



Inter-American
Development
Bank

DISCUSSION
PAPER

Focusing on Implementation

Mid-Term Review of Technical
Cooperation Projects in Ecuador
and Belize

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March 2011

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ACRONYMS

CSO	Civil Society Organization
IDB	Inter-American Development Bank
TRC	AAF Technical Review Committee
NORAD	Norwegian Agency for Development Cooperation
RENAP	National Registry for Persons (Guatemala)
TC	Technical Cooperation
VPC	Vice-Presidency for Countries, IDB
LOTAIP	Organic Law for Transparency and Information Access
ECORAE	Institute for Regional Eco-development in the Amazon
MOF	Ministry of Finance - Belize
PEFA	Public Expenditure and Financial Accountability
EITI	Extractive Industries Transparency Initiative
FTRF	Fiscal Transparency and Responsibility Framework
MTSEP	Mechanism for Providing Technical Support to the Execution of Projects
OAG	Office of the Auditor General - Belize
EU	European Union

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EXECUTIVE SUMMARY

This report is the product of a mid-term review exercise of two technical cooperation projects financed by the Anticorruption Activities Trust Fund (AAF), undertaken between March and November of 2010: Transparency in the Extractive Industry in Ecuador (EC-T1185); and Strengthening Belize's Fiscal Transparency and Responsibility (BL-T1034). It constitutes a first attempt to identify, consolidate and shed light on what may work, what may not work, and why.

Since its inception, the AAF has been conceived not only as a financial support mechanism, but also as a knowledge generation and dissemination tool that can play a significant role in mainstreaming anticorruption efforts in the Region and leverage creative approaches and lessons learned. We hope this report will raise awareness and provide useful insights into innovative ways in which transparency and anticorruption initiatives can be undertaken in Latin America and the Caribbean.

A three step approach was used to conduct the midterm review exercise. First, we undertook a desk review of relevant internal and external literature on the evaluation of anticorruption projects. With these findings in mind, we structured a field-based qualitative analysis review, covering the design, implementation, and preliminary results of project activities. Finally, the findings and conclusions were summarized in this report.

While the sample of projects covered in the case study is too small to generate scientific conclusions with respect to impact or categorical best practices, several findings are worth noting, including the need to: (i) address domestic priorities and find effective points of entry; (ii) incorporate flexibility in program design; (iii) develop sound baseline studies; (iv) generate ownership through project design and implementation; (v) assure adequate technical expertise; (vi) establish coordination between public and private sectors; (vii) create methodologies to measure results; (viii) develop incentives; and (viii) manage expectations from beneficiaries.

The report is divided in three main sections. Section I provides a brief background on the case study within the operation of the AAF; Section II highlights the main results of the mid-term review; and Section III concludes with a summary of lessons learned and findings.

PART I: INTRODUCTION

Objective

Between March and November 2010, the Anticorruption Activities Fund (AAF) technical team¹ carried out a mid-term project review of two AAF-financed projects: Transparency in the Extractive Industry in Ecuador (EC-T1185); and (ii) Strengthening Belize's Fiscal Transparency and Responsibility (BL-T1034). The purpose of this exercise was to identify preliminary results, project implementation challenges and lessons learned that can be useful to (i) mainstream governance and anticorruption issues within sectors at the IDB; (ii) guide future anticorruption programming at the country level and (iii) anticipate and mitigate project implementation challenges.

Since its inception, the AAF has been conceived not only as a financial support mechanism, but also as a knowledge generation and dissemination tool that can play a significant role in mainstreaming anticorruption efforts in the Region. Consolidating lessons learned and disseminating knowledge are crucial aspects in raising awareness and incentives for governments and civil society organizations to engage on transparency and access to information efforts. In addition, understanding challenges to project implementation through case studies can provide useful insights for future programs.

Methodology

A two step approach was used to conduct the midterm review exercise. First, we undertook a **desk review** of relevant internal and external literature on the evaluation of anticorruption projects. With these findings in mind, we structured a **field-based qualitative analysis review**, covering the entire project cycle.

For the **desk review**, we focused our research on the identification of internal and external challenges for the implementation of technical cooperation projects. Our findings showed that the following variables need to be taken into account in project execution: (i) coherence between planned activities and assigned budgets; and (ii) capacities and incentives to follow up on projects' execution (at the internal level); and (i) the environment for institutional and legal reforms; (ii) the buy-in of relevant public sector entities; and (iii) execution capacity. The second activity of the desk phase was to carry out an extensive analysis of key documents for both projects, including a review of all relevant IDB documents, reports written by the executing agencies, and publications generated other operations linked to the projects.

The **field phase** consisted of more than thirty interviews with a wide range of relevant IDB staff, executors, and beneficiaries currently or previously involved in the design and implementation of technical projects in Ecuador and Belize. In addition, two workshops were organized in Ecuador and Belize, with the participation of the Government of Norway.

Finally, the results of the interviews were consolidated and compared to the main results of desk-phase activities, to systematize lessons learned in this report.

¹ The AAF technical team consists of Juan Cruz Vieyra (ICF/ICS); Paloma Baena (ICF/ICS); Maria Bouroncle (VPC/GCM); and Roberto de Michele (ICF/CMF)

PART II: PROJECT OBSERVATIONS

Strengthening Belize's Fiscal Transparency and Responsibility (BL-T1034)

Background Information

Belize has experienced, over the last few years, economic crisis and a high level of public debt. In light of this situation, the Belizean administration that assumed office in early 2008 concentrated its efforts on enhancing the institutional capacity of the Government in order to achieve fiscal sustainability. This new fiscal strategy requires strong commitment to fiscal discipline and enhanced institutional capability to promote access to information, tools, policies, and mechanisms to prevent and control corruption and mismanagement. The country is challenged by the negative effects of inadequate information and records, which undermines the capacity to undertake effective auditing and oversight of public funds and could provide the opportunity for leakages, corrupt procurement practices, or the use of resources in an unintended manner.²

With the technical support of the IDB, Belize embarked on a national dialogue to strengthen fiscal transparency and responsibility, as these are crucial ingredients for achieving fiscal discipline. A technical proposal was presented to the AAF on January 16, 2009, and it was recommended for selection by its Technical Review Committee on February 27, 2009.

The program, BL-T1034, seeks to strengthen the Government of Belize's institutional capacity to promote transparency, accountability, external scrutiny, and oversight in the conduct of fiscal policy.³ Its specific objectives are to:

- Institutionalize fiscal transparency and discipline by introducing new legislation on fiscal transparency and responsibility.
- Provide technical assistance and equip key government officers with the skills required for the implementation of the new legislation.
- Facilitate access to fiscal economic information through the design and development of a Fiscal Transparency Portal within the Ministry of Finance.

Products Delivered

Fiscal Transparency Assessment in Belize: The first activity that was carried out was a thorough diagnostic of specific problems in the area of fiscal transparency in Belize. The first four months were dedicated to research and the creation of baseline indicators. Diagnostic assessments demonstrated that inadequate information and records not only undermine the capacity to perform effective auditing and exercise oversight of the use of funds, but they also create several inefficiencies as well as opportunities for corruption.

² Project Profile "Strengthening Belize's Fiscal Transparency and Responsibility (BL-T1034). For more information, see <http://www.iadb.org/document.cfm?id=2000185>

³ See Annex IV: Project Brief - BL-T1034

Fiscal Transparency and Responsibility Framework (FTRF): Once the diagnostic was finished, a Bank project team proceeded to devise technical solutions to tackle the identified problem. The Fiscal Transparency and Responsibility Framework (FTRF) was the first technical product to be developed. The FTRF consists on a set of regulations that were approved by the Cabinet on November 3, 2009. Its main objective is to increase transparency and improve accountability by (i) requiring the government to pursue its policy objectives in accordance with the principle of responsible fiscal management and (ii) imposing regular fiscal reporting obligations. The ultimate goal of the FTRF was to lay the foundation for the preparation and approval of the Fiscal Transparency and Responsibility Act⁴.

Action Plan to Strengthen Financial Administration: The preparation of the FTRF went hand-in-hand with the development of an Action Plan to Strengthen Financial Administration, which was also approved by the Cabinet. Main results during the preparation and approval phases of the FTRF include the implementation of most recommendations contained in the Action Plan, for example those that relate to a new set of criteria that the Government followed in order to prepare the 2010-2011 national budget. Examples of these criteria are the following: (i) explicit statement of the Government's fiscal targets for the fiscal year; (ii) prevention of unauthorized expenditure commitment; (iii) increased budget consultation with line ministries; (iv) definition of budget ceilings for each ministry for the coming fiscal year; (v) increased control of commitments for procurement; (vi) introduction of methodology for developing multiyear budgeting framework; (vi) presentation of budget submissions by ministries according to the established templates; (vi) mandatory reporting of arrears of revenues by the revenue agency; (viii) mid-year review of the evolution of revenues and expenditures by the Ministry of Finance; and (ix) new arrangements for cash management.

Fiscal Transparency and Responsibility Act: In addition, the program supported the preparation of a new Fiscal Transparency and Responsibility Act. The purpose of the Act is to produce better fiscal outcomes by improving the formulation and reporting of fiscal policy through greater discipline, transparency, and accountability. The Act sets standards of transparency for the Government's fiscal policy strategy by prescribing procedural rules aimed to increase transparency throughout the whole budget process (i.e. from preparation to monitoring to reporting).⁵ This legislation aims to increase accountability through improved disclosure of fiscal policy intentions and information on fiscal developments, and includes provisions to ensure greater discipline in policy formulation, enhanced public scrutiny through regular statements of fiscal objectives, and increased accountability for government fiscal performance. This Act was submitted to the Government of Belize for its consideration on February 23, 2010, and the Cabinet approved it on October 2010.

⁴ Part 1 of the draft Fiscal Transparency and Responsibility Act establishes that the government shall conduct all of its fiscal policy in accordance with the following principles: (i) transparency in the setting of fiscal policy objectives, the implementation of fiscal policy, and in the publication of the public accounts; (ii) stability in the fiscal policy-making process and in the way fiscal policy impacts on the economy; (iii) responsibility in the management of the public finances; (iv) fairness, including between generations; and efficiency in the design and implementation of fiscal policy and in managing both sides of the public sector balance sheet.

⁵ This legislation was presented in a workshop held in Belize City, on October 19, 2010. For more information on this event, its agenda and relevant documents, see:

<http://events.iadb.org/calendar/eventDetail.aspx?lang=en&id=2598>

Consultation Process: Achieving “buy in” from relevant stakeholders within and beyond the public sector is another important mid-term accomplishment of the Project. Under the program, a wide range of relevant stakeholders were consulted, including the Prime Minister, the Financial Secretary, directors and advisors from the Ministry of Finance, authorities from the Ministries and the Central Bank, the Office of the Auditor General, and members of the opposition in the National Assembly, among others. The consultation process carried out under the program increased awareness not only of the need for having a legal framework for fiscal transparency and responsibility but also on the capacities of other sector agencies that need to be strengthened in order to ensure a sustainable implementation of the Act.

Capacity Building Session: Finally, the project has also completed a training session for the adoption of the Fiscal Transparency and Responsibility Act. The Act requires the Minister of Finance to present to Parliament and to release to the public a Fiscal Strategy Statement which explains the fiscal strategy of the Government.⁶ During the training session, an expert consultant helped the Government produce the first draft of the Fiscal Strategy Statement, which in fact is the first step towards adopting the Fiscal Transparency and Responsibility Act.

Implementation Challenges and Mitigation Measures

Lack of experience of the executing agency. The main challenge was the executing agency’s lack of experience on this type of technical assistance. Program implementation required the development of new responsibilities within the Financial Secretary and other public agencies, as well as new reporting procedures. There were a wide range of adjustments and commitments that had to be made for the program to be successfully implemented. The role of the IDB country office in Belize was essential in this matter. The team leader assigned an IDB staff member to daily follow-up on the project; the staff member was in charge of explaining to the executor all accountability requirements and other obligations related to the execution of the project.

Access to decision makers. The first steps of TC execution needed the involvement of top level government officials. The Ministry of Finance, in particular, had to undertake many negotiations to push for legislative approval of the drafted legislation on transparency and responsibility, and sometimes they did not have the time required for the project. This challenge was mitigated by the Government of Belize’s decision to appoint a senior MOF advisor as the project coordinator. In the case of the BL-T1064, the person appointed for this matter, Senior Advisor Yvette Alvarez, had not only the technical expertise to follow up on the project, but she also had access to senior authorities within the Government, which allowed numerous exchanges with other stakeholders during the design, consultation, approval, and implementation of the Fiscal Transparency and Responsibility Act.

Availability of consultants. Another external implementation challenge was to find consultants with demonstrated technical expertise and experience on the topic of fiscal transparency. Consultants needed to be knowledgeable of the Belizean financial and legal system as well as

⁶ The purpose of the Fiscal Strategy Statement is to enhance fiscal discipline by increasing public awareness of the government’s fiscal strategy and to establish benchmarks for evaluating the government’s conduct of fiscal policy. The statement must disclose sufficient information to enable the public to scrutinize the conduct of fiscal policy

willing to frequently travel to the country with the project team to be part of discussions and preparatory activities. This challenge was mitigated by actively searching for consultants through various renowned academic institutions and think tanks, posting the vacancy on various internet job listings.⁷

Sustainability of activities. It has become a challenge to decide what should be the back office support for the Portal of Transparency within the Ministry of Finance. The project team has agreed with the Government of Belize that this Portal be developed together with a new Procurement Portal. According to the project team this will strengthen the sustainability of both initiatives.

Next Steps

Fiscal Transparency Portal: The last product to be delivered by the project is the creation of the Fiscal Transparency Portal within the Ministry of Finance. The “*Fiscal Transparency Portal*” will allow civil society and the private sector to play a greater role in the discussion and debate on spending priorities and resource allocation issues.

The Government of Belize, with the support of the IDB project team, is currently defining the portal’s index and guidelines so as to be able to disseminate the information on all the documents and reports prepared under the Fiscal Transparency and Responsibility Act, including: a) Guiding principles of fiscal transparency and responsibility; b) GoB’s economic and fiscal forecasts; c) Fiscal Strategy Papers; d) Budget Strategy Papers; e) Medium-Term Fiscal Framework; f) Prioritized Investment Projects; and g) Approved Budget and Budget under execution.

Transparency in the Extractive Industry in Ecuador (EC-T1185)

Background Information

Despite having a Law on Transparency and Access to Public Information (LOTAIP), Ecuador faces several transparency challenges. The Latin American Index on Budgetary Transparency has highlighted Ecuador’s vulnerabilities in budget fiscalization, reliability of internal auditory systems, accountability, and quality and timeliness of information that is made public.⁸ The extractive industries are not exempt from this rule. According to Grupo Faro⁹, although information about the sector is available to civil society, most of the time it is not presented in a way that facilitates its analysis and interpretation and therefore the goal of more transparency is

⁷ With the support of IDB staff, the Government hired Benedikt Braumann as the main consultant/expert for the project. Benedikt is a retired IMF economist, specialized on fiscal affairs of developing countries in the western hemisphere.

⁸ For more information go to <http://internationalbudget.org/>

⁹ See the project profile of EC-T1185: <http://www.iadb.org/document.cfm?id=1649278>

not achieved. This impedes accountability and raises red flags in terms of institutional capacity to monitor corruption in a key sector for the country's development.¹⁰

A technical proposal to address some of the challenges was prepared by Grupo Faro, and it was presented to the AAF on March 17, 2008. The Technical Review Committee recommended its selection on June 9, 2008. The resulting project (EC-T1185) represents the first Bank operation strictly related to extractive industries transparency, marking a milestone for IDB endorsement of the Extractive Industries Transparency Initiative (EITI) in 2009.¹¹

The purpose of EC-T1185 is to strengthen the capacities of public and private institutions to design, endorse, and implement transparency standards. The project focuses on promoting strategic alliances between public sector entities, private companies and civil society actors, based on a strategic approach that combines sets of activities that enhance vertical and horizontal accountability.¹² The project's specific objectives are to:

- Strengthen the capacities of public and private institutions to design, endorse and implement transparency standards.
- Enhance the capacities of public and private stakeholders to monitor and evaluate compliance with transparency standards.
- Support transparency in policy decision making by developing a public policy proposal to strengthen transparency in extractive industries.

Products Delivered

Extractive Industries Transparency Assessment in Ecuador. The project's first activity was to conduct research studies in order to develop the project's baseline. These studies focused on: (i) determining the institutional map of relevant entities in the framework of the public and private sector; and (ii) determining the quantity, accessibility, and quality of available information for civil society within a specific sector of the extractive industry. The institutional map demonstrated to relevant stakeholders that both the flows of information and the transfer of resources from extractive industries are extremely complicated, making it impossible for civil society to keep track of what goes where and who is responsible for providing what information. Baseline studies also made it possible for Grupo Faro to identify ways in which public and private actors, and civil society could cooperate. This was critical to promoting the strategic alliances mentioned above.

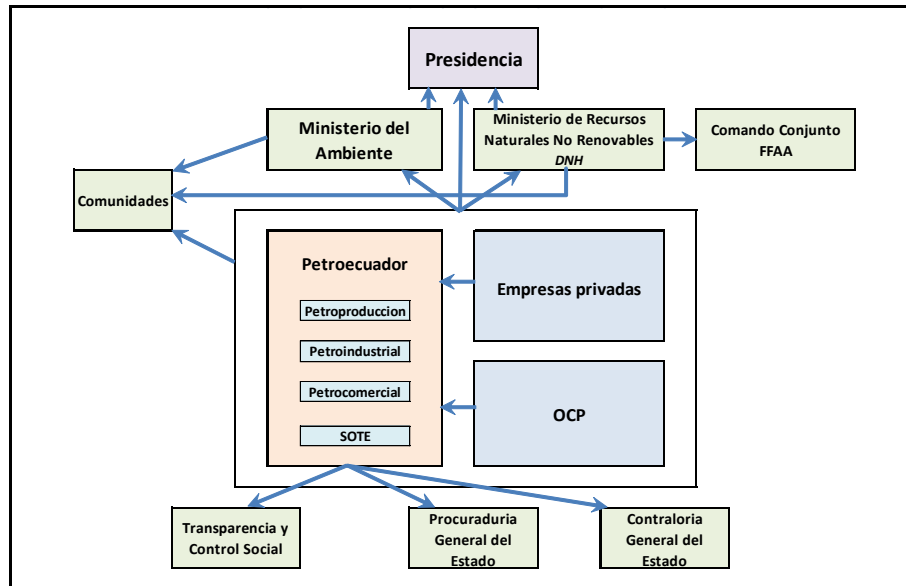
¹⁰ The IDB started to address the topic of transparency in extractive industries in 2007. During the design phase of the AAF a conceptual framework was presented for consideration and validation of public officials, university professors, and NGOs representatives. In order to better understand the challenges and opportunities of enhancing transparency in extractive industries, the Bank analyzed the case of Ecuador bringing together experts from the public sector and civil society. For more information see the Report on Preparatory Activities:

<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1363521>

¹¹ For more information, see <http://www.iadb.org/document.cfm?id=2091625>

¹² See Annex V: Project Brief – EC-T1185

Graph 4: Extractive industries information flows



The methodology used to develop the baseline was based on the value chain of the extractive industries, which is divided in the following stages: 1) Seismic Prospectives and Extraction; 2) Refinery; 3) Transportation; and 4) Commercialization. As of this date, phases 1 through 3 have been achieved through collaboration with the Administration Council of PETROECUADOR. Preliminary results up to this point have shown that there is no lack of information in the strict sense; on the contrary, there are huge amounts of data that, most of the time, are released on the web without any categorization or organization that would be necessary for the average user to understand it.

Therefore the project team found that more data does not automatically imply more transparency. The goal of more transparency should be achieved through selected data that convey relevant and updated information on the sector to relevant stakeholders. In every step of the value chain there are “information issues” that weaken transparency. Information issues could be related to lack of access to information, lack of dissemination, outdated information, etc. In some cases the main role to address these problems falls within public and semi-public entities (regulatory issues, bidding processes, etc); and in other cases within the private sector companies. Understanding what the project has described as “information issues” and the roles of each actor following the value chain creates the baseline for enhancing collaboration and coordination between multiple stakeholders.

Research activities have also included a cost-analysis study of lack of transparency within Ecuadorian extractive industries. The investigation consisted of a methodology based in game theory where stakeholders within the value chain of the oil sector are considered players whose main aim is to maximize utility or minimize loss. Although certain assumptions are made for the development of the paper, the results produced were a concrete estimation of the costs associated with the lack of transparency. The next table is a summary of the main findings:

Table 2: Lack of Transparency Costs in Ecuador’s Extractive Industries

Information issue	Type	Annual costs (in % GDP)
Regulation and control discrimination	Bidding process	0.10 – 1.03
	Exploration and exploitation	0.12 – 1.17
	Transport	0.15 – 1.46
	Refinement, storage and commercialization	0.19 – 1.83
Pressure by interest groups	ECORAE	0.27
	Subsidies	0.48
	Gas contraband	0.53
Extractive activity information asymmetry issues	Under-exploitation costs	11.4 (max)
	Over-exploitation costs	1.03 (min)
Accumulated costs	Max	18.17
	Min	2.87

The costs linked to the lack of transparency oscillate between 2.87% and 18.17% of GDP annually. The case study for Ecuador reflects the importance of including information standards that improve transparency, not only for revenue-based stages, but all throughout the oil value chain. Understanding the costs of lack of transparency in a desegregated way creates opportunities to identify ways in which the overall performance of the sector could be improved. Those actors that are highly affected by the conduct or misconduct of others (private and public) can therefore create alliances to advocate against what is considered to be causing inefficiencies. An example of this is the ECORAE, which based on the dissemination of the results of this study has redoubled its efforts to jointly advocate with several stakeholders that were not seen as possible “partners” before the study.

Public-Private Sector Partnerships. The executing agency has achieved a notable success in creating a network of relevant public and private stakeholders, integrating in the same group a number of public sector actors such as the Ministry of Non-renewable Natural Resources, the public oil company PETROECUADOR, the Internal Revenue Service of Ecuador, and the Institute for Regional Eco-development in the Amazon (ECORAE). Additionally, a number of private firms have become involved such as the REPSOL-YPF and several civil society organizations related to the hydrocarbon sector.

The project team has built a collaborative working environment with PETROECUADOR and its affiliates; initiated a working group with the private-sector business REPSOL-YPF; and created a network of civil society organizations. The linkages made between these institutions have been based on a redefinition of the traditional relationship maintained with social organizations – where civil society organizations were simply viewed as “watchdogs.” The process has focused on the “construction” of information systems through the utilization of consulting and working groups using the API System (Activity, Process, Information). The modality of API implies knowledge of the regular activities of the petroleum industry, through which processes these

activities are realized, and how information is generated. The objective is to create an informal network of available information.

Design and Implementation of Transparency Standards. Grupo Faro has finalized the design phase of transparency standards for the oil industry in Ecuador. These standards have been developed with the organizations that will put them into practice, specifically the private sector company REPSOL YPF; and the Regional Eco-development in the Amazon (ECORAE).

Knowledge sharing and dissemination. On October, 2010, an International Conference was organized to discuss the design and implementation of transparency standards for the Ecuadorian Extractive Industries. The event brought the results achieved to the forefront of public discussion and more than 100 experts had the opportunity to present anticorruption experiences in the extractive industries sector and were asked to provide specific recommendations for the work that Grupo Faro is leading in Ecuador.¹³

Implementation Challenges and Mitigation Measures

Availability of consultants. One of the main implementation challenges has been building a stable project team. Finding professionals with a vast knowledge of extractive industries matters has not been an easy process in Ecuador. Furthermore, experts fitting the job descriptions have frequently been involved in higher income jobs. This challenge was mitigated by actively searching for consultants through various renowned academic institutions and think tanks, advertising the position in various internet job listings; nevertheless, this also implied more time dedicated to solving administrative matters.

IDB Technical expertise to follow up on project implementation. Another challenge was how to involve the IDB country office in the process of continuous follow-up with the executor. Regarding this issue, there were two things to consider: (i) personnel at the country office need to have the technical expertise and/or support to be able to follow up on the products delivered by the executor; and (ii) personnel at the country office needed to have the time and incentives to follow-up on day-to-day administrative issues related to the execution of the project, such as approving disbursements, etc. Upon the request of the IDB country office and the executor, technical support was provided from HQ, through the AAF technical advisor, and a multi-disciplinary team of Bank experts that helped to follow up on technical issues related to the execution of the project.¹⁴

Legal and institutional changes in the hydrocarbon sector. The legal framework of the hydrocarbon sector in Ecuador underwent important changes in 2010. The Government introduced a new model aimed at private enterprises working in the hydrocarbon sector. This model implied that all firms to undertake structural changes that entailed redefining their contracts with the state from a strategic partner role to a service-based jurisdiction. This move

¹³ For more information on this event, its agenda and relevant documents, see: <http://events.iadb.org/calendar/eventDetail.aspx?lang=en&id=2477&>

¹⁴ As an example of this support, the study related to the economic cost of corruption was revised and discussed multiple times by economists and IDB experts on the topic.

was part of a national strategy that has increased and enforced the role of the state since the start of Correa's Government. It is important to note that the new model implied complete ownership of natural resources by the State and therefore all firms operating in Ecuador had to endure a long process of negotiation. The negotiation process was complicated and there was no middle ground between the Government and the companies. The condition to keep operating in the country was to shift to the service based model. In some cases, private firms pursued legal actions against the Government, eventually leading to firms like Petrobras leaving Ecuador.

The "Plan Nacional del Buen Vivir" (Welfare National Plan), implied further restructuring of the extractive industries. Out of 12 big Objectives proposed in this Plan, 5 Objectives imply a vast number of goals and policies that have a direct impact on the public role in the extractive industries (for example, policy 6.7, which refers to the role of the State in changing the energy offer model by ensuring the use of alternative energy sources).¹⁵

Grupo Faro saw these changes as an opportunity to address the need for transparency, proposing the design and implementation of transparency standards.¹⁶ This was widely accepted throughout the public and private sector, but there were delays in finalizing official agreements between Grupo Faro and the public institutions involved. Grupo Faro and the Ministry of Non-Renewable Natural Resources have held a number of meetings, especially with the minister's legal advisor, to work out the details of an official agreement to implement transparency standards. Given that the executing agency has developed the standards previously, these agreements have revolved around determining a database of information that will apply the transparency standards in the pilot program. The Ministry maintains a significant information database; nonetheless, one of the main principles of the standards is that large quantities of information reduce transparency, hence the need to narrow down and improve the database.

Public sector engagement. The collaboration and buy in on the part of the different agencies in the public sector has not been easy to secure due to the unstable political environment. Grupo Faro's strategy to mitigate the risk of non-collaboration has been to find allies in a wide range of public sector offices and to reinforce awareness-building activities.¹⁷

The National Secretariat of Indigenous Nationalities, Social Movements and Participation (Secretaria Nacional de Pueblos, Movimientos Sociales y Participación Ciudadana), following a presidential order, has been working since the beginning of 2010 on a law that gives NGOs a specific role within public administration. At the end of 2010 this process was publicly announced and has since been the aim of the government for 2011 regarding the work with

¹⁵ For further information, see http://www.senplades.gov.ec/c/document_library/get_file?uuid=c161aee6-da15-4db3-84e5-a66dbf382c6a&groupId=18607).

¹⁶ On Sunday January 23, 2011, the Ministry ended the final round of negotiations with the oil corporations. Grupo Faro has been actively following up on this process and will use commitments for lobbying with public sectors representatives. Although the Ministries main focus has been the renegotiation process, Grupo Faro has ensured a positive response regarding a legislative reform that would bring more transparency to the extractive industries sector.

¹⁷ A key activity to raise awareness was to disseminate the results of the study on the economic cost of non-transparency was critical to create awareness, reinforcing the relationship between Grupo Faro and the Ecuadorian media. For more information see <http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35395725>

NGOs. Grupo Faro has been closely following up on the process and commitments related to the new guidelines of collaboration between the Government and NGOs.

Next Steps

Implementation of standards in pilot projects. The executing agency has designed transparency standards with three institutions: The Ministry of Non-Renewable Natural Resources, REPSOL YPF and the Instituto para el Ecodesarrollo Regional Amazónico (ECORAE)¹⁸. Each of these institutions will receive a brief on how the standards were designed and the next steps during implementation and evaluation.

Development and validation of a proposal to support and foster transparency in the sector. This proposal will take into account the experiences obtained during the implementation of the pilot projects, and –to the extent possible- will also be applicable to other extractive industries such as mining.

Advocacy Coalition and Advisory Committee. It is important to consider that the work methodology has a strong influence on a public policy approach proposal. A proposal of this nature entails the conformation of an Advocacy Coalition and Advisory Committee made up of CSO's, media, academic institutions, and institutions implementing the pilot projects¹⁹.

¹⁸ ECORAE is public sector institution based in the Amazon region that receives oil rent directly from the Ministry of Finance.

¹⁹ More information on the Advocacy Coalition and Advisory Committee will be published on a web page created for the initiative: www.extrayendotransparencia.org

PART III: CONCLUSIONS AND FINDINGS

I. Addressing domestic priorities and finding viable entry points

When TC programming coincides with domestic priorities and is developed around the existing institutional and legal structures, it is more likely that TCs will be backed up by strong political will. In addition, supporting country priorities eases the implementation process and will likely make interventions more sustainable. In this regard, the message of “fighting corruption” may not necessarily be the most useful entry point to enhance transparency. At the public sector level, the idea of improving efficiency and responsibility is more likely to receive full support from decision makers. The TC project in Belize demonstrates that there is a significant amount of work -usually not identified as “anticorruption” in the programming dialogue - that is being done or can be done to enhance transparency, promote access to information, and prevent corruption. Efficiency in the use of financial systems, procurement, or the conduct of fiscal policy are examples of entry points not always framed as opportunities to prevent and control corruption.

The case of Belize illustrates how a particular “entry point” can open the door to broader transparency reforms. While the Fiscal Transparency and Responsibility Act was the identified need at an early stage, program design and implementation have provided an opportunity to broaden the Government’s agenda for enhancing fiscal transparency and responsibility, including facilitating discussions on the implementation and/or enforcement of such legislation.

However, demand can emerge not only from Governments, but also from key civil society actors tuned in with domestic priorities. The case of Ecuador shows how Grupo Faro, with the support of the IDB, has made it possible to identify partners in the public sector to champion the transparency reforms intended. As a result, the Secretaria de Transparencia de Gestión (Secretary of Transparency in Public Management), whose participation was not foreseen at the design phase, has been supporting the implementation of transparency standards along the value chain of the oil sector and actively participated in events organized by Grupo Faro.

II. From access to information to the institutionalization of transparency

A greater volume of information does not necessarily imply greater transparency. Likewise, merely expanding access to information does little to address corruption risks if there are not accompanying processes, whether internal or external, of reviewing the accuracy, readiness, and timeliness of the information and encouraging the use of such information to inform policy decisions.

In Ecuador, the Organic Law for Transparency and Information Access (LOTAIP) demands the continuous reporting of information through diverse channels. Ever since the implementation of this law, the information accessibility issues have been partly resolved in the public sector, so much so that the latest “Revenue Watch Index” statistics have placed Ecuador amongst the top 10 countries with better transparency practices. However, a detailed review concerning the quality of information that is published by the extractive industries has proved that there is a

large quantity of data that is not understood by the majority of the population²⁰. At the same time, the analytical process proved the need for various groups to access this information for a long list of reasons, the main one being that natural resources are the main source of income in Ecuador.

The development of “transparency standards”²¹ seeks to turn information into policy inputs, moving from data processing to the analysis of information. It is important to note that the work that is developed by the project team in the long run will conclude in the introduction of a transparency policy that can be implemented by any sector.

III. Leveraging Public-Private partnerships for the sustainability of AC reforms

Sustainability of any policy reform and more so, anticorruption and transparency reforms, requires the involvement of different actors. The case of Ecuador further illustrates the importance of coordination among public and private sector, and civil society.

Grupo Faro is developing a pilot program with the three institutions, Ministry of Non-Renewable Resources (public sector), REPSOL (private sector) and ECORAE (public sector / civil society). This collaboration has made it possible to bring together public servants, private institutions and Civil Society Organizations to identify strategies and challenges in promoting transparency in the extractive industries.

The involvement of REPSOL as a representative of the private sector in the pilot program was strategic in the Ecuadorian case. REPSOL is virtually the only private institution that periodically presents a Social Responsibility Report, one in which Grupo FARO has had a constant participation in. Furthermore, last year’s report saw the involvement of the Vicepresident, the Minister of Environment, Grupo FARO and REPSOL, for the first time promoting extractive industries solutions together.²²

It is however importance to note that while this collaboration can be extraordinarily useful it has to be managed in a way that preserves the integrity and independence in the analysis and discussion. The involvement of the IDB as an honest broker and partner in the process has contributed to achieve this balance.

²⁰ In order to determine the level of understanding regarding the industries information, the project team introduced a qualitative methodology through various focus groups that revised social, economic, technical and environmental information with members of the public sector, private sector and Civil Society Organizations.

²¹ Standards are understood as minimal characteristics and patterns the published data needs to comply with, in order to be considered accessible information.

²² The legislation regarding extractive industries applies only to public institutions whereas private institutions are guided purely by a voluntary (business based) agenda.

IV. Investing in knowledge: impact can be measured

In order to leverage investments in anticorruption and transparency reforms, we must strive, from program design, to find new ways to measure the impact of these reforms, in order to increase the body of evidence that suggest that certain interventions can produce measurable results.

Small, targeted interventions, as those supported by the AAF, provide an opportunity to do so, by including specific evaluation initiatives and the preparation of a project results baseline. The execution of the project in Belize took advantage of the Public Expenditure and Financial Accountability (PEFA) assessment of 2009, sponsored by the European Union (EU), which provided accurate, updated and detailed information on the fiscal situation of Belize. Every one of the proposed actions of program is aligned with a vulnerability described in the 2009 PEFA report.

In the case of Ecuador, a game theory model was developed to estimate the costs of the opacity of information, and the economic gains to be achieved with the introduction of specific reforms identified in the “transparency standards” developed in the program.

Measuring impact on anticorruption and transparency reforms remains a key challenge. The experience of these projects shows that the approaches have to be completely tailored made to each intervention, and the more specific the intervention, the better chance we will have to measure and show results.

V. Incorporating flexibility into the program design

One of the first and most important findings of the mid-term review exercise was the need to incorporate flexibility into the program design in order to avoid execution delays. The design of EC-T1185, for example, determined that a consortium of civil society organizations, lead by Grupo Faro, would sign a formal agreement with the Ministry of Oil and Mining (today Ministry of Non-renewable Natural Resources) to start implementing transparency standards along the value chain of the oil sector. Although this agreement was deemed necessary by the project team, especially given frequent institutional changes, the design phase of the project did not contemplate that the signing of a formal agreement should have been understood as the result of ongoing support, rather than a condition to start coordinating activities between civil society and the public sector. Formal agreements are sometimes difficult to reach and, if not based on trust already built between key stakeholders, the process could in fact impede cooperation.

Another example of the need to incorporate flexibility into the project design was the experience with a series of studies to raise the baseline of EC-T1185. These were originally planned to occur sequentially, but a few months after the project was initiated, it was clear that many of the studies needed to be done simultaneously, not only to allow the project team to gain a basic understanding of the value-chain involved in the sector, but mainly to establish relationships between different stakeholders that were key for the viability of the project’s successive milestones.

VI. Implementation Ownership

Anticorruption projects are usually negotiated by high level officials. However, implementation falls to mid-level professionals in line ministries and/or technical experts in charge of the coordination of the project. As a result of the mid-term review process, one of the findings regarding how to build ownership within the executing agency is that, whenever possible, mid-level professionals and project coordinators need to participate during the design phase of the projects as they usually provide key information on operational aspects that could undermine the sustainability of certain activities.

As per the results of several interviews with top government officials it was clear that another risk of not incorporating the project coordinator/s or mid-level professionals in the project design -or not empowering them during execution- is that of “internal boycott” of the project itself, which was described as a situation in which the mid-level officials and experts that are in charge of day to day operations do the minimum possible for the project to move forward.

In the case of Belize, the project senior coordinator at the Ministry of Finance played a key role suggesting that the Office of the Auditor General (OAG) should participate in the discussions over the implementation of the Fiscal Transparency and Responsibility Act. As a result both public entities assessed their shared responsibilities and the IDB project team initiated conversations with the OAG in order to provide technical support to strengthen OAG’s institutional capacities to fulfill its role in the implementation of the new Act.

VII. Measuring results and managing expectations

To perform quality control over program implementation, each TC operation should incorporate an incentives system in the design and implementation of the project, which is clear, reasonably attainable, and strictly related to the program policy objectives.

However, it must be taken into account that programs should also manage expectations. A project that reaches conclusions prematurely or exaggerates the impact of reforms could impair the effectiveness of the program and/or the executing agency. It is important that the messages sent to the beneficiaries are factual, avoiding making any projections or promising immediate impact. In addition, as mentioned earlier, the credibility and sustainability of the reform requires clearly defined baselines and indicators against which to measure deliverables.

At the beginning of the projects’ implementation, counterparts in both Belize and Ecuador seemed to try to tackle too many problems at the same time. Although increasing transparency usually requires interventions at many levels, the participation of all relevant stakeholders must be enhanced first. Diagnostic activities, baselines results and indicators need to be shared and validated by all relevant stakeholders at the outset, or else the projects will run the risk that key actors will not feel like they are part of the proposed solutions. This validation process takes time and therefore the project teams need to be able to manage the expectations of executors and beneficiaries, who usually want to see results in the short/medium term.

VIII. Investing in equipment and technology

It is usually controversial for a technical cooperation to invest in equipment. However, the mid-term review exercise showed that when it comes to promoting access and dissemination of information, there are areas that may require such investments, and especially when it comes to developing countries this aspect should be present during project design. The point is that a technical cooperation aimed at enhancing access to information may not necessarily be able to support investments on equipment and technology, but they should at least assess the extent to which the lack of it could undermine the projects' results.

As an example, the project team in Belize has found out that in order to improve accountability and transparency regarding fiscal matters, there are various branches of the Government that need to be inter-connected. The system used to improve connectivity within the various Ministries and Secretaries of the Government is called Smart Streamed System, which needs to be expanded in Belize. The mid-term review was able to point out this issue, and to highlight its importance for the implementation of the Fiscal Transparency and Responsibility Act.²³

²³ The IDB has already approved a technical cooperation (funded by another donor) that will provide resources to by software licenses in order to expand the coverage of the Smart Streamed System

ANNEXES

ANNEX I: Acknowledgments

The AAF technical team wishes to thank the participants of this review. In particular to Harald Tollan, Senior Advisor, Norwegian Ministry of Foreign Affairs; Jorge von Horoch, Team Leader of BL-T1034; and Javier Reyes, Team Leader of EC-T1185.

Special thanks also to the following persons, who participated or were interviewed during the review exercise:

From Grupo Faro, Ecuador:

Orazio Bellettini, Executive Director

Rafael Donoso, Research Economist

Juan Carlos Mendez, Project Coordinator

From the Ministry of Finance, Belize:

Joseph Waight, Financial Secretary

Yvette Alvarez, Senior Advisor and Project Coordinator

Marion Palacio, Deputy Financial Secretary

From the Office of the Auditor General, Belize:

Edmund Zuniga, Auditor General

From the IDB:

Carlos Melo, IDB Representative in Ecuador

Caroline Clarke, IDB Representative in Belize

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ANNEX II: AAF Life Cycle

