The study of budget credibility examines the extent, nature, causes and consequences of deviations from approved budgets. In this series, part of the International Budget Partnership’s Assessing Budget Credibility Project, 24 civil society partners in 23 countries probed a specific area in which execution of the national budget repeatedly diverged from the approved plan to learn whether adequate reasons were provided for the deviation. The broader synthesis report on these findings can be found here.

EXPLAINING BUDGET DEVIATION
A BUDGET CREDIBILITY SNAPSHOT
April 2019

ECUADOR: SCHOLARSHIPS

Access to higher education is severely constrained in Ecuador. On average, 190,000 thousand students in secondary school apply for university each year, but 40,000 of these ultimately do not attend, according to the Secretariat of Higher Education, Science, Technology, and Innovation (SENESCYT in Spanish). While this gap is partly explained by students lacking the qualifications for admittance, it also reflects the problem of access to higher education. This issue appears to be widening: the matriculation rate has fallen from a high of 42 percent in 2011 to 30 percent in 2017. The Strengthening of Human Knowledge and Talent (FCTH in Spanish) program has been designed in part to address this concern by providing scholarships to Ecuadorians, both those living in the country and abroad, to pursue undergraduate or graduate study in domestic or foreign universities. Launched in 2011, the program is supposed to provide 77,000 scholarships by 2024, with a cumulative budget of USD $3.2 billion.

BUDGET CREDIBILITY CHALLENGE

The FCTH program has been substantially underspent. In fact, between 2015 and 2017, less than two percent of its initial designated budget was actually spent. This under-spending may be affecting the number of scholarships that can be awarded. In 2018, only 1,630 scholarships were provided in total, against a target of 8,120.

STRENGTHENING OF HUMAN KNOWLEDGE AND TALENT PROGRAM: DEVIATION FROM APPROVED BUDGET, 2014-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Approved Budget ($USD)</th>
<th>Executed Budget ($USD)</th>
<th>Deviation ($USD)</th>
<th>Deviation (%) Executed/Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>148,029,872</td>
<td>92,916,151</td>
<td>-55,113,721</td>
<td>-37.2%</td>
</tr>
<tr>
<td>2015</td>
<td>334,522,268</td>
<td>4,580,453</td>
<td>-329,941,815</td>
<td>-98.6%</td>
</tr>
<tr>
<td>2016</td>
<td>139,441,792</td>
<td>1,783,292</td>
<td>-137,658,500</td>
<td>-98.7%</td>
</tr>
<tr>
<td>2017</td>
<td>139,441,792</td>
<td>1,291,813</td>
<td>-138,149,980</td>
<td>-99.1%</td>
</tr>
</tbody>
</table>

Source: SENESCYT
WERE EXPLANATIONS FOR THE DEVIATIONS FOUND IN GOVERNMENT REPORTS?

No. None of the following reports contained justifications for budget deviations:

- Annual budget reports by the SENESCYT
- General audit reports
- Budget Execution reports

DID THE GOVERNMENT AGREE TO BE INTERVIEWED TO EXPLAIN FURTHER?

Yes. Interviews were conducted with representatives from SENESCYT. They explained that the under-spending was related to decisions to reallocate funds to other areas. They did not specify how or why these reallocations were made, except in one case where funds were shifted to finance a program launched in 2016 that would create jobs for recent graduates. They also indicated that the deviations were caused by the decision to shift funds to provide more domestic scholarships and less international ones.

WERE THE REASONS PROVIDED BY GOVERNMENT ADEQUATE?

No. The government does not publish explanations for budget deviations. The interview responses lack detail and do not account for the execution of the program's budget over time. For example, it is unclear to what extent the shift in funds from one program to another in 2016 affected the execution rate. More broadly, there remains a significant gap between the demand and supply of scholarships under this program. If these scholarships cannot be delivered, then the budget and targets should at least be revised downward to better reflect what resources are available to aspiring students.

This summary is excerpted from research conducted by Fundación para el Avance de las Reformas y las Oportunidades (Grupo FARO), a non-partisan, independent public policy institution that supports active participation from civil society, the business sector, and public institutions in order to ensure democracy, efficiency, and equality in public policies in Ecuador. The original report is available here: bit.ly/BudgetCredibilityReports. For more information on the Assessing Budget Credibility project, visit internationalbudget.org/budget-credibility.