

Third Party Evaluation 2008  
The Ministry of Foreign Affairs of Japan

# Country Assistance Evaluation of Ecuador -Summary-

March 2009



## Preface

This report is a summary of the “Country Assistance Evaluation of Ecuador” undertaken by the External Advisory Meeting on ODA Evaluation requested by the International Cooperation Bureau of the Ministry of Foreign Affairs of Japan (MOFA).

Since its commencement in 1954, Japan’s Official Development Assistance (ODA) has contributed to the stability and development of developing countries, and solutions of international issues which vary with the times, as well as to the security and prosperity of Japan. Recently, there have been increased domestic and international calls for more effective and efficient implementation of ODA. The MOFA, as a coordinating ministry for ODA, has been conducting ODA evaluation mainly at the policy level with two main objectives: to support implementation and management of ODA; and to ensure its accountability.

Ecuador has had a long friendly relationship with Japan, and its development demand is high as the country is among one of the relatively most underdeveloped in Latin America. In such a context, Japan has given assistance to Ecuador mainly through Grant Aid and Technical Cooperation. In Ecuador, there are large poverty groups among the indigenous population, and the poverty rate in rural areas is markedly higher than that of urban areas. Providing assistance to these poverty groups is of significance in terms of “assurance of fairness”, which is one of the basic principles in Japan’s ODA Charter.

In February 1999, Japan dispatched a policy consultation mission to Ecuador. In this consultation, “poverty reduction”, “infrastructure development”, “environmental conservation” and “disaster prevention” were identified as four priority areas. In 2005, Japan’s ODA taskforce led by the Embassy of Japan in Ecuador and the Government of Ecuador held a consultation on economic cooperation policies. In this consultation, (a) “poverty reduction”, (b) “environmental conservation” and (c) “disaster prevention” were chosen as priority areas for Japanese economic cooperation for Ecuador. Japan has provided development assistance to the country mainly in those three priority areas ever since.

With these backgrounds, this study was conducted to analyze the political, economic, and social situations and development policies of Ecuador, and to comprehensively evaluate Japan’s assistance policy toward Ecuador, thereby learning lessons and making recommendations for more efficient and effective formulation and implementation of Japan’s future development assistance policies. In addition, the study aimed to fulfill accountability for Japanese citizens by publishing the results of the evaluation, and to promote the publicity of Japan’s ODA by giving feedback to Ecuador’s government agencies and organizations concerned and to other donors.

The External Advisory Meeting on ODA Evaluation was formed as an informal advisory body of the Director-General of the International Cooperation Bureau of the MOFA to improve objectivity in ODA evaluation. The Advisory Meeting is commissioned to design

and conduct evaluations of ODA and feed back the results and recommendations of each evaluation to the International Cooperation Bureau of the MOFA so that they could be reflected in the actual implementation of ODA for improvement. Mr. Imazato, a member of the meeting, was in charge of this evaluation.

Mr. Tatsuya Shimizu, Research Fellow of the Institute of Developing Economies, Japan External Trade Organization, being an advisor to the study, made enormous contribution to this report. Likewise, the MOFA, the Japan International Cooperation Agency (JICA), including the former Japan Bank for International Cooperation (JBIC), and the ODA Taskforces also made invaluable contributions. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study. The ODA Evaluation Division of the International Cooperation Bureau of the MOFA was in charge of coordination of all the involving associates. All other supportive work including information collection, analysis and report preparation was provided by Mitsubishi Research Institute under the commission of the MOFA

Finally, we wish to add that the opinions expressed in this report do not reflect views or positions of the Government of Japan or any other institution.

March 2009

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Title: Country Assistance Evaluation of Ecuador

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<p>3. Period of evaluation study: June 2008 - March 2009</p>	
<p>Outline of Evaluation</p> <p>1. Evaluation Results:</p> <p>(1)Evaluation on relevance of policies Three priority areas for Japan's assistance to Ecuador (poverty reduction, environmental conservation, and disaster prevention) were decided through policy consultation with the Ecuadorian government. Also, these three areas are consistent with old and current versions of Japan's ODA Charter. However, while Ecuador has experienced frequent administrative changes in recent years, it is not necessarily clear whether these priority areas of Japan have always been consistent with development plans of individual administrations. With regard to poverty reduction, which is one of Japan's priority areas, most of donors also set it as one of their priority areas for assistance to Ecuador.</p> <p>(2)Evaluation on effectiveness of results For poverty reduction, Japan has conducted a wide range of activities such as vocational training, agricultural area support, and education/health sector support, and has made</p>	

steady achievements. Although Ecuador needs development of economic infrastructure for its sustainable poverty reduction, Japan has provided little assistance in this area. For environmental conservation, Japan's assistance in the Galapagos has produced steady results; however, it is necessary to consider opportunities for environmental conservation on Ecuador's mainland as well. For disaster prevention, Japan has contributed to the improvement of volcano monitoring capacity. However, there remain some issues which Japan's assistance has not covered.

### (3) Evaluation on appropriateness and efficiency of process

The priority areas of Japan's assistance to Ecuador were decided through policy consultation with the Ecuadorian government. However, due to the latest administrative change, there has been insufficient consultation between the Governments of Japan and Ecuador recently. As the Correa administration could create a stable government, it is expected that conditions will be met to make it possible for the two governments to have policy consultation. Japan's ODA task force in Ecuador meets at a frequency of once a month. Although donor meetings have seemingly ceased to be held since the inauguration of the Correa administration, the newly-established AGECI (Agencia de Cooperación Internacional) is actively making an effort for donor coordination.

## 2. Main Recommendations

Japan should:

- (1) articulate more clearly its foreign policy toward Ecuador and align the foreign policy with its assistance to Ecuador.
- (2) strengthen policy dialogues between Japan and Ecuador.
- (3) implement assistance for strengthening industrial infrastructure to reduce poverty.
- (4) implement cost-effective assistance by taking into account spillover effects to surrounding and outside regions.
- (5) Strengthen ODA public relations activities in Ecuador through cooperation with the MOFA Headquarter and Japanese Embassies in neighboring countries.

(Note: The opinions expressed in this summary do not necessarily reflect the views and positions of the Government of Japan or any other institutions.)

## 1. Background and objective

Ecuador has had a long friendly relationship with Japan, and its development demand is high as the country is among one of the relatively underdeveloped in Latin America. In such a context, Japan has given assistance to Ecuador mainly through Grant Aid and Technical Cooperation. After Ecuador established peace with Peru, Japan dispatched a project-formulation mission for the development of Peru-Ecuador border region in 1999. Thereafter, Japan has implemented the “New Macara International Bridge Construction Project” which makes use of different schemes including Grant Aid and Technical Cooperation. In Ecuador, there are large poverty groups among the indigenous population, and the poverty rate in rural areas is markedly higher than that in urban areas. Providing assistance to these poverty groups is of significance in terms of “assurance of fairness”, which is one of the basic principles in Japan’s ODA Charter. In addition, giving assistance to Colombian refugees who flow into the northern border area is of significance in terms of “human security”. In the meantime, it is necessary to give careful attention to future course of political tensions between Ecuador and Colombia which have arisen from cross-border incidents.

In February 1999, Japan dispatched a policy consultation mission to Ecuador. In this consultation, “poverty reduction”, “infrastructure development”, “environmental conservation” and “disaster prevention” were identified as four priority areas. In 2005, Japan’s ODA task force led by the Embassy of Japan in Ecuador and the Government of Ecuador held a consultation on economic cooperation policies. In this consultation, (a) “poverty reduction”, (b) “environmental conservation” and (c) “disaster prevention” were chosen as priority areas for Japanese economic cooperation for Ecuador. Japan has provided development assistance to the country mainly in those three priority areas ever since.

With these backgrounds, this study was conducted to analyze the political, economic, and social situations and development policies of Ecuador, and to comprehensively evaluate Japan’s assistance policy toward Ecuador, thereby learning lessons and making recommendations for more efficient and effective formulation and implementation of Japan’s future development assistance policies. In addition, the study aimed to fulfill accountability for Japanese citizens by publishing the results of the evaluation, and to promote the publicity of Japan’s ODA by giving feedback to Ecuador’s government agencies and organizations concerned and to other donors.

## 2. Scope of evaluation

This study assesses Japan’s assistance policy toward Ecuador, as stipulated in July 2005. However, if it were to assess only assistance activities conducted after this date, the duration of evaluation would be too short. Thus, in accordance with common practice, the evaluation extends back and assesses the results and process of assistance activities for five years between Fiscal Year 2003 and 2007.

### 3. Evaluation framework

To begin with, the study formulated an evaluation framework which shows perspective, evaluation items and evaluation indicators. In accordance with the guideline<sup>1</sup> of the policy-level evaluation by the MOFA, the framework was formulated from the perspectives of policies, results and process.

From the perspective of policies, its relevance is evaluated. The objective and priority areas of Japan's assistance policies toward Ecuador are evaluated based upon "relevance" on the following points; (1) relevance with Ecuador's development needs and its development policies; (2) relevance with other donors' policies and assistance cooperation; and (3) relevance with broader and priority policies of the Japanese government such as the ODA Charter and Mid-Term Policy and Japanese foreign policy toward Ecuador and the whole Latin America.

From the perspective of the results, effectiveness is evaluated. After identifying inputs/outputs of Japan's assistance, the three priority areas, (a) "poverty reduction", (b) "environmental conservation" and (c) "disaster prevention", are evaluated to find whether the assistance activity brings effective results.

From the perspective of process, both appropriateness and efficiency are evaluated. More specifically, we evaluated whether processes have been appropriate and efficient in (1) policy formulation and implementation by as well as cooperation among the Japanese parties (mainly the MOFA and aid agencies); (2) consultation and coordination with the Ecuadorian government and relevant institutions; and (3) consultation and coordination with other donors.

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<sup>1</sup> See "ODA evaluation guideline" (2008 May)

## 4. Evaluation results

### 4.1 Evaluation on relevance of policies

#### 4.1.1 Relevance with development policies and needs of Ecuador

The priority areas of Japan's assistance were decided through the policy consultation with the Government of Ecuador. They are based on development plans and development issues of the governments at those times. However, before the inauguration of President Correa, there were frequent changes of presidential administration in Ecuador. Thus, strictly speaking, it is not necessarily clear whether Japan's policies have been consistent with the development plans of each presidential administration.

Since 2003, Ecuador has undergone three presidential changes. And each time, development policies were newly stipulated. Throughout all these administrations, poverty reduction has been emphasized as a top priority. It can, therefore, be said that Japan's emphasis on poverty reduction as a pillar of assistance policy has been generally consistent with the development policies of the Ecuadorian governments.

The other two pillars, environmental conservation and disaster prevention, have been priority issues during the period of these recent administrations. However, these areas have not necessarily been emphasized as pillars. Environmental conservation was identified in one of five pillars of the 2003-2007 development plan stipulated by the Gutierrez administration, which was "national security, public order, guarantee of justice, and environmental conservation". The Correa administration emphasized "sustainability of environmental heritage" as one of eight pillars of the 2007-2010 plan. However, the Palacio administration did not emphasize environmental conservation in the 2006-2007 plan.

Disaster prevention, although it was considered one of the priority issues, has not been identified as one of the main pillars in development plans. In the Correa administration, disaster prevention was identified as a mere sub-objective within a larger objective, which itself is part of a strategy.

To conclude, Japan's assistance policies toward Ecuador have been decided through consultation with the Ecuadorian government and properly reflect Ecuador's needs. However, the three priority areas of Japan's policies have not been completely consistent with the priority areas of the development plan by each administration.

#### 4.1.2 Relevance with assistance policies of other donors and international society

Among the three priority areas of Japan's assistance to Ecuador, most of other donors also emphasize efforts for poverty reduction. There are differences as to whether sub-components of poverty reduction such as agricultural/rural development, health, and production support, are identified as independent priority issues. Japan is a country that draws each of these components together under the umbrella of "poverty reduction".

One of clear differences between Japan and other donors is its emphasis on governance. Other donors identify good governance as a priority issue while Japan does not. The EU, Germany and Switzerland identify environmental conservation as a priority issue, reflecting the strong interest of European donors in this area.

Table: Priority areas of each donor's assistance policy

World Bank	Growth: diverse and sustainable economic growth Equity: provision with the poor of opportunities access to economic resources Governance: support for an open and efficient government for Ecuadorean people
Inter-American Development Bank	Building basis for diversification of production structure Promoting social development
Corporacion Andina de Fomento(CAF)	Economic growth and sustainability, governance, and support for governmental reform Support for sustainable infrastructure development to strengthen production ability and possibility of regional integration Direct support for production sector focusing on export industry, strengthened financial sector, capital market development, improvement of fund raising and capital access of small-and medium enterprises Poverty reduction, promotion of social development and environmental conservation
The European Union (EU)	Poverty reduction Environmental conservation Good governance
United States	Good governance(Support for democratization, poverty reduction and development in the north and south border areas) Peace-building (development in the north and south borders)
Germany	Good governance Environmental conservation

#### 4.1.3 Consistency with Japan's higher policies

The priority areas of Japan's assistance (poverty reduction, environmental conservation and disaster prevention), which were decided through consultation with the target government, were consistent with the priority areas in the ODA Charter. Although it is not expressed explicitly in official public documents, according to the Ministry of Foreign Affairs, Japan's foreign policy toward Ecuador is as follows: based on the fact that Ecuador is among one of the relatively most underdeveloped countries in Latin America, Japan implement policies from the perspectives of making up for the country's vulnerability, supporting stable development in the whole Latin America, and securing stable energy resources. Although it is expected that such foreign policy objectives are aligned with assistance policy toward Ecuador, at the current stage such alignment is not so evident. At any rate, at the time of the evaluation study, it was very difficult to closely examine the relevance between Japan's foreign policy toward Ecuador and Japan's assistance policy.

## 4.2 Evaluation on effectiveness of results

We evaluated the effectiveness of assistance results mainly in the three priority areas; namely, poverty reduction, environmental conservation and disaster prevention.

### 4.2.1 Poverty reduction

In 2006, the poverty group in Ecuador accounted for about 38% (about 13% were in extreme poverty) of the population, and the Gini coefficient was higher than that of Colombia or Peru, where GNI per head was almost equal to that of Ecuador. As there is a wide gap between the rich and poor in Ecuador, it was important to utilize Japan's ODA for poverty reduction. It was deemed relevant to identify poverty reduction as one of the priority areas of Japan's ODA.

The efforts for poverty reduction follow two methods; one is to benefit the poverty group directly. The other is to level up the country's economy and bring about so-called "trickle-down" effects. Here, according to the classification by the MOFA, we conducted analysis by each sector.

#### a. Basic infrastructure (water and sewage, health care and education) development

##### *Water and sewage development*

Japan conducted four Grant Aid projects. Grant Aid projects were conducted in twenty-four locations in three cities of Ibarra, Huaquillas, Arenillas and two provinces of Chimborazo and Azuay. As the completion reports for these projects have not yet been conducted at the moment, the detailed implementation information of each project is not available. However, we had an opportunity to visit construction sites of the "Project for Development of Underground Water in the Province of Chimborazo in the Republic of Ecuador", and although we visited just two sites in one of the four projects, we can point out the following;

- Each project was conducted in accordance with initial plans and produced the expected results.
- The ODA logo mark, which was clearly exhibited, explicitly shows that the assistance is from Japan.
- Even without viewing the ODA logo mark, villagers know well that it is Japan's assistance.
- The local governments, securing local budgets under their responsibility, conducted the project properly according to plans.
- The installed facilities at sites as well as construction equipment still working are well maintained.

##### *Health care*

Based on a request from the Ecuadorian government, Japan provided Grant Aid for the "Project for Support for the Expanded Programme on Immunization in the Republic of

Ecuador” in Fiscal Year 2003. The project consisted of three components; (1) To deploy a set of 26 basic health care materials in 77 rural primary healthcare sub-centers, among 753 in total in nationwide, (2) To provide the Ministry of Health with personal computers to improve vaccine inventory control systems and (3) To provide production and testing equipment to the INH (Instituto Nacional de Higiene y Medicina Tropical), the only institution in Ecuador with the capability of producing vaccines.

At the moment, the ex-post evaluation of the project has not been conducted and the study team lacked the opportunity to visit the site. Therefore, the precise evaluation is impossible. However, if the project is conducted according to the plan, health care service in the rural area will be much improved and about 300 thousand infants and toddlers will have an opportunity to receive vaccination.

Besides the Grant Aid projects mentioned above, 45 Grant Assistance for Grass-roots Human Security Projects were conducted in the health care sector between Fiscal Year 2003 and 2007.

### *Education*

Japan implemented a total of 111 projects to build and support schools between Fiscal Year 2003 and 2007 through Grant Assistance for Grass-roots Human Security Projects. School building construction at elementary schools accounted for the major part, but vocational/technical schools, nursing schools and agricultural schools also benefited from these projects. In addition, schools for disabled children and training centers were also the targets, in addition to a particular case of the Galapagos library. Assistance was also given through dispatching volunteers to the education sector. Therefore both “soft” and “hard” assistance were provided. Although it is impossible to grasp the quantitative impact of Japan’s assistance on the education sector, it seems to be certain that Japan’s ODA contributed to increasing the numbers and improving the quality of classrooms. It also improved education facilities in rural areas.

#### b. Industrial development and employment creation

### *Vocational training*

Responding to the request from the Government of Ecuador, Japan implemented a Technical Cooperation project for five years beginning in July 2002, and a Grant Aid project to provide vocational training instruments in Fiscal Year 2004. The counterpart institution was SECAP, which is under the jurisdiction of the Ministry of Labor and Employment. It is an institution that has performed vocational training for over 40 years, and has 18 training centers, 15 operation centers and one technology center, besides its headquarters. Looking at the achievements of SECAP in 2007, 1,185 training courses were administered, with 16,209 enrollments in the industrial field. However, as it is common for participants to take several courses, the actual number of individuals who took courses would be a fraction of such enrollments. 20% of the participants were sent from companies, and it is said that the remaining 80% of participants would be fully employed after training. In

addition to the technical transfer by Japanese professionals during the cooperation period in the mentioned field, long term experts have since been sent to elaborate specifications for vocational training in an effort to maintain the sustainability of the project.

#### *Support for small and middle-sized companies*

Japan donated 500 million yen as non-project Grant Aid to Ecuador in Fiscal Year 2005. The Palacio government at the time had announced that it would uphold dollarization, and had demonstrated efforts to innovate the economic structure, such as by using oil profits for social sectors, where previously these had been used mainly to repay foreign debt. The non-project Grant Aid was to contribute to promotion of the economic structural adjustment efforts by the Government of Ecuador, and it was decided that the assistance be used to pay costs for importing the necessary goods and materials to further promote the program. According to the Ministry of Industry and Competitiveness, the grant was used for buying goods and materials necessary for small and medium-sized companies. By the middle of Fiscal Year 2007, goods and materials had been provided for 17 companies and 20 cases altogether. With the sale of these goods, a counterpart fund has been established, which will be used for grant or loan assistance to help small and medium-sized companies.

#### *c. Assistance to poor farmers*

Japan executed two Grant Assistance Projects for Underprivileged Farmers (called “2KR”) and a Development Study project aiming to promote production and reduce poverty in the Azuay province, south of Sierra. These were performed as direct assistance for poor farmers during the evaluation period. Japan has also sent agricultural policy advisers to the Ministry of Agriculture, Livestock, Fisheries, & Aquaculture. The two Grant Assistance Projects for Underprivileged Farmers were recognized as effective in promoting food production, and the counterpart fund projects selected through a transparent process was also recognized as effective in raising the living standards of the region. It is also important to note that the assistance was recognized as originating from Japan, even in the rural areas far away from the state capital.

#### *d. Promoting development in regional communities*

In Ecuador, there has been slow economic development in the areas near the borders due to the border conflicts with surrounding countries. The conflicts have brought in refugees from nearby countries, and due to the unstable control of borders, illegal drug trafficking has been a problem as well. Based on this background, in order to promote the economic and social development of Ecuador and to stabilize the country and reduce poverty, it is important to provide assistance by taking into account the areas near the borders in addition to other poor rural areas. These problems occur mainly in the northern border area which adjoins Columbia, and the southern border area which adjoins Peru.

The “Project for the Construction of the New Macara International Bridge (Proyecto de la Construcción del Nuevo Puente Internacional Macará)” constitutes the main ODA assistance to the southern border area. With funding for this project, the Ecuadorian

government is to build a bridge (the new Macara International Bridge: length 110ms). Funding includes a total of 574 million yen (140 million yen in Fiscal Year 2007, 328 million yen in Fiscal Year 2008, and 106 million yen in Fiscal Year 2009) over the three fiscal years from 2007 to 2009. This project has not yet been completed, so its effectiveness could not be evaluated in this study.

#### 4.2.2 Environmental conservation

During the evaluation period, Japan's primary assistance in the environmental conservation sector was the "Project on Conservation of the Galapagos Marine Reserve", which is a Technical Cooperation Project. The Galapagos Islands are volcanic islands situated 1000 kms off the coast of Ecuador in the Pacific Ocean. The environment, isolated from the continent, has a unique ecosystem and was designated as the first World Heritage site by UNESCO. In January 2001, an oil tanker was stranded off the coast of the San Cristóbal Island of the Galapagos. When the sea near the Galapagos Islands was polluted by oil, the need to protect the sea environment of the Galapagos Island was recognized globally. Specialists and research groups were sent from Japan to review the possibility of Technical Cooperation. The result is the "Project on Conservation of the Galapagos Marine Reserve". The project started on January 20<sup>th</sup>, 2004, with a 5-year plan lasting until January 19<sup>th</sup> of 2009.

The most important goal of this project is the "strengthening of the participatory management system." A fisheries cooperative, which is one of the important stakeholders, stated that, before the assistance of JICA, there had been insufficient communication among members of the fisheries cooperative and related institutions such as Parque Nacional Galápagos (PNG), or Galapagos National Park. But with the assistance of JICA, a participatory meeting of related institutions was established to promote understanding among members and to make possible changes in law and regulations which the fisheries cooperative requested. To continue all the activity performed in this project, it is indispensable to have sufficient input in terms of budget and human resources from the Ecuador side, but there have been reports of insufficient human resource management and poor cooperation of related institutions. The future goal is for the project to be managed by local institutions without outside assistance.

Japan provided only two environment related projects in Ecuador from Fiscal Year 2003 to 2007, the "Project on Conservation of the Galapagos Marine Reserve" and the "Project for Installation of Equipment for Environmental Education in Galapagos". Looking at the policies of the Ecuadorian government, the environment related strategy includes conservation of biodiversity, forest management, water resource management, climate change, renewable energy, etc. The two projects have shown meaningful results, but considering that environmental protection has been one of the three most important fields of Japanese assistance, the results don't appear to be very satisfactory, with only limited assistance in terms of scale and number of interventions.

#### 4.2.3 Disaster prevention

The west coast of Latin America marks the edge of the South American plate, on which the continent sits, and the Naska plate, which is situated offshore. Thus, along this area, there are many earthquakes and volcanic eruptions. Ecuador includes the Andes within its borders (its capital Quito is situated at an altitude of 2800m), and there are many active volcanoes such as the Tungurahua volcano and the Cotopaxi volcano. Many people live on the skirts of these volcanoes, historically resulting in high numbers of casualties and immense damage to property. There have also been many large earthquakes of Magnitude 7 to 9 in Ecuador over the last 30 years.

The natural disasters have also been a cause of the slowing economic development in Ecuador. The IDB estimates that as of the late 1990's, natural disasters resulted in an economic loss equivalent to 15% of GDP<sup>2</sup>.

Japan's primary assistance case in the area of disaster prevention is the "Project for Strengthening of the Capacity for Monitoring in Ecuador", which is a Technical Cooperation Project. The disaster prevention network in Ecuador consists of the National Disaster Prevention Bureau under the National Security Council, which is under direct control of the President and the six local governments. The participants from local governments consist of Local Sand Prevention Bureaus, mayors, and police and fire departments. Also, the monitoring of active volcanoes is conducted by IG (Instituto Geofisico), or Geophysical Institute, of the National Natural Science University under the National Council for Superior Education, which is also under the direct control of the President. This project aimed at providing equipment and training in volcano monitoring ability with the IG as its counterpart.

According to the project evaluation conducted at the end of the project implementation period in November 2006, it was confirmed that the project had achieved most of its goals. The research done in Ecuador for this evaluation was performed two years after this evaluation. Again this time, it was confirmed that the volcano monitoring ability of the IG was improved and that it contributed to the lessening of the damage from natural disasters. An actual example of the effectiveness of Japan's assistance is the case of the eruption of the Tungurahua volcano in August 2006. The early warnings to residents, made possible by Japan's assistance, led to the evacuation of residents from 700 houses. There were unfortunate victims of six people who did not heed the warnings, but many more lives were saved. It has been confirmed that local news reported on Japan's assistance which made possible the early warning of the eruption.

Besides the "Project for Strengthening of the Capacity for Monitoring in Ecuador", as part of its work in the area of disaster prevention, Japan performed emergency assistance in 2002 and 2006 when Ecuador was hit by volcano eruptions. Although it is true that the project achieved meaningful results, in view of the fact that disaster prevention is one of the three most important fields of Japanese assistance, it appears unsatisfactory that there is only one major project besides emergency assistance.

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<sup>2</sup> IDB, 2004, Ecuador: The Bank's Strategy with the Country (November 2004), p.10

## 4.3 Evaluation on appropriateness and effectiveness of processes

### 4.3.1 Formulation process of Japan's assistance policy toward Ecuador

As for Japan's assistance policy toward Ecuador, Japan dispatched a policy consultation mission to Ecuador in February 1999, and in this consultation, "poverty reduction", "infrastructure development, "environmental conservation" and "disaster prevention" were identified as four priority areas. Later, on July 15th 2005, the economic cooperation policy consultation was held between Japan's ODA task force led by the Embassy of Japan in Ecuador and the Government of Ecuador. "Poverty reduction", "environmental conservation", and "disaster prevention" were decided as the three priority areas, and assistance guidelines for individual development issues were redesigned in accordance with these three priorities.

In order to evaluate the appropriateness and effectiveness of the process to determine those three priority areas in July 2005, we requested the MOFA to provide more information, but we were unable to obtain specific information on the process at the time. Therefore, while we can conclude that this process was appropriate as it involved consultation with the Ecuadorian government, we were unable to evaluate whether there were sufficient discussions and the policy was formulated in an efficient manner.

### 4.3.2 Implementation process of Japan's assistance

Japan's ODA task force is commonly composed of Japanese Embassy (JE), JICA, JBIC, and JETRO, and it has been called the 4J in many countries. As for Ecuador, JETRO does not have its office, and also, as the JBIC was managed by the Lima office in Peru before the integration of JBIC and JICA into new JICA, a JBIC representative in Lima could not attend ODA task force meetings every time. As a result, the task force was held once a month virtually only by the two J's (JE and JICA). After the integration of JICA and JBIC on October 1st 2008, the JICA Office of Ecuador became a branch of the Lima Office, so the task force is expected to be held by the 2J's for some time. It is said that the Japanese Ambassador himself often participates in the local ODA task force, which meets as frequently as once a month, and that active discussions take place. But as new yen loans have not been granted since 1996, the discussion tends to center around Technical Cooperation and Grant Aid. It is also to be noted that there is no Japanese Chamber of Commerce and Industry in Ecuador, and that the number of Japanese resident representatives for trading companies or manufacturing firms is limited. Therefore, the information exchange with private sectors is limited as well. These are some of the features of the local ODA task force in Ecuador.

The JBIC Lima Office seemed to participate in ODA task force meetings on average one to two times a year. This seems natural, due to the fact that before the agreement on rescheduling with Ecuador<sup>3</sup> in January 2007, there was no possibility to discuss new yen

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<sup>3</sup> Amendment Agreement which was concluded based on the agreement at Paris Club in June 2003 and the exchange of notes between Japan and Ecuador in November 2006.

loans, and the discussion centered on Technical Cooperation and Grant Aid, as written above.

#### 4.3.3 Cooperation with the Ecuadorian government and other donors

As for the coordination with the Ecuadorian government before the Correa administration, the Ministry of Finance was the window for loan assistance, and the INECI was the window for Grant Aid and Technical Cooperation. When the Correa government took power, the window for Grant Aid and Technical Cooperation became the AGECI, which was established under the SENPLADES. As to the aid coordination done by AGECI, it was a common understanding among the Ecuadorian government and donors that their performance was not necessarily sufficient as of now. But this is partly due to the fact that budget and human resources were in shortage, and it was also a common impression among the Ecuadorian government and donor institutions that it is better to watch and wait for the improvement of AGECI. For example, the Japanese Embassy asked AGECI to hold a consultation meeting, but they declined, saying that they needed some more time to prepare. The first donor meeting hosted by the AGECI was finally held in late September 2008, one year after its establishment.

At this point of time, coordination between AGECI and the Japan Embassy and JICA has not been sufficient, but it is said that the cooperation between other Ministries and implementing agencies and the Japanese side has been sufficient.

On the other hand, the representative of the Ministry of Finance, whom the evaluation mission interviewed, did not have sufficient knowledge of yen loans, mistakenly regarding them as export credit to sell products of Japan. It is reported that then JBIC representatives in Lima visited the Ministry of Finance to have discussions at least a few times a year; however, coordination between the Japanese and Ecuadorian sides on this matter was not sufficient due to various factors such as no provision of new yen loans for more than 10 years, Japan's reservedness for providing yen loans under the Correa administration's argument for legitimacy of foreign debts, and Ecuador's lack of enthusiasm for yen loan during oil price hikes in recent years. However, taking into consideration of the importance of yen loans as a tool of Japan's ODA, all Japanese parties should have more fully cooperated to constantly provide and exchange information about yen loans with the Ecuadorian government.

As to relations with other donors, there have been no projects in Ecuador which Japan has jointly implemented with other donors. Against this background there were different opinions among donors, such as "We are well informed of Japan's three important areas and have discussed these with JICA several times" (Spain), and "We don't coordinate with Japan and don't know much about Japan's assistance" (IDB). As loan grants have not been provided recently, there seems to be little cooperation with financial assistance institutions such as IDB and CAF. On the other hand, with the initiative of AGECI, further aid coordination is expected to be strengthened in near future.

#### 4.3.4 Public relations of Japan's ODA

We carried out interviews with the local media and examined their articles in order to confirm whether appropriate public relations activities had been done for Japan's ODA, and what kinds of effects they have had. We also carried out hearings on Japanese Embassy's public relations activity, and found that as to major media such as newspapers, the PR group of the Embassy made contacts, provided related information, and invited people to press tours. On the other hand, through the interview with a local major newspaper, we found that minimum information had not been provided by the Embassy regarding the ODA scheme and progress of projects. Without sufficient information about Japan's involvement, the media rarely covered the subject. One of the reasons that Japan's ODA is not well known, despite the efforts of the Japanese Embassy, is that continual and extensive information output is insufficient.

## 5. Recommendation

*Recommendation 1: Japan should articulate more clearly its foreign policy toward Ecuador and align the foreign policy with its assistance to Ecuador*

Japan's foreign policy toward Ecuador and its surrounding countries, and the significance of assistance to the country have not necessarily been clearly articulated to the public. Although Ecuador is currently a lower middle income country, its GNI per capita is already 2,840 dollars<sup>4</sup> and it is close to becoming an upper middle-income country. In addition, Ecuador is geologically far from Japan, and the bilateral political and economic ties between the two countries can not be said to have been very strong. Therefore, to widely gain understanding from the people of Japan about the significance of assisting the country, it is vital to make clear to the Japanese public the significance of Ecuador in Japan's foreign policy and the meaning of Japan's assistance to Ecuador. The ways to attach such significance would include: to implement assistance that will improve global environmental protection, to implement assistance that will benefit Japan's natural resource policy, and to implement assistance in disaster prevention which will contribute to the improvement in disaster prevention activities in Asia. The following recommendations also indicate how to attach significance to Japan's future assistance to Ecuador.

It is also important to design assistance in a way that will have a spillover effect to Japan. For instance, it has been noted by specialists that the technology for protecting the ocean environment in the Galapagos can also be used for protecting the ocean environment in Okinawa, Japan.

*Recommendation 2: Japan should strengthen policy dialogues between Japan and Ecuador*

Policy dialogues between the Japanese and Ecuadorian governments have been insufficient, due to the frequent changes of presidents and high-ranking officials in central administrations. Therefore, there has been a lack of understanding and sharing of information between countries, such as can be seen in the fact that the respondents from the Ministry of Finance, the Ecuador's counterpart, did not have substantial understanding of yen loans, which are expected to be an important potential tool of assistance.

Although difficulties have resulted from the frequent changes in central administrations, when we look at the field of assistance, the Ecuadorian counterparts are cooperative for assistance and keen to make use of it. Ecuador can make use of Japanese assistance and continue using the equipment provided, like some Asian countries that have achieved economic development and outgrown Japan's assistance. Japan should send an ODA policy dialogue mission as well as host seminars to explain the scheme of Japan's ODA in order to provide more comprehensive assistance in response to the efforts of Ecuadoreans to help themselves.

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<sup>4</sup> World Bank, World Development Indicators Online

Though further monitoring is still needed, the Correa government which took power in 2007 shows signs of becoming a stable government, and it seems possible to strengthen policy dialogue while monitoring the government and its development of institutions.

*Recommendation3: Japan should implement assistance for strengthening industrial infrastructure to reduce poverty*

Ecuador's GNI per capita is 2,840 dollars, and the country appears to be a quasi-upper middle income country. However, in reality, the Ecuadorian economy heavily relies on oil profits, and its industrial base is weak, making it a country far from self-sustainable.

Until now, Japan has implemented assistance that brings about direct benefits to the poor, such as vocational training and developing farm villages. These approaches are still relevant, but henceforth it is necessary to reduce poverty and enhance the economic independence of the country as a whole by implementing assistance which leads to strengthening the industrial base. Especially now that the GNI levels are high and the country needs to grow out of Grant Aid, yen loans for developing the industrial base should be considered.

Nevertheless, the Correa government aims to focus on the social sector; therefore, an approach focusing on the economic sector might cause friction with the Correa government. Also, considering the relations with the IMF, the World Bank, and the announcement of the partial default of bond interest last December, it is highly possible that they would be careful regarding the yen loans, even if the rate and period were favorably treated. Japan must explain to Ecuador on occasions of policy dialogue and other chances how it is necessary to take sufficient care in developing industrial infrastructure for the country's development.

*Recommendation4: Japan should implement cost-effective assistance by taking into account spillover effects to surrounding and outside regions*

When considering Ecuador's GNI per capita, and the economic and political ties between Ecuador and Japan, it is difficult to maintain understanding by the Japanese people on the need to provide large amount of assistance that only benefits Ecuador. Therefore, it is necessary to implement cost effective assistance that not only benefits Ecuador but also reaches out to the surrounding Andes areas, the whole of Latin America, and the whole Pan-Pacific area.

For instance, in the area of disaster prevention, it is possible to coordinate among the disaster prevention cooperation activities of the Andes community and Japan, or to contribute to the Tsunami countermeasures in Asia by strengthening the Tsunami alert function in the Andes area. It is also possible to stabilize the whole area by assisting the northern border adjoining Columbia and the southern border adjoining Peru toward peace development. This kind of assistance is consistent with Japan's foreign policy, aiming to cooperate in peace.

In light of performing assistance that reaches to surrounding countries, it is expected to be a future goal to consider Ecuador as a provider of assistance and not just as a receiver of it. AGECI, which is a window of assistance for the current Ecuadorian government, and SECAP, which is the implementation institution of Ecuador for technological cooperation projects, showed strong interests in becoming providers of assistance. Japan must recognize such positive attitudes and should take care that Ecuador develops into a provider of assistance, such as by sending assistance professionals to surrounding countries and receiving trainees from surrounding countries in such areas as disaster prevention. These considerations should be included in specific assistance to Ecuador.

*Recommendation 5: Japan should strengthen ODA public relations activities in Ecuador through cooperation with the MOFA Headquarter and Japanese Embassies in neighboring countries*

When we confirmed the ODA publicity and its results in Ecuador, we found out that in spite of the ODA public relations (PR) activities by the Japanese embassy, the Japanese ODA activities and its achievements were not fully recognized or understood among the local media and citizens. We reviewed the reasons for this result, and found out that the lack of regular and abundant provision of information to the local media could be the cause.

In order for the press to cover Japan's ODA with interest, the local media would want information on Japan's ODA regularly and have opportunities to gain information that is useful for making a report. For that reason, the Japanese Embassy needs to do more than just host occasional press tours and provide information on respective cases; it must also regularly provide basic information about ODA, new project information, relative information on Japan's politics and economics, etc. This should be provided at least once a month, twice a month, or every week if possible.

However, looking at the present Embassy of Japan in Ecuador, it is difficult to provide such an amount of information on its own. To strengthen the provision of information from the local embassy, it is important to lessen the load by cooperating with the Ministry of Foreign Affairs and nearby embassies. For instance, regarding cooperation with the Ministry of Foreign Affairs, it is possible for the Ministry to translate the important topics of the ODA newsletter from Japanese into Spanish, and provide this to its Embassies in Latin America. Also, the Embassies of Japan in Latin America can take turns drafting the related topics in Spanish to be put on the ODA newsletter.