these courses, and are associated with at least two other TIs meeting the same criteria indicated above. When three or more TIs work together, the impact of the activities cofinanced by the fund is greater and there is less risk that the fund will be utilized arbitrarily. Training institutions may submit joint proposals for a maximum of US\$15,000, of which they must provide a minimum counterpart of 50% in cash. The proposals will be evaluated by the program advisory committee, with the help of technical specialists. The TIs will be paid only retroactively, after submitting expense records. Annex III contains the Operating Regulations of this component.

D. Implementation

- 3.13 The program will be implemented by CFN, with the support of a consulting firm which it will hire, as specified above. CFN will also establish four "windows" by agreement with, and at the premises of, community organizations located at strategic points in Quito and Guayaquil (two in each city). These "windows" will: (i) operate the information and reference database covering the courses and training institutions in the program and will provide personalized information and advice to microenterprises on available opportunities; (ii) manage the training voucher system (verify that enterprises belong to the target group and fulfill the other criteria for receiving vouchers, issue vouchers, advise MEs on their use, deliver vouchers, fill out registration forms for vouchers placed, etc.); (iii) gather from participating MEs information on their participation in earlier courses and on unmet needs for courses, as well as their views on the program's performance and administrative procedures; and (iv) gather statistics on vouchers placed as well as qualitative data from the participating MEs. As to the program's operations, CFN will support its implementation - which will be strictly limited to 24 months - by designating a coordinator (who will serve as a counterpart for the consulting firm), and may also provide other personnel needed for program operations.
- 3.14 The executing agency also will establish a program advisory committee which will take decisions on certain technical matters relevant to the efficient operation of the program. The committee will consist of three or four members who will reach decisions by consensus. The program coordinator, one representative from the administration of the executing agency and one or two representatives of the CONAC technical secretariat will serve as ex-officio committee members with the right to vote. The permanent technical advisor of the consulting firm may take part in meetings of the committee but without the right to vote. The program coordinator will serve as chairman of the advisory committee. The committee's duties are, *inter alia*, to: (i) select training institutions and sign and rescind participation agreements with the

selected TIs; (ii) ensure ongoing program supervision; and (iii) decide which of the technical assistance projects for TIs proposed to the fund for pedagogical and administrative innovation will be implemented. The advisory committee also will represent the program before the technical secretariat of CONAC with a view to participating in discussions on the future regulatory machinery for the training market and proposing the adoption of policies and mechanisms conducive to developing increased microenterprise training opportunities.

E. Budget and financial sustainability

- 3.15 The total cost of the program is US\$2,187,600, comprising a contribution from the MIF of US\$1,260,000 and a local counterpart contribution of US\$927,600. The latter figure includes US\$600,000 in cash from the MEs themselves for course fees, US\$150,000 in cash from the TIs as a counterpart contribution to the fund for pedagogical and administrative innovation, and US\$177,600 from CFN. The following table shows the budget for the program.

ITEM	MIF	LOCAL	TOTAL
1. Consulting firm ^{3/}			
1.1 Program advisor (US\$5,000 x 24 months)			
Senior specialist on institutional development and monitoring (US\$7,000 x 5 months)			
Computer specialist (US\$7,000 x 2 months)	169,000		169,000
1.5 Travel and subsistence allowances	86,000		86,000
2. Individual consultants			
2.1 Program coordinator (US\$1,500 x 24 months)		36,000	36,000
Supervisors (2 x US\$800 x 20 months)		32,000	32,000
Information officers (4 x US\$500 x 20 months)		40,000	40,000
Accounting/administrative assistant (US\$500 x 24 months)		12,000	12,000
Program coordination unit secretary (US\$400 x 24 months)		9,600	9,600
2.5 Travel and subsistence allowances for supervisors		12,000	12,000
6. General support			
6.3 Information and reference system (Hardware and software)	50,000		50,000
6.4 Supplies (other support costs)		36,000	36,000
6.8 Communications (media publicity regarding the voucher program)	60,000		60,000
7. Publications			
7.3 Production of posters, flyers, materials, etc.	30,000		30,000
96. Funds			
Voucher fund (30,000 vouchers x US\$20)	600,000	600,000	1,200,000
Fund for pedagogical and administrative innovation for TIs	150,000	150,000	300,000
8. Monitoring and evaluation			
8.1 Survey of participating TIs and client microenterprises of the Program	15,000		15,000
8.2 External assessments commissioned by the Bank (2 x US\$20,000)	40,000		40,000
95. Contingencies	60,000		60,000
TOTAL	1,260,000	927,600	2,187,600

3.16 The financial sustainability of the program derives from the following factors:

- a. The proposed design establishes a structure that will encourage training institutions to offer competitively priced (since the amount of the subsidy is fixed and the cost is free), quality training products that are tailored to the preferences and needs of microenterprise. The program will serve as a catalyst, gradually attracting MEs to a service

^{3/} Includes 80% overhead for the firm.

whose practicality they will value and of which they will pay a substantial part of the cost. Because these short courses will enable MEs to incorporate a new service or product into their business, the "value" of the training can be measured immediately. The significant difference which a project of this type offers compared to traditional training projects for microenterprises will set the stage for the development of a self-sustaining training services market.

- b. In accordance with the schedule for technical education reforms in Ecuador, by the time this pilot program has been concluded the foundation will be in place for the development of a national program that will gradually become part of the new regulatory framework for training. This transition is one of the program goals and is among the terms of reference of the consulting firm. A possible second phase as a national program may evolve, during which the training voucher fund would be financed with local resources. CFN will confine its role to supplying financing at that stage, with 50% of the resources coming from the Global Microenterprise Credit Program administration fee (approximately US\$250,000/year), a step that would ensure the continuity of the system's financing.

F. Disbursements

- 3.17 Project funds will be disbursed in accordance with Bank procedures and will be paid into a special fund to be established by CFN specifically for the purpose of executing this project. A special condition for the first disbursement will be that the executing agency must first submit proof that this fund has been set up. Disbursements will be made over a period of 36 months from the date the letter of agreement is signed.

G. Monitoring and evaluation

- 3.18 The Program calls for two monitoring surveys to be carried out to evaluate its progress. The program coordination unit will engage a market research firm to conduct the surveys, which must cover both providers (participating TIs) and users of their services (with particular emphasis on the participation of women and the difficulties and advantages they face with regard to access). The two initial surveys will be conducted 12 months and 20 months, respectively, after the training vouchers are first made available. The findings will be reported in the semiannual progress reports to be submitted to the Bank.
- 3.19 The results of this effort will serve as input for the mid-term and ex post evaluations which the Bank will carry out 14 months and 22 months, respectively, after the training vouchers are first made available; consulting firms will be hired for this purpose using program resources. The assessments shall measure the extent to

which program goals have been achieved, particularly as regards the extension of the pilot program nationwide through CONAC.

IV. BENEFITS AND RISKS

- 4.1 The program will: (i) facilitate the training of 30,000 participants (microenterprise workers and owners) in business management, technology and manufacturing courses; (ii) inform and provide guidance for 30,000 potential participants regarding available training opportunities; (iii) support the implementation of at least six (6) projects to identify and disseminate pedagogical and administrative innovation for the benefit of at least eighteen (18) training institutions (TIs); (iv) thereby help to tailor available training opportunities more closely to the needs and preferences of microenterprises, thus promoting self-sustainability and coordination in this segment of the training market; and (v) promote the transfer of this pilot project to the Consejo Nacional de Capacitación [National Training Council] (CONAC), integrating the voucher system with the changes under way in the regulatory and institutional framework of technical education.
- 4.2 The main risk the program will face stems from its dually innovative character: first, it is a mechanism for transferring resources to the market wherein partial, direct subsidies will be provided to the users while costs will be recovered only retroactively by providers and, secondly, it will stimulate the development of a training product that is in line with the needs and preferences of microenterprises. The complexity of these two innovations may occasion delays during the project's implementation. The first risk factor will be reduced by hiring a specialized consulting firm and the second, by establishing the pedagogical and administrative innovation fund for TIs, which, it is hoped, will boost their ability to meet demand. The surveys of beneficiaries and TIs, together with a midterm program review, will facilitate the required adjustments.

V. COMPLIANCE WITH ELIGIBILITY CONDITIONS

- 5.1 The project satisfies the conditions for MIF operations insofar as: (a) it will help boost the expansion of the private sector, (b) it will help stimulate the strengthening of the microenterprise sector, and (c) it is an innovative project that will have a catalytic effect on the development of the microenterprise support services market by offering training products that are more closely tied to user requirements and likely to be sustainable in the future.

VI. COMPATIBILITY WITH THE BANK'S COUNTRY PROGRAM

- 6.1 The program is consistent with the Bank's strategy for Ecuador, one focus of which is to promote the development of financial services for small businesses and microenterprises (Global Microenterprise Credit Program, SF/851-EC for US\$12 million), with CFN as the executing agency. Depending on the pace at which Global Program loans are made, a second phase will be launched the following year, for an additional US\$25 million. Moreover, the proposed project provides incentives for business support services, thereby complementing the Bank's efforts in Ecuador to develop this sector. In addition, under the new legislation being considered regarding CFN, the executing agency will be able to carry out activities of the kind proposed as part of the restructuring process supported by the Bank's Multisector Credit Program.
- 6.2 The project is also consistent with the Regional Microenterprise Extension Program (MIF/AT-65) carried out in Ecuador by the Universidad Católica [Catholic University], which focuses on university-level training for technical personnel with a view to providing timely, personalized, on-site technical assistance to small businesses (those with up to 20 employees). The two programs complement one another since they supply related but different services and target a related sector (larger businesses).

VII. MIF FINANCING MODALITY

- 7.1 It is expected that the proposed project will be financed under the nonreimbursable modality, based on the following considerations: (i) The Donors Committee has declared Ecuador eligible for all forms of financing; (ii) section III of the Country Eligibility document contains information on Ecuador's compliance with the eligibility conditions to receive nonreimbursable financing; and (iii) the proposed project will have a catalytic effect on investment flows, as required under Article III, Section 5 (a), of the Agreement Establishing the MIF. Compliance with these requirements was confirmed by the Donors Committee at its meeting on March 30, 1994 (MIF/GN-23).

LOGICAL FRAMEWORK OF THE PROGRAM

DESCRIPTION	INDICATORS	MEANS OF VERIFICATION	POSSIBLE OUTCOMES
<p>Facilitate the training of 30,000 microenterprise (ME) workers in Quito and Guayaquil in business management, technology and manufacturing courses, through a training voucher system supported by an information and reference service and a fund for the dissemination of pedagogical and administrative innovation (FDPAI) to training institutions.</p> <p>Transfer this pilot project to CONAC so that it can be implemented nationally.</p>	<p>Number of training vouchers used by MEs in partial payment of courses monitored by the Program.</p> <p>Number of searches for information on training opportunities.</p> <p>Activities carried out with resources of the FDPAI for training institutions participating in the program.</p> <p>Adoption of the system by CONAC</p>	<p>Training voucher system statistics.</p> <p>Record of consultations at program "windows," brochures issued, press coverage and user surveys.</p> <p>Records of direct monitoring by consulting firm of activities approved by the FDPAI, and surveys of training institutions.</p> <p>Planning of second phase when program is extended nationwide.</p>	<p>Training needs of MEs met.</p> <p>The training market problems disseminated information and design courses to user needs.</p> <p>Changes are made in technical education.</p>
<p>Test a system of partial, direct subsidies to the market as a high-impact strategy to develop a greater variety of training opportunities for MEs that are of higher quality and tailored to users' preferences, and to promote self-sustaining training opportunities for MEs.</p>	<p>Increased recourse by MEs to training.</p> <p>Opportunities offered by TIs are tailored to the preferences of MEs.</p> <p>User satisfaction.</p> <p>Number and variety of courses offered.</p>	<p>User surveys, training voucher system statistics.</p> <p>User surveys.</p> <p>User surveys.</p> <p>Course records, surveys of TIs and course monitoring reports.</p>	<p>MEs are willing to pay for training costs if the available are configured to their preferences.</p>
<p>A training voucher system for ME owners and workers.</p> <p>An information and reference service on available training opportunities and on ME preferences as to course content and presentation.</p> <p>Establish FDPAI to support pedagogical and administrative innovations for training institutions.</p>	<p>Vouchers available at program "windows."</p> <p>Number of TIs in the Program.</p> <p>Courses under way and monitored.</p> <p>Training opportunity database available at "windows."</p> <p>Reports to training institutions on demand for services.</p> <p>General announcements inviting MEs to tap the FDPAI for funding.</p>	<p>Semiannual and monitoring reports by the Bank, user survey.</p> <p>Register of TIs.</p> <p>Register of courses and monitoring reports.</p> <p>Semiannual and monitoring reports by the Bank, user survey.</p> <p>Reports evaluating proposals and monitoring reports on FDPAI activities.</p>	<p>The impact of the system, direct, partial market multiplies as more information on training opportunities becomes available and suitable methodology disseminated.</p>

DESCRIPTION	INDICATORS	MEANS OF VERIFICATION	POSSIBLE OUT
Delivery of training vouchers to MEs.	Training vouchers distributed.	Training voucher system statistics.	CFN receives counte funding to execute th and is able to establ advisory committee. Appropriate technica are available to supp program.
Maintain public register of training institutions.	TIs registered.	Register of TIs.	
Course monitoring.	Courses approved and monitored by coordinator.	Course records and coordinator's monitoring report.	
Reimburse TIs for vouchers.	TIs reimbursed for vouchers.	Information and reference service.	
Establish database on available training opportunities.	Searches conducted for MEs.	Survey of TIs.	
Standardize information on preferences of MEs.	Reports to TIs on user preferences.	Program records.	
Prepare and evaluate invitations to approach FDPAl for funding.	Proposals received by FDPAl.	Reports to the Bank and monitoring reports.	
Monitor and cofinance activities approved by FDPAl.	Number of activities approved and monitored.		

PROPOSED RESOLUTION

ECUADOR. NONREIMBURSABLE TECHNICAL COOPERATION FOR
A PILOT PROGRAM FOR MICROENTERPRISE MANAGEMENT SERVICES

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 with the Corporación Financiera Nacional, and to take such additional measures as may be pertinent for the execution of the project memorandum contained in Document MIF/AT- with respect to a technical cooperation to support a pilot program for microenterprise management services.

2. That up to the amount of US\$1,260,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

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