

**SCOPE OF WORK FOR THE EVALUATION OF PROJECT  
“INCOME AND EMPLOYMENT GENERATION IN THE NORTHERN BORDER  
REGION”  
PCE-I-823-99-00001-00, Task Order 823**

**PURPOSE OF THE EVALUATION**

The contractor shall conduct a technical evaluation of the Income Increase and Employment Generation Project in the Northern Border Region (known as ProNorte) covering the period September 2003 to September 2006, implemented by Associates in Rural Development (ARD) and its local partners (sub-contractors) and sub-grantees.

The purpose of this technical evaluation is fivefold:

1. Evaluate the project's approach and methodology to achieve project objectives and to respond to Ecuador's NB region needs;
2. Assess the effectiveness and impact of the technical assistance, training, and small grants activities as well as ARD management of resources and investments;
3. Identify lessons learned that USAID might use to define future activities and its next long-term strategy, especially in terms of local economic development focus;
4. Assess Project accomplishments as per those outputs established in the Contract with ARD;
5. Evaluate and validate the accuracy of achieved results as reported by ARD and its partners to USAID.

**BACKGROUND**

**USAID/Ecuador Northern Border Program**

Ecuador's northern border includes 6 geographically and ethnically diverse provinces, Esmeraldas, Carchi, Imbabura, Sucumbíos, Orellana, and Napo, with a combined population of about 1.2 million people, including various indigenous groups, *mestizos*, and Ecuadorians of African and European descent. Northern Ecuador shares about 340 km of border territory with Colombia, currently in the throes of a longstanding civil conflict fueled by a strongly developed coca-cocaine economy.

Northern Ecuador's proximity to Colombia, and more specifically to key coca/cocaine producing areas in southern Colombia, makes it particularly vulnerable to spillover impacts of the narco-fueled Colombian conflict. Spillover threats to Ecuador include increased trafficking in precursors and narcotics; increased coca cultivation; increased paramilitary-guerilla violence; increased narcotics-related crime; and increased flows of refugees and displaced persons.

The spillover threats are not just of an external nature; they stem from internal factors as well. First and foremost are the structural factors that keep Ecuador underdeveloped, in general, and the NB region with the highest levels of poverty and extreme poverty, in particular: weak democratic and economic institutions, weak state presence, and the government's general inability to enforce laws and protect rights, especially in the far reaches of national territory. Dramatic poverty in the north coupled with reduced cross border commerce since dollarization of the economy continues to be a serious threat since it could trigger a shift to coca cultivation and expansion of coca trafficking and money laundering.

From 2001 to the present, USAID has supported highly visible, rapid-impact community social and productive infrastructure, the increase of employment and income for poor

families thru the improvement of traditional crops such as cacao and coffee, as well as the strengthening of local governments, thru a \$78 million Northern Border Development Program. This program -designed to show state presence and commitment in the north- is closely coordinated with the GOE's *Unidad de Desarrollo del Norte* (UDENOR) and implemented mainly by two separate implementers: the International Organization for Migration (IOM), and the Associates in Rural Development firm (ARD-ProNorte). The ARD ProNorte component was not initiated until September 2003.

To date, activities funded under this USAID program have included: capital investments and complementary technical assistance to help local governments build and sustain social and productive infrastructure; technical assistance and training to municipal governments and local communities to identify and resolve local development problems democratically; support to income increase and employment generation for small farmers, processors, and traders, and assistance to strengthen the competitiveness of existing agricultural and related enterprises in a context of Ecuador's eventual entry into the Free Trade Agreement of the Americas and with U.S. This package of interventions is designed to assist the GOE to prevent spillover by addressing the structural and latent factors mentioned above, namely weak democratic institutions, weak state presence, weak community structures, poverty, and a dearth of licit economic opportunities.

### **Income and Employment Generation Project (ProNorte)**

ProNorte is a three-year US\$8 million project implemented under a USAID/Ecuador funded Task Order contract with ARD, Inc., of Burlington, Vermont, USA, under the RAISE Indefinite Quantity Contract. This project is a key component of the USAID/Government of Ecuador (GOE)'s Northern Border (NB) Development Program coordinated by *Unidad de Desarrollo del Norte* (UDENOR). One of the NB Development Program objectives is to reduce Ecuador's vulnerability to increased cultivation of coca and other illicit crops. ProNorte's role in this effort is to increase licit income and employment for small and medium farmers and other producers in Ecuador's northern border provinces.

ProNorte activities are being implemented in all 6 provinces of the USAID NB program following the original design as a market-led, cluster development project, differing in vision from the more traditional agricultural or rural development projects.

The activities to carry out its goal, objectives and approach are within the context of:

- Strengthening the competitiveness of the agricultural/rural economy by building linkages with local, regional and international markets;
- Strengthening the competitiveness of agricultural producers through improved productivity, quality and timeliness of production as needed by the market; and
- Developing and strengthening agri-business enterprises.

ProNorte is being implemented through an inclusive process that incorporates the considerations of a wide range of stakeholders including the following:

- USAID,
- UDENOR (GOE),
- Stakeholders from the project target regions, and

- All levels of ProNorte's staff and institutional subcontractors: Conservation and Development (C&D), PROEXANT, and Pacific Advisors.

## **PROGRAM ACTIVITIES**

### **Overview of the Project**

The objective of ProNorte is to increase income and employment for small and medium farmers in Ecuador's northern border provinces, by strengthening the competitiveness of rural enterprises through improved farm-to-market linkages in selected sectors. In implementing this statement of work, the contractor is expected to have drawn on state of the art research and data related to strengthening competitiveness through more productive clusters.

To increase incomes and employment for small and medium sized rural enterprises, the contractor should have identified potential markets for existing or new products and, based on the requirements (quantity and quality), undertaken a set of activities to strengthen the competitiveness of producers (competitiveness defined as ability to meet the market requirement - market orders, delivery contracts, etc. - and greater productivity at a given level of human capital, financial, and raw material inputs). The contractor should have worked in close collaboration with key sector actors and firms to develop a precise, shared understanding of the farm-to-market dynamics – including contracts between producers and buyers as a means to provide price protection for the producers and commitment to deliver agreed upon product for the buyer - in traditional and promising emerging sectors in the north; identify the constraints to better performance along these chains and in these sectors; partner with actors and firms along the chain in designing, packaging, and/or implementing interventions to overcome these constraints; and bring USAID and leveraged resources to effectively bear upon resolving these constraints. These constraints could have included weak market identification and access; low production volumes; sub-standard product quality; weak branding; antiquated management techniques; high input costs; and/or regulatory and policy bottlenecks.

The contractor should have stimulated improved linkages among the key actors along these chains, serving as a catalyst to encourage greater efficiencies and increased competitiveness. To address the wide range of competitiveness and linkage constraints across specific sectors, the contractor was expected to be innovative and creative in drawing upon a range of technical assistance, training, and financial resources (through sub-contracts, sub grants, and Development Credit Authority deals). Once subsectors analysis has been complete and a well-developed shared understanding of opportunities and constraints has been acquired, the contractor was expected to help value chain/cluster actors and firms develop and package an effective approach to take advantage of opportunities and to overcome their constraints to improve their competitiveness and business linkages.

In promoting competitiveness or investment-related opportunities the Contractor should have assured that all activities supported under the Contract are consistent with the ADS 225 Program Principles for Trade and Investment Activities and the "Impact on US Jobs", issued 4/21/03.

## **Strategic Approach**

The strategy of the project to accomplish its purpose and objectives has been to target a core group of market-oriented value chain clusters, which have shown the greatest potential for value-added production growth and profitability.

This project differs from traditional ones in its emphasis on a market-driven strategy. The principal criteria for selection of subsectors to be assisted had to be the assurance of a growing and sustained market demand. This guiding principle had to be operationalized thru the identification of local, regional, and international buyers and the concrete formulation of sale contracts. The accomplishment of this requisite offered not only justification for project activities in the farming, post-harvesting, marketing stages of the value chain/clusters, but more importantly great probability of success in the achievement of project goal and objectives.

To determine target clusters, initial assessments of about 14 productive subsectors using a methodology that ranked products or productive sectors by criteria specific to Ecuador and taking into account national, regional and international markets. This methodology encompassed several factors including:

- 1) Determining key players' level of interest in active participation and gaining a basic understanding of the sub sector by conducting Guided Key Informant Interviews of agribusiness managers and others actively involved in the targeted sub sectors;
- 2) Identifying key competitiveness improvement opportunities and constraints through a formal, rapid assessment of 18 key value-chain capacity factors (these factors included items ranging from the quality of raw material to the level of human resource skills.); and
- 3) Developing selected market profiles to obtain detailed understanding of the markets through SWOT analysis (strengths, weaknesses, opportunities, and threats), supply and demand analysis, and key competitor identification/retail price data/preliminary channel analysis. These factors assisted the team to assess which products and productive sub sectors were most likely to increase incomes and employment in the Northern Border regions.

The contractor explored on-farm and off-farm activities as both offered important potential sources of income and employment for small and medium sized producers and finally selected the following subsectors or clusters to work with:

- 1) Coffee
- 2) Cocoa
- 3) Broccoli
- 4) Avocados
- 5) Potatoes

ProNorte has been catalyzing key stakeholder efforts in these selected clusters to improve farm-to-market linkages; increase quality, quantity, and timeliness of product delivery along the value chain; and access markets more effectively.

## Principal Activities

ProNorte provides technical assistance, training, and small grants to poor farmers, processors and traders along the various phases of each value chain/cluster.

Technical Assistance: Illustratively, the menu of technical assistance activities the contractor was expected to draw to help address the specific needs of the selected clusters are:

- Expand business and trade partnerships between small and medium producers, and Ecuadorian, Andean regional, European and/or US firms;
- Assist small and medium rural enterprises in identifying market niches and developing strategies to reach targeted markets;
- Develop modern business and entrepreneurial skills for staff of small and medium rural enterprises and producers associations;
- Enhance appropriate technology transfers to small and medium rural enterprises through international and domestic linkage programs in such areas as grading, processing, branding, and packaging;
- Promote financing options in rural areas to cater to the needs of small and medium sized rural enterprises;
- Support access to second tier and/or alternative financing institutions that promote savings accumulation and investment opportunities for small and medium sized rural enterprises;
- Assist rural enterprises and government to address key policy and regulatory constraints at both the micro and macro levels;
- Strengthen the ability of farmer organizations, cooperatives, and other associations of small and medium sized rural enterprises to represent constituent interests and to effectively articulate policy constraints and potential solutions.

Training: The contractor's training approach was recommended to be one of "applied training", i.e. training that would be a response to key constraints identified in the cluster analyses and be closely linked to market-driven business development and expansion opportunities. Training would have to be aimed at improving the capacity of producers, entrepreneurs, firms, or groups of business people to respond to specific market and/or business opportunities and/or constraints emerging from cluster analysis. Illustrative training areas could have been for things like:

- Increasing crop production
- Post harvest handling and storage
- Integrated pest management
- Business planning and management
- Financial management and accounting
- Accessing rural finance

Financial resources through Sub-Contracts, Sub-Grants, and/or Development Credit Authority Guarantees: Financial resources committed through sub-grants, sub-contracts and/or sub-cooperative agreements were designed to be a key tool the contractor could utilize to overcome linkage and competitiveness constraints, catalyze business linkages, and achieve results. These resources would primarily be provided to local organizations

in support of linkage arrangements. Resources might have been provided on a competitive basis or directed by the contractor, with prior USAID approval, to key areas and recipients identified in the cluster analysis.

These resources should have not been used to substitute for private resources, and were expected to be best focused on addressing constraints to competitiveness of a public or quasi-public nature, for which private resources were not available. Resources might have helped to:

- Overcome socio-cultural barriers to producers and industrialists working collaboratively for shared profit;
- Strengthen producers associations;
- Determine the technical, economic, and financial feasibility of riskier (but potentially profitable) investments;
- Make market information more accessible; and
- Bring investments to more geographically remote (but accessible) places.

## **STATEMENT OF WORK**

1. **Preliminary Research:** The evaluation team shall review at least the following documents/tools to familiarize itself with the Project activities:

- Contract No. PCE - I - 823-99-00001-00, Task Order 823
- USAID/Ecuador's Performance Monitoring Plan for the Northern Border Program
- Sub-contracts and sub-grant agreements signed by ARD with major counterparts and sub-grantees, as appropriate
- ARD Annual Work Plans and quarterly reports
- ARD handbooks, policies, and manuals
- ARD (1) management information system, and (2) M&E system (including M&E of environmental assessment conclusions and recommendations)
- Technical reports generated by short-term consultants and Project staff
- Final Report – Northern Ecuador Assessment – 2002, Robert Gersony
- Informe Técnico para la Identificación de Alternativas de Producción en el Norte del Ecuador, prepared by Development Alternatives, Inc. (DAI) under contract with International Organization for Migration (IOM), March, 2002.
- “El cluster de brócoli”, report prepared by IICA and CORPEI

Additionally and according to ADS 203.3.6 language, some specific evaluations purposes are the following:

- Explain unexpected results (positive or negative), and unintended impacts;
- Determine if target beneficiaries needs are being met;
- Assess net impacts of USAID activities in the NB;
- Explore special issues such as sustainability, cost effectiveness, relevance;
- Make action recommendations for program improvement;
- Distill lessons for application in other settings;
- Test validity of hypotheses and assumptions underlying results frameworks.

Based on work plans, progress reports, and field visits and interviews to key informants, the contractor should assess how this program has been implemented and if planned results were met, and identify lessons learned for future USAID Mission activities. The evaluation team is expected to go beyond the simple examination of inputs, outputs/results and the

design document to explore these broader issues. This evaluation may therefore provide valuable information for more effective implementation of productive, alternative development programs in the coming years.

The evaluation team is expected to effectively assess performance data submitted by ProNorte thru revision of the quarterly reports and annual work plans. The goal is to ensure that USAID/Ecuador is aware of data strengths and weaknesses, and the extent to which the data can be trusted when making management decisions.

**2. Illustrative Issues and Questions to be Addressed:** This evaluation shall consider, but not necessary restrict itself to, the following issues/questions:

**a. General:**

The evaluation shall focus primarily on the Contractor's ability to achieve contracted/planned results. Special attention should be given to the approaches that the implementer has taken to achieve the proposed results, mainly the market-driven and the cluster ones. The findings from this evaluation shall provide recommendations to design new interventions in the coca threatening regions of the country.

- How effective has been the cluster approach to help small producers to increase their income and to generate licit employment?
- Has the approach been adequate to alleviate and reduce the situation of poverty of the NB region? What has been the "value added" that the activities have contributed to improve the living standards of vulnerable groups?
- How well and to what extent has the project met goals and objectives?
- Has the project reached effectively the target population and achieved expected benefits?
- How effective has been the Contractor in managing major sub-contracts and sub-grant agreements e.g. have high-quality organizations been selected consistently for implementation of activities?
- Cost-benefit assessment: do the achieved results appear to justify the investment made by USAID/Ecuador in this program?
- What have been the major impacts of the program, a) on target beneficiaries (not only in terms of income increase and employment generation); and b) on the producers associations?
- What have been the major lessons learned through the program in terms of, a) implementation of the strategies; b) sustainability; c) cost-effectiveness; d) reducing the vulnerability of poor producers?

**b. Specific Project Components:**

The evaluation shall assess the accomplishments and impact of developed activities, technical assistance, training, and small grants, and expected results/outputs in general and for each cluster. Questions to guide the evaluation may include but are not limited to:

- How ARD's management of the technical assistance, training, and small grants contributed to the project goal and objectives? How the income increase and employment generation can be quantitatively attributed to each one of these project activities?
  - How each one of these activities contributed to the sustainability of the clusters participants?
  - What are the lessons learned from the implementation of these activities?
  - How the proposed disposition of project assets and goods will strengthen/support the sustainability of recipient farmers associations?
- 3. Period of Services:** The evaluation is to commence o/a May 17, 2006, for a period of approximately (to be filled out) working days, terminating o/a early June, 2006. The evaluation team is authorized to work a six-day work week. The Team Leader is authorized to work an additional (to be filled out) working days to put the evaluation report into final form.
- 4. Logistic Support:** The evaluating team shall be responsible for all logistical support and arrangements for the implementation of this contract.
- 5. Deliverables and Reporting Requirements:** The report structure shall include an executive summary, body of the report and relevant annexes. Both the draft and final versions shall be provided in both hard copy and electronic formats (Microsoft Word and/or PDF files).

The executive summary shall include the development objectives of the project, purpose of evaluation, findings, conclusions and recommendations.

The body of the report should include: 1) the purpose of the evaluation; 2) description of the project; 3) team composition and evaluation methods; 4) observations and comments supported by findings and evidence; 5) conclusions, related recommendations and lessons learned stated as actions to be considered for the future of the USAID/Ecuador strategy and activities.

Before departing Ecuador, the Team shall deliver a preliminary report to the Mission. Complete draft report shall be delivered by the Team five days after departure from Ecuador. Comments shall be delivered by the Mission to the Team 10 days after draft report is sent and the firm shall have 5 days to incorporate recommendations and deliver final report. The report should not exceed fifty pages (including annexes) and should be submitted in English. However, the Executive Summary (which should not exceed five pages) and Recommendations should be submitted in both English and Spanish. Annexes should include a copy of the scope of work for the evaluation and a list of documents and individuals/associations/firms consulted. Ten copies of the final report shall be submitted to USAID/Ecuador.

During the first 2 to 3 days, the contractor shall submit a work plan with a detailed description of how the task shall be carried out and a timeline, which shall be subject to Mission approval.

The evaluation team shall work closely with USAID/Ecuador staff and specifically with the ProNorte CTO and the NB Team, keeping them informed of progress through periodic briefings. USAID/Ecuador CTO will work closely with the evaluation team. The



evaluation team leader is solely responsible for the final report and all other deliverables under this contract.

At mid term of the work time, the contractor shall meet with the Mission team to discuss the status of the design process, findings, issues, problems, constraints to the progress of work and proposed alternative solutions. The team shall give a final exit briefing to USAID/Ecuador and ARD-ProNorte before departing Ecuador.

**6. Evaluation Team:** The Evaluation team shall be composed (to be filled out) of the following experts, one of whom should be an Ecuadorian based, local expert:

- Agribusiness Development Strategist/Senior Agricultural Economist, as Team Leader. Fluent in English and Spanish (4/4) and with acceptable knowledge of Ecuador's economy and situation.
- Agribusiness Development Specialist, with ample experience in rural businesses and enterprises, with wide experience in business development and good knowledge of Ecuadorian business environment (Ecuadorian professional preferred).
- Agribusiness Development Specialist, expert on financial issues with experience on rural businesses and proved knowledge of USAID regulation especially on sub-contracts and sub-grants.

If necessary, ARD-ProNorte will provide a technical staff to work with the team, to facilitate access to information, field sites and key local contacts. The Team members are encouraged to make use of this resource as it sees fit, to the extent that it believes this support will enhance the production of a solid and objective evaluation.

Specific requirements for the team members are as follows:

- Team members should be familiar with the concepts, practices and successes of USAID's Non-traditional Agricultural Export projects.
- Each team member should have at least 10 years experience in project development, implementation, evaluation, and strategic planning, preferably in Latin America.
- At a minimum, the Team Leader must have participated in previous USAID evaluations of development programs and be familiar with USAID regulations and procedures regarding evaluations.
- Team members must have exceptional organizational, analytical, and communication skills.
- Each team member is responsible for production of the evaluation report, with specific responsibilities to be assigned by the Team Leader.
- Team members must have recognized strong interpersonal skills, sufficient to smoothly relate to a wide variety of counterparts at all levels.
- Team members must be fluent in English and Spanish.
- The Team Leader has final responsibility for delivery of the final report.
- Team members must have the ability to independently travel to remote areas.

Team members must be independent and have no relation (in the last 3 years) with the project and/or the implementing organization.