UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

ECUADOR
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PROJECT PAPER

AGRICULTURAL SECTOR REORIENTATION

AID/LAC/P-252

Loan Number:518-T-063
Project Number:518-0051

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: _____ — DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Ecuador

3. PROJECT NUMBER: 518-0051

4. BUREAU/OFFICE: LAC / 05

5. PROJECT TITLE (maximum 40 characters): Agriculture Sector Reorientation Project

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 07 DD 30 YY 90

7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4): A. Initial FY 85 B. Quarter 4 C. Final FY 89

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 85 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(700)	(-)	(700)	(7.100)	(-)	(7.100)
(Loan)	(1.400)	(-)	(1.400)	(1.400)	(-)	(1.400)
Other U.S. 1.						
Other U.S. 2.						
Host Country		500	500		4.000	4.000
Other Donor(s)						
TOTALS	2.100	500	2.600	8.500	4.000	12.500

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ARDN	180	052	052	0	0	7.100	1.400	7.100	1.400
(2)									
(3)									
(4)									
TOTALS				0	0	7.100	1.400	7.100	1.400

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 010 053 056

11. SECONDARY PURPOSE CO

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BS
B. Amount	8.500

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the project is to realign agricultural policies and programs in such a way as to increase reliance on markets and promote private sector initiatives.

14. SCHEDULED EVALUATIONS: Interim MM 01 YY 88 — Final MM 05 YY 90

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [X] 000 [X] 941 [X] Local [ ] Other (Specify) _____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY — Signature: Gerald R. Wein — Title: Acting Mission Director, USAID/Ecuador — Date Signed: MM 07 DD 30 YY 85

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM 09 DD 15 YY 85

AID 1330-4 (8-79)

PROJECT AUTHORIZATION

Name of Country:	Ecuador
Name of Project:	Agricultural Sector Reorientation Project (ASRP)
Number of Project:	518-0051
Loan Number:	518-T-063

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agricultural Sector Reorientation Project for Ecuador involving planned obligations of not to exceed One Million Four Hundred Thousand United States Dollars ($1,400,000) in loan funds ("Loan") and Seven Million One Hundred Thousand United States Dollars ($7,100,000) in grant funds ("Grant") over a five (5) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of project is five (5) years from the date of initial obligation.

2. The project ("Project") consists of cooperating with the Government of Ecuador (GOE) in its program of realigning its agricultural policies and programs in such a way as to increase reliance on markets and promote private sector initiatives.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. Regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment

The Government of Ecuador (GOE) shall repay the Loan to A.I.D. in U.S. Dollars within twenty-five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Government of Ecuador shall pay to A.I.D. in U.S. Dollars interest from the date of the first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereof.

b. Source and Origin of Commodities, Nationality of Services (Loan)

Commodities financed by A.I.D. under the Loan shall have their source and origin in Ecuador or in countries included in A.I.D. Geographic Code

941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Loan shall have Ecuador or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall be financed only on flag vessels of Ecuador or countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

Commodities financed by A.I.D. under the Grant shall have their source and origin in Ecuador or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping the suppliers of commodities or services financed under the Grant shall have Ecuador or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

d. Condition Precedent to Disbursement for the Crop and Livestock Reporting System Other Than Short-term Technical Assistance

Prior to the first disbursement of assistance for other than short-term technical assistance, or the issuance of documentation pursuant to which disbursement will be made, for the Crop and Livestock Reporting System or any computer equipment pertaining to this system, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., a Ministerial decree or equivalent documentation establishing the Crop and Livestock Reporting Board reports as the official Ministry of Agriculture (MAG) statistics for the products under its jurisdiction.

e. Condition Precedent to Disbursement for the Policy Analysis Unit after April 1, 1986

Prior to any disbursement after April 1, 1986, or the issuance of documentation pursuant to which disbursement will be made, for the Policy Analysis Unit in the MAG, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., (a) a copy of the approved Government documentation which officially establishes positions for these personnel, in a number mutually agreed upon by the Parties; and (b) a copy of the annual operating budget, which provides for full funding of these personnel and all necessary support.

f. Condition Precedent to Disbursement for the Market News Information System after April 1, 1986

Prior to any disbursement after April 1, 1986, or the issuance of documentation pursuant to which disbursement will be made, for the Market

News Information System in the Information Directorate of the MAG, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., (a) a copy of the approved Government documentation which officially establishes positions for these personnel, in a number mutually agreed upon by the Parties; and (b) a copy of the annual operating budget which provides for full funding of these personnel and all necessary support.

g. Condition Precedent to Disbursement for the Crop and Livestock Information System after April 1, 1986

Prior to any disbursement after April 1, 1986, or the issuance of documentation pursuant to which disbursement will be made, for the crop and Livestock Reporting System in the Information Directorate of the MAG, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., (a) a copy of the approved Government documentation which officially establishes positions for these personnel, in a number mutually agreed upon by the Parties; and (b) a copy of the annual operating budget, which provides for full funding of these personnel and all necessary support.

h. Special Covenants

The GOE, through the Ministry of Finance, covenants that, unless A.I.D. otherwise agrees in writing, it will provide an annual budget line item, beginning in 1987, in an amount to be mutually agreed upon by the Parties, to be used by the Policy Analysis Unit to contract outside studies and technical assistance.

Gerald R. Wein
Acting Mission Director
USAID Ecuador

7/30/85
Date

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AGRICULTURAL SECTOR REORIENTATION PROJECT

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AGRICULTURAL SECTOR REORIENTATION PROJECT

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

USAID/ECUADOR recommends authorization of a $1,400,000 Development Loan and a $7,100,000 Development Grant for the Agricultural Sector Reorientation Project (ASRP). The loan will be repaid in U.S. dollars within 25 years from the date of the first disbursement, including a grace period of ten years. During the grace period, the interest rate will be 2 percent and thereafter 3 percent.

B. Borrower/Grantees

The Borrower will be the Government of Ecuador. Grantees will include the Government of Ecuador and a private foundation, Fundación Ciencia para Estudios del Hombre y la Naturaleza. Within the GOE, the principal implementing agency will be the Ministry of Agriculture. Support will also be provided to the National Institute of Statistics and Censuses (INEC), in the office an agency of the Vice Presidency, and to the National Institute for Meteorology and Hydrology (INAMHI) in the Ministry of Natural Resources. Within the MOA, the primary implementing units will be the Policy Analysis Unit, the Subsecretariat for Marketing, the Information Directorate and the National Regionalization Program (PRONAREG).

C. Project Summary

The purpose of the Agricultural Sector Reorientation Project (ASRP) is to realign agricultural policies and programs in such a way as to increase reliance on markets and promote private sector initiatives. This purpose will be achieved by strengthening the Ministry of Agriculture's ability to formulate and implement policies aimed at reducing the government role in production, pricing, and marketing activities, promoting private sector participation in policymaking, and developing an agricultural information system to provide reliable and timely information needed for policy formulation and private sector investment decisions.

The Ecuadorean government has followed highly interventionist policies in the agricultural sector for many years. The complex GOE program consists of producer price supports, production cost subsidies, consumer food subsidies, and parastatal involvement in agricultural processing and marketing enterprises, including fertilizer, seed, animal semen, vaccines, milk, livestock, citrus, and other commodities. The results of these policies have been the distortion of relative prices, inefficient resource allocation, discouragement of private sector investment, and massive budget subsidies to parastatal enterprises.

The government of President Leon Febres-Cordero, elected in 1984, is pledged to promote agricultural development through greater dependence on the private sector and to reduce government intervention. The major constraints to reorienting government policy on this scale are weak policy analysis and formulation capability in both the public and private sectors, a lack of reliable information, obsolete or non-existent data processing capability, and limited private sector participation in policy formulation.

The Project will contribute to a fundamental reorientation of agricultural policy in both the short and the long run. In the short run, the Project will deal with immediate policy problems through analysis of alternatives, development of solutions, and prescription of means for implementing solutions. Policy reform will focus on price and marketing policies, and the appropriate roles for public owned enterprises in the agricultural sector. The Project will also develop an institutional foundation for policy analysis and reform for the long run. It will strengthen capacity to formulate and analyze policy alternatives, create a forum for broadening public debate on agricultural policy issues, and develop the information base necessary to both support analysis and debate and allow more efficient functioning of a private sector marketing system.

The Project consists of two components: Policy Formulation and Implementation and Agricultural Information Systems. The Policy component will consist of policy studies, organization of a Policy Analysis Unit in the Ministry of Agriculture, and the creation of an Agricultural Policy Institute in the Science Foundation (Ciencia). Studies and policy analysis activities will focus on divestiture of parastatals, commodity price policy, and marketing policy. $3,607,000 in grant funds and $25,000 in loan funds will finance technical assistance, studies, scholarships, conferences, and training to develop policy analysis capability in Ecuador. Under the Agricultural Information Systems component, $1,243,000 in loan funds and $2,080,000 in grant funds will support the development of a computerized, integrated information system consisting of a market news reporting system, a crop and livestock reporting system, and an agroclimatic impact assessment system. A third component will provide financing necessary for Project management. Project funds will be used to finance technical assistance, training, and equipment.

The GOE contribution will consist of all local currency costs, including salaries of upgraded personnel, supplies, local technical assistance, site preparation for the computer, vehicles, and equipment. Ciencia's contribution will cover the salaries of API staff, office space, equipment, supplies, and local currency costs of technical assistance, workshops, research awards, and publications.

D. Financial Summary

The total value of the Project is US$12,500,000, of which AID will contribute US$8,500,000, and the GOE and Ecuadorean private sector US$4,000,000. AID's contribution will consist of US$7,100,000 of grant funds and US$1,400,000 of loan funds. The costs by Project activities are:

SUMMARY FINANCIAL PLAN

($1,000)

Activity	Loan	Grant	AID Total	GOE	Total
Component No. 1					
Immediate Policy Agenda	-	1160	1160	-	1160
Policy Analysis					
Public Sector	25	1080	1105	717	1822
Private Sector	-	1367	1367	405*	1772
Component No. 2					
Market News System	20	400	420	620	1040
Crop & Live-stock Data	20	950	970	505	1475
Agroclimatic Impacts	183	270	453	510	963
Computer System	1020	460	1480	910	2390
Component No. 3					
Project Coordi-nator		540	540		540
Evaluations/ Audits	-	250	250	-	250
Inflation and Contingencies	132	623	755	333	1088
Total	1400	7100	8500	4000	12500

* $405,000 from Fundación Ciencia

II. BACKGROUND

A. Country Setting

The current economic setting of Ecuador largely traces to the discovery of oil in 1967 and the growth in oil export revenues during the 1970s. This brought a decade of very rapid growth in the economy, with real GDP rising almost 8 percent annually. Per capita incomes rose as did public expenditures for social programs which resulted in significant improvements in health and education.

The public sector largely regarded the petroleum revenues as windfall gains and spent them rapidly. Eventually, the costs of the large public sector investment projects outpaced the flow of oil revenues, and the GOE resorted to heavy external borrowing to maintain them. The results were rapid expansion of domestic demand, a large fiscal deficit (reaching 7% of GDP in 1982), and tremendous growth (a tripling) in the size of the public sector. But, the expansionist fiscal policies proved unsustainable, contributing to the very serious economic difficulties of recent years.

As the external debt continued to mount and the service burden increased, declining oil prices exacerbated the situation. Then, the onset of the global recession severely affected the external sector and by 1982 foreign banks were no longer willing to continue the large lending programs. This precipitated a crisis characterized by the Central Bank having essentially no foreign liquidity, payments on the external debt in arrears, and severely limited access to foreign exchange.

The GOE responded to the crisis in 1982 and 1983 by devaluating the sucre, curtailing imports, consolidating and renegotiating both public and private debt, and implementing a fiscal austerity program. But, these efforts have been hampered by further declines in petroleum prices and severe coastal flooding in 1983, which greatly reduced agricultural output and contributed to the overall economic decline. Nevertheless, the fiscal austerity and other measures did produce some improvement reflected in reduced fiscal and BOP deficits as early as by 1983. But, substantial further restructuring of the economy was required to resolve both the immediate problems and to develop a foundation for sustained overall economic growth.

The Febres-Cordero Government which assumed office in August, 1984, has continued the fundamental restructuring, developing a package of macroeconomic measures designed to stabilize the economy immediately and reorient it for recovery in the intermediate term. Some of the substantial, and sometimes politically unpopular, steps already taken include:

- September 1984: Aligning exchange rates by creating an official intervention market rate; moving all except transactions involving the public sector, selected imports, and debt servicing on external loans (contracted before 9/4/84) to the intervention and parallel market rates; reducing the minimum financing period from 360 and 180

days to 120 days for the majority of imports; lowering certain import duties; and removing most import prohibitions.

- November 1984: Slowing the growth of Central Bank credit by raising the reserve requirement on sight deposits 2 percentage points to 22 percent.

- December 1984: Increasing government revenues and decreasing petroleum subsidies, by raising gasoline (65 percent) and diesel prices (100 percent); and scheduling further price adjustments for the future.

- January 1985: Making interest rates more flexible by raising commercial lending rates to 23 percent; raising interest rates on deposits to 20 percent; and allowing the banking system to issue term deposit certificates at market-determined rates and freely setting interest rates on loans funded with the proceeds from the certificates.

In addition to the above, the following measures are planned for implementation as part of the recently negotiated IMF Stand-by Agreement:

- Unification of the official and Central Bank intervention exchange rates; transfer of foreign exchange transactions for services from the parallel market to the unified market; and ultimate implementation of a flexible exchange rate policy;

- Achieving a fiscal surplus through increased revenues from domestic petroleum sales and traditional taxes while constrainting expenditures;

- Limitation of wage increases to the rate of inflation; elimination of the requirement for advance payments for imports; ceilings on external debt; and limits on expansion of domestic credit.

As the Government reduces and/or eliminates the macroeconomic distortions that retard growth, sectoral constraints then become the more limiting factor. Given the importance the Febres-Cordero Government attaches to the agricultural sector as a major source of growth over the decade, it is urgent that the factors restraining growth in the sector be removed.

The macroeconomic measures already adopted have eliminated some of the distortions in the sector and provided some stimulus. Payment to exporters at the free market rather than a combination of the free market and official exchange rates have increased sucre returns for export crops as much as 40% to 50%, encouraging both expanded exports and investment in the sector. Moving wheat imports from the official to the market intervention rate (which increased costs by 40%) means that consumer wheat product prices now more nearly reflect their true costs, thus largely eliminating this disguised subsidy. Also, small-farmer Sierra crops such as soft corn, potatoes, and barley now will be able to compete more effectively with wheat products.

Shifting agricultural input imports from the official to the intervention exchange rate reduces another subsidy and encourages agricultural producers to make investment and technology selection decisions more on the basis of the "real" cost of alternatives.

While the above decisions have a positive impact on the growth potential of the sector, severe distortions continue to exist, a result of the sectoral policies pursued in the 1970s. These policies were directed primarily at social and political goals with little concern for their economic consequences. Numerous quasi-government organizations (parastatals) were created for such functions as providing services to producers and maintaining a structure of minimum and maximum prices for farm and food commodities. Agricultural research and extension activities deteriorated with the government emphasis on agrarian reform and integrated rural development programs which focused primarily on rural poverty problems rather than on expanded production and economic efficiency. Simultaneously, the industrial, trade and exchange policies pursued by successive governments caused the domestic terms of trade and overall structure of incentives to the agricultural sector to deteriorate. All of these interventions along with the neglect of the agricultural sector led to the decline in the sector growth rate from 4 % in 1970-1974 to 1 % in 1975-79 and -2 % in 1980-82.

The Febres-Cordero Government was elected on a platform emphasizing a private sector, market oriented development strategy and a corresponding committment to reverse the growing government presence in the economy. It views agriculture as a major source of economic growth and therefore places a high priority on revitalizing the sector. To achieve this, it proposes to critically evaluate the effectiveness of current policies and the parastatals integrally related to these policies. It is prepared to reduce or eliminate government intervention and promote increased private sector activity throughout agriculture. Its overall policy strategy thus is to reorient the sector by reducing the role of government and placing greater reliance on market forces to guide investment and resource allocation decisions.

Components of the policy strategy include: selling to private investors, where practicable, parastatals involved in farm input distribution; maintaining realistic exchange rates thus eliminating implicit taxes and subsidies associated with an overvalued currency; eliminating unnecessary government intervention in markets and where intervention is deemed necessary, modifying policies to minimize the distortions; revising industrial protection policies to ensure a more neutral structure of protection for the agricultural sector; revitalizing public sector institutions serving agriculture to make them more responsive to producer and consumer needs; and strengthening the role of the private sector in agricultural policy analysis, formulation and implementation. This Project will assist the GOE to implement this strategy.

B. Relationship to AID Strategy and Program Objectives

The focus of the USAID/Ecuador program is to effectively assist the GOE in its efforts to stabilize the external sector and restructure the economy along more private enterprise, competitive lines. To achieve this objective, the

Mission is working closely both with the GOE and the private sector to create a more competitive economy, a smaller and more efficient public sector, and an improved distribution of opportunities through support of investments which seek to meet basic needs. The strategy includes a much stronger emphasis on public engagement and policy dialogue, and development of programs which rely on market forces and incentives to stimulate production increases and efficiency in food distribution. This Project has a crucial role in achieving the above objectives and is complementary to other AID efforts discussed below.

The Mission's Macroeconomic Project (518-0050) with the Ministry of Finance assists the GOE to address existing problems in exchange rate, public expenditure, credit, and debt management policies. Substantial progress is being made in unifying exchange rates, improving fiscal policies, and liberalizing interest rates. But, as the macroeconomic constraints to growth are reduced, the negative impacts of sectoral policies affecting product and factor markets become more constraining. The proposed Project will address sectoral constraints in agriculture, such as government price and market interventions, which must be reduced to enable the sector to realize its potential.

The Project also will play a major role in assisting the GOE in its goal of reorienting the public sector to increase the efficiency in provision of essential public services. In particular, facilitating the divestiture of parastatals will encourage the private sector to undertake functions in which market forces contribute to better performance. Also, increased GOE investment in development and dissemination of agricultural information will enable more efficient markets and private sector firms to perform better.

This Project also complements and is complemented by the Non-Traditional Agricultural Export Project. Improved pricing and marketing policies will greatly facilitate development of non-traditional exports while the several specific export oriented studies of production and market potential financed by that Project will provide useful information for policy and marketing analysis.

Finally, the Project provides the necessary analytical base for implementation of the Mission's policy dialogue strategy in the agricultural sector. Extensive discussions have been held with the MOA concerning price and marketing policy as well as the need to seriously consider divestiture of agricultural parastatals, and there is agreement on the need to address these issues. The problem now is determining what should be done and how. This Project provides the resources necessary for the Ministry to develop and implement action programs that bring about fundamental change in price, marketing and divestiture policy. Hence, the Project is a major instrument for achieving A.I.D.'s policy dialogue objectives.

C. Relationship to Other Donor Programs

Consultations have been held with other donors, especially IBRD and IBD, during development of this Project. Several donor efforts are concerned with agricultural sector development. Most bilateral efforts are technical

projects in forestry, fisheries, research, etc. Some multilateral efforts are directly related to this Project; for example FAO, IBRD and IBD are assisting in marketing and research.

IBRD's planned activities in both policy and marketing are especially complementary to this Project. The Bank is considering a $100 million sector loan and a $40 million market development loan. The sector loan includes $4 million for policy related activities, which are to be coordinated with this Project. For example, this Project will fund initial stages of studies of public enterprises, while the Bank's sector loan will cover the later and more expensive components of divestiture. The sector loan also will finance computer services for administrative functions not financed by this Project . The marketing loan will be directed largely toward financing private sector marketing investments, while this Project will assist the MOA to develop a marketing strategy and market profiles important in the effective utilization of that loan.

D. Project Rationale and Strategy

1. Statement of the Problem. The highly interventionist policies for agricultural pricing and marketing pursued by past governments have left a legacy of complex and conflicting producer price supports, production cost subsidies, and consumer food subsidies. They also are largely responsible for the public sector presence in virtually all economic activities in agriculture. Two of the most intrusive state organizations are the Empresa Nacional de Almacenamiento y Comercializacion de Productos Agropecuarios (ENAC), which operates the producer price support programs, and the Empresa Nacional de Productos Vitales (ENPROVIT), charged with providing essential foods to low income families through its distribution outlets. But, the government also is involved in several other agricultural processing and marketing enterprises including fertilizer, seed, animal semen and vaccine companies as well as various processing enterprises for milk, livestock, citrus and other commodities. Almost without exception, performance of the parastatals has been mediocre; they are inefficient and require considerable public subsidy. The World Bank sector analysis and the U.S. Presidential Agricultural Mission to Ecuador both have identified reforms in these policy areas as being critical to future growth of the agricultural sector.

As the macroeconomic policy reforms reduce distortions in the national economy, negative sectoral policies become even greater constraints to economic development. For the agricultural sector, present price, marketing, and credit policies as well as tariff problems loom as significant impediments to accelerated growth.

A major source of existing distortion is continued use of minimum and maximum prices. Minimum prices are set for some 20 commodities and are based on accounting costs of production which perhaps are not only inaccurate but fail to reflect domestic and world market conditions. Bearing little relation to

market forces, the predictable result is oversupply of some commodities and undersupply of others. This causes the government to have to purchase and store huge quantities in some years and eventually to have to return those supplies to the market which then depresses price and negates much of the effect of the price support operations. In other years, it must go into the world market for imports to even out supplies.

The combined result of the pricing policy is use of agricultural resources in a manner that substantially reduces their potential contribution to the economy, expenditure of scarce revenues to operate the programs, and the creation of uncertainty that keeps the private sector from commiting capital to productive investments.

Maximum prices for consumer food products have much the same effect. By not allowing prices to reflect actual demand conditions, production of controlled products is discouraged, leading to greater production of non-controlled products. Milk is a prime example. Because the price to consumers is held low, the price to farmers also is low and production is much less than it otherwise would be. Also, the product often is adulterated on a large scale in attempts to overcome the price restrictions, or transferred into non-controlled products (e.g., cheese). The resulting consumption and resource allocation patterns thus are artificial, based not on market determined value but on arbitrary government determinations.

In the marketing sector, government investment has financed product and input marketing companies such as ENAC, ENPROVIT, ENSEMILLAS (the seed company), FERTISA (the fertilizer company), and others. These firms were created with the objective of providing increased services to farmers and to implement government price policy for farm inputs and products. The results generally have been unsatisfactory and especially so for ENAC. Salary levels are so low that capable staff cannot be retained resulting in corruption and rapid turnover. As with many state enterprises the operational system is so rigid that even good managers would find it impossible to perform well. The organization must buy at the minimum price and must sell at either the maximum consumer price (if there is one) or resell at the same minimum price. There is no allowance to cover costs associated with marketing and storage operations. The result is that the company is guaranteed to lose money and must operate on government funds. Likewise, since there is no way to cover costs, credit for working capital must come from state banks which cannot recover their interest charges. ENPROVIT, the consumer retail outlet suffers many of the same rigidities.

At the same time that the Government itself is investing in inefficient and ineffective marketing services for producers and consumers, its policies restrict the availability of working capital and investment credit to private sector marketing firms, thus limiting market services. Neither the private nor public sector ever invested in information systems that would enable the marketing system to operate more efficiently. This lack of information creates greater risk and uncertainty and wider marketing margins. Little or poor information results in poor decision-making by both public and private sector entities.

An example of the inefficiencies created by poor crop information was the delay in importing needed commodities when the El Niño flooding reduced production. Not knowing the extent of the shortfall, importation plans were developed only after harvest which resulted in commodities arriving late, in some case so late as to create serious incentive problems for producers. This also occurred in late 1984 when a one-year supply of imported soybeans arrived at harvest time, sending prices plummeting and leading to a large increases in ENAC inventory. It cannot sell the excess even today because market prices remain below minimum prices.

The result of this misdirected investment in marketing is not only a poorly functioning price and marketing system but also discouragement of private sector investment. Extensive research on marketing problems over the past 20 years has identified as a critical constraint low capital investment caused by limited access to operating and investment credit. Capital simply is not available when the risks are inordinately high. These risks, manifested in large windfall gains or devastating losses to private marketers, become a cost of doing business and are reflected in high marketing margins and wide price differentials, both geographically and temporally. Much of this risk is directly traceable to government policies that result in erratic actions (such as grain buying and selling activities), low return on investment due to tax or other regulations, and the absence of credible information about the functioning of various parts of the entire system. Unless action is taken to address these marketing constraints, the agricultural sector will have little chance to achieve its potential.

For production input marketing, the result of past Government policies has been the creation of state parastatals with monopoly market power to pursue specific pricing strategies. For example, the government fixes prices for seeds for major field crops, leaving no opportunity for profitable seed production by the private sector. The result is a large proportion of seeds are produced by the government research organization and sold at a loss to the Government seed corporation, EMSEMILLAS. This system has effectively prevented private sector involvement in either production or marketing of seeds. Were these firms providing efficient, effective services to producers, the present organization might be justified. Unfortunately that is not the case. A recent analysis of EMSEMILLAS classified its sales policy as non-existent. This analysis also reviewed the efficiency of EMSEMILLAS and found the seed processing plants poorly designed and constructed, with their location often based on where it was convenient for staff to live rather than where markets existed.

EMSEMILLAS is not an exception to the rule of poor performance. The animal vaccine parastatal recently sold a quantity of cholera serum to the largest pork producer in Ecuador. The virus was faulty, the pigs contracted cholera and the entire herd had to be destroyed.

These examples serve to identify some of the problems associated with the heavy dependence of private agricultural producers on parastatals. There is

an urgent need to support divestiture of all or part of these operations in order to promote competition and efficiency.

The Minister of Agriculture is committed to a reorientation of sector policies to promote production and investment while developing policies that result in realistic market-based prices. This strategy is urgently needed but also interacts with macro-level trade and industrial development strategies. Ecuador has pursued a policy of import substitution and industrial protection for well over a decade. For example, effective rates of protection calculated upon actual tariff receipts and thus representing low limits (as quantitative restrictions raise protection) have been as follows for agriculture: - 1.3% (1975), - 1.6% (1980) and 4% (1983). For industry the comparable rates were 26% (1975), 20% (1980) and 61% (1983). A policy that encourages trade and price liberalization in agriculture must be balanced by a gradual dismantling of protection for industry. Unless this occurs, the agricultural strategy can be expected to fail. The development of more reasonable terms of trade between the agricultural and industrial sector must be promoted. This will require detailed analysis of options and promotion of an awareness of the consequences of maintaining the present imbalance.

The Febres-Cordero administration is strongly committed to policy reforms to accelerate sector growth. Its reorientation policy is aimed at reducing distortions in agricultural production, pricing, and trade by increasing reliance on market forces for resource allocation and pricing decisions. The public sector role in agriculture, therefore, will be reduced to appropriate activities to support private sector development and to achieve policy goals. This will involve private sector assumption of certain activities heretofore the responsibility of public enterprises and, paradoxically, strengthening some public institutions to enable them to adequately perform new activities in support of the private sector. Thus far, government pronouncements of long-range policy objectives have been consistent and straight-forward, but little tangible progress with specific policies and programs has been achieved.

Experience in other countries has shown fundamental policy change and reorientation to be a slow and politically difficult process. If not pursued vigorously early in a new administration, the chances of success fall quickly as the new government's credibility rapidly erodes. Reorienting agricultural policy in Ecuador is made more difficult by the effects of previous policies which have left a weak entrepreneurial capability and strong vested interests in the status quo. Thus, there exist considerable risks of political, economic, and social disruptions in an attempt to achieve fundamental policy reorientation.

Avoiding such disruptions to the extent possible and achieving effective and lasting policy change require focusing on a small number of objectives, and carefully developing a strategy to implement them. This requires analyses of alternatives, formulation of preferred approaches, carefully conceived implementation programs, and broad public support for the strategy being pursued. To do this, the government needs the capability to identify policy

alternatives and to analyze their economic, political, and social implications based on the most reliable and credible information available. Past failures to assess likely gains and losses among segments of the society reflect both inadequate analytical capacity and absence of forums for policy dialogue among affected institutions and groups.

The GOE has identified two high priority objectives for the agricultural sector: price and marketing policy reforms and restructuring or divestiture of certain parastatals. This Project will assist the government to achieve these objectives by improving the capacity for policy analysis, formulation, and implementation.

2. Constraints. A major obstacle to achieving the desired reorientation of the agricultural sector is the lack of credible analyses of the impacts of alternative policies. This seriously impedes the GOE's ability to formulate and implement new policies and inhibits effective policy dialogue with the private sector. Resistance to change by individuals and groups who benefit from current policies is based on assumptions and anectodal accounts rather than realistic understanding of potential gains and losses backed by rigorous analysis and reliable information. The four primary constraints to overcoming this obstacle are policy analysis capability, availability of reliable information, data processing capability, and limited private sector participation.

a. Capability for Analysis, Formulation and Implementation of Policy Reforms. Few private and public institutions have any capacity for economic analysis and information processing. While the National Council for Science and Technology lists over 550 private and public entities in its inventory of scientific and technical resources, fewer than 30 of these could be remotely identified as having capacity in economic or social analysis and information processing. Within the MOA, few persons have such skills and their backgrounds are oriented more toward public intervention and control than developing clear and consistent incentives for private initiative. An AID analysis of private consulting firms also revealed very little capacity in agricultural economics or agricultural policy analysis.

b. Information. The lack of reliable information also hampers the policy process and the potential for meaningful dialogue. No basic data now exist to permit rigorous analytical work. The last agricultural census was taken in 1974, and subsequent structural changes have not been quantified or analyzed. In addition, the MOA's information system does not provide timely nor accurate production and marketing information. As a result, it is difficult to evaluate market conduct and performance, and to credibly assess the current production and consumption situation, let alone to begin to remedy its deficiencies.

Efficient markets require timely and accurate information. In addition to precluding reliable policy analysis, the lack of such information inhibits the

ability of producers and marketing and processing businesses to make informed planting, marketing, investment and purchasing decisions.

c. Data Processing Capability. The obsolete methods of data handling and management now used by the MOA preclude effective use of the little information it does have. The MOA has virtually no automated data processing and analysis capacity. Hence, creation of an improved information system would have little or no impact without a major improvement in the MOA's data processing and management information system.

d. Private Sector Linkage. Effective policy analysis and formulation must reflect a realistic understanding of private sector decision making and how individuals and firms respond to economic incentives and resource constraints. The collective action of all individuals in the economy will determine the outcome of any policy. An effective means of understanding the concerns and decisionmaking process of the private sector is to maintain an ongoing dialogue on economic and policy issues.

As a rule, contacts between the MOA (and the GOE as a whole) and the private sector are ad hoc, largely based on informal personal relationships. There is no forum through which producers can make their concerns known to the Government in a constructive fashion. Exacerbating this limited access to the public sector is severe fragmentation of interests within the private sector itself--among regions, products, and classes of producers. Debate on agricultural policy is disparate, focused on issues of immediate concern and usually adversarial in style and tone.

To enable a more constructive role for the private sector now and in the future, mechanisms for effective dialogue must be developed. This will require existence of an institutionalized forum for discussion and capacity for identification, analysis, formulation and communication of policy alternatives within both the private and public sectors.

3. Mission Strategy. The Mission strategy is to strengthen the long-term institutional capability of the public and private sectors to analyze, formulate and implement agricultural policies while providing immediate assistance to the GOE in undertaking a policy reform program. In the near term, the Project will provide funding for policy studies in critical areas to help the government maintain momentum for policy reorientation and to qualify for additional assistance from other donors that will facilitate implementation of new policies. Over the longer term, the Project will provide technical assistance, equipment, and training to broaden the human and technical resource base available for policy formulation and will establish a mechanism for private sector input into policy development. This includes development of an independent analytical capability for the private sector to improve understanding of agriculture's problems, goals, and the national needs. It also includes creation of a basic agricultural information system with adequate computer processing capability for both this and wide ranging policy analysis wide-ranging activities.

External technical assistance is essential to the Mission's strategy because of the shortage of analytical skills in both the public and private sectors. Civil service practices inhibit effective utilization of the limited human resource base which possesses the requisite analytical skills and experience. The external technical assistance provided will help solve the urgent policy formulation and implementation problems and through on-the-job training will help develop analytical capability in both the private and public sectors.

III. PROJECT DESCRIPTION

A. Project Goal

The overall goal to which this Project contributes is to enhance economic growth, provide a stable and low cost food supply, and to improve export performance through increased reliance on private sector initiatives.

B. Project Purpose

The purpose of the Project is to realign agriculture sector policies and programs in such a way as to increase reliance on markets and promote private sector initiatives. This purpose will be achieved by strengthening the MOA's ability to formulate and implement policies aimed at reducing the GOE's role in production and marketing activities, promoting private sector participation in policy-making, and improving the quality and quantity of information vital to an efficient market system.

C. Project Activities

The Project consists of two interrelated components: policy formulation and implementation which is the direct focus of the Project, and information system development which provides the foundation for rigorous policy development, sustainability of the policy formulation capability, and improved market performance.

The components of the Project and their associated activities are:

Component I: Policy Formulation and Implementation

Activity 1.	Immediate Policy Agenda
Activity 2.	Strengthening Policy Formulation Capability in the Ministry of Agriculture
Activity 3.	Creating Policy Analysis and Dialogue Capability in the Private Sector

Component II: Information System Development

Activity 1.	Developing a Market News Reporting System
Activity 2.	Strengthening the Crop and Livestock Production Information System

Activity 3. Agroclimatic Impact Assessment
Activity 4. Computer Facilities both for the Information and Policy Systems

1. Policy Formulation and Implementation. The agricultural policy component is designed to strengthen the long-term capability of the Ecuadorean public and private sectors to analyze policy alternatives while providing in-depth analyses of immediate policy problems to maintain GOE momentum in policy reform.

a. Immediate Policy Agenda. The most urgent need of the GOE in the agriculture sector is to develop a clear agenda for policy reform and to begin to formulate policy alternatives to maintain political support for the reorientation. USAID will assist in developing this agenda by financing a series of policy studies in priority areas.

Some policy studies have been financed through a small Agricultural Transition Grant. These studies address urgent policy issues facing the GOE and thus results will enable the GOE to formulate a series of specific policies prior to the next crop cycle. They include:

1) Price studies for four commodities--rice, corn, soybeans, and milk. These studies address the impact of current minimum pricing policies and review alternatives for removing, phasing out, or modifying the pricing policies.

2) Appraisal of the current marketing system to identify major problems, determine appropriate roles for the public and private sectors and to present alternative strategies for overcoming the problems and increasing private sector participation in marketing. The result of this study, and additional studies financed under the Project, will be the development of a coherent national marketing strategy.

3) Development of a framework and implementation plan for restructuring public ownership of parastatals or preparing for divestiture. This conceptual framework will be used as a basis for planning further studies to be financed by the Project and by the World Bank. Three interrelated studies are necessary to develop a clear strategy and options for divestiture: an assessment of the appropriate role of government in Ecuadorean agriculture; development of options for restructuring existing public enterprises; and implementation studies to guide the actual reform, divestiture, or elimination of the parastatals. Discussions with the World Bank produced agreement that it would finance the detailed implementation studies and A.I.D. would fund the comprehensive and option studies. The implementation studies will be performed where the option studies have concluded that divestiture is the best alternative. They will include economic, financial, legal, and management reviews of each enterprise, value assessment of assets and liabilities, and development of detailed plans for the transfer of assets, liabilities, and functions.

These pre-Project studies will form the basis for a continuing series of studies in support of the Policy Analysis Unit and the Bilateral Commission. The policy studies financed under the Project will focus on three areas: 1) policy analysis and follow-up policy implementation studies, including divestiture studies; 2) basic agricultural information; and 3) follow-up activities to the U.S. Presidential Agricultural Task Force.

Policy analysis and implementation studies. The policy studies initiated with pre-Project financing are preliminary studies of the highest priority issues. Project-financed studies will continue policy analysis in related areas, particularly on crop-specific price policies, marketing, and divestiture of parastatals. Technical assistance also will be provided to develop policy implementation plans after the MOA has adopted a new policy.

Project financed studies on divestiture will include the comprehensive assessment of government involvement in the agricultural sector and analysis of options for restructuring parastatal institutions.

The comprehensive assessment is a complete review of government involvement in public agricultural enterprises. Its purpose is to evaluate the appropriateness and efficiency of government involvement in an activity or enterprise and to identify those activities which would could be run more efficiently and effectively by the private sector. For those activities which should be conducted by the public sector, the studies willd indicate operational and institutional reforms required for strengthening the responsible government institutions.

After determination of the most appropriate form of ownership and management for each enterprise, the analyses will proceed to evaluate the options available for restructuring the enterprises and performing the activities. Possible options will include: merger into new public or private sector enterprises; restructuring and strengthening the existing organizations; paring the functions and shifting them to the private sector; complete elimination of the parastatal; and various combinations. These studies would review extant documentation (articles of incorporation, annual reports, operational plans, etc.) and include interviews with management, clients, and suppliers. ENAC, EMSEMILLAS, ENPROVIT, and ENDES have been identified as priority candidates for option studies.

Development of basic agricultural information required for policy analysis. A necessary but not sufficient condition for good policy analysis is the development of basic economic information on the economy that is accessible to policy analysts for day to day use. Some of this information cannot be obtained from the existing agricultural information system and requires special studies. Among the types of information required are estimates of cost of production for the principal crops, domestic resource cost calculations, agricultural input usage by crop and region, marketing and

processing costs for inputs, direct and indirect demand elasticities and budget shares, as well as commodity marketing studies of structure, conduct and performance. Therefore, the following studies will be financed by the Project:

a) Cost of Production - A cost of production study will be undertaken in the first year of the Project for the ten principal agricultural commodities for a minimum of three technology levels. In each of the second and third years of the Project, five additional crops will be added for a total of twenty. The data will be computerized for rapid access and ease in updating.

b) Domestic Resource Costs - An estimate of domestic resource costs will be undertaken in collaboration with the cost of production studies to determine the comparative advantage of crop and livestock activities and technologies in the sector.

c) Demand Analysis - In the first year of the Project, existing household budget survey data will be analyzed to provide estimates of budget shares and demand elasticities by geographical areas and income levels. The analysis will also generate demand matrices with estimates of income, direct and cross-elasticities for the same categories.

d) Marketing Studies - Commodity specific structure, conduct and performance marketing studies will be undertaken in the first three years of the Project. Two studies will be undertaken each year by consultants from foreign and domestic consulting firms working in collaboration with PRONAREG. The six studies will focus on the six major commodities produced in Ecuador.

Presidential Agricultural Task Force Follow-up. The U.S. Presidential Agricultural Task Force which visited Ecuador in October 1984 assessed the entire food and agricultural system and made numerous recommendations for improving agricultural policy and facilitating private sector development. The policy issues raised by the Task Force are of high priority for both the MOA and AID. President Febres-Cordero established a bilateral commission to prioritize the recommendations, develop procedures for initiating actions to implement the recommendations and to monitor the actions to help ensure their success. The commission is composed of the leader of the Task Force, the Minister of Agriculture and the USAID Mission Director. In order to assist the GOE in analyzing and implementing the recommendations, Project funding will be made available for approximately 42 person months of short term technical assistance to perform studies and policy analyses. The terms of reference for each study will be prepared by the Policy Analysis Unit (PAU) of the MOA.

To accomplish these objectives, AID will provide grant funding for 97 person months of short term technical assistance (US$1,160,000), of which 25 person months of effort (US$300,000) will be directed at policy studies, 30 person months of effort (US$360,000) will be directed at development of basic

information required for policy analysis, and approximately 42 person months of technical assistance (US$500,000) for followup acitivities of the U.S. Presidential Agricultural Task Force. The GOE will provide office space, supplies, travel, and Ecuadorean technical assistance (US$140,000).

b. Strengthen Policy Formulation Capability in the Ministry of Agriculture. While the design of a policy agenda is to be given immediate priority, the cornerstone of the Project is the development of a sustained capacity in the MOA to identify, analyze, and formulate policy and program alternatives.

In order to institutionalize a policy analysis capacity, the MOA created a Policy Analysis Unit (PAU) in the Office of the Minister of Agriculture in June 1985. Chaired by the Minister's economic advisor, the Unit consists of ten agricultural economists or other professionals with policy experience. Five analysts are from the Ecuadorean private sector and five are career employees of the MOA. The five private sector members are required because of the lack of well-trained analysts within the MOA, and more importantly to include a private sector perspective in the policy analysis activities.

An important factor in the unit's success will be its ability to respond quickly and accurately to the needs of policymaking officials. Therefore, the PAU will function primarily as a short-term analysis Unit, focusing on fast turn-around, problem-oriented analyses. In those cases where an in-depth analysis is required, the PAU will contract local or foreign analysts to perform the study using the funding described above in the Policy Studies Activity. In this way, the Unit will be able to provide detailed analysis and still maintain its relevance and usefulness to the Minister and senior staff as a policy action advisory group rather than a research unit.

The PAU will provide official personnel of the Ministry, Subsecretaries, and their advisors with analyses of proposed policy and program actions, recommend alternative approaches to problem solving, and analyze the costs and benefits of alternative approaches. It will also be responsible for identifying priority areas for in-depth policy studies and for preparing the necessary scopes of work to contract outside experts. Finally, the Unit will monitor implementation of policy decisions and assist planning offices to develop programs consistent with the policies. Policy advisory services to be provided to MOA management include:

1) Oral reports to the Minister, official personnel, the Ministerial Council, and other administrators of agricultural programs. These will treat actual and potential problems, analyses of the current situation for the sector and products, options available to address problems, and recommendations for action.

2) Brief memoranda treating specific problems or issues either at the PAU's initiative or as requested by policy officials. These generally will state the problem, causes, impacts, and needed remedial action.

3) Analytical and detailed reports of major issues and problems. These may be based on studies contracted by the PAU, conducted by specialists in the MOA, or from outside sources such as the private sector. The PAU analysts will assure that all political, social, and economic implications are fully analyzed and described. These reports will take the form of position papers to help guide fundamental policy decisions and their implementation.

4) A calendar of anticipated events based on the cycles of agricultural production, marketing, consumption, imports, and exports. This will enable the PAU and Ministry to anticipate many problems, and enable timely decisions to be made, avoiding costly and frequently ineffective actions taken when a problem reaches crisis proportions.

In order to provide MOA management with high quality policy analysis while the analytical capability of the PAU is being developed, A.I.D. will finance both long and short term technical assistance. Beyond providing technical support, a major function of the technical assistance is to assure that the counterpart staff will be fully trained by the end of the Project and be able to provide good policy advice without external assistance.

Long-term assistance in project administration and policy analysis will be provided to assist the head of the PAU in organizing the unit, analyzing and presenting policy options, developing terms of reference for policy and marketing studies, and training the staff in analytical procedures, statistical analysis, and effective use of the computer equipment. The long term resident, technical assistance team will consist of two persons: the Chief of Party, an experienced senior policy specialist with competence in organization and management; and a senior policy economist with expertise in statistical analysis.

Short-term technical assistance in agricultural economics, marketing, divestiture, and other relevant disciplines will be provided to assist with and conduct specialized studies, conduct training, participate in workshops and seminars, and assist with implementation plans. For the marketing and divestiture activities, an individual will be contracted on a long-term basis for intermittent short-term consultancies to assure continuity. A senior marketing economist will be contracted to spend 4 to 6 months per year, divided into 3 or more visits, to help develop and implement the marketing strategy and to direct junior marketing specialists conducting specific commodity studies.

A.I.D. will provide grant funding for 78 person months of long term technical assistance and 73 person months of short term technical assistance (US$1,080,000) and loan funds for in-country training activities (US$25,000).

The GOE will provide salary and support for the Ecuadorean employees in the PAU, training, office space and supplies, publications, and domestic travel costs (US$577,000). The Ministry will formally establish the PAU, transfer at least 5 permanent positions to the unit from other parts of the Ministry and include all salary and support costs in its 1986 budget. Beginning in CY 1987, the MOA will also include funds in the budget for contracting outside studies.

c. Policy Analyses and Dialogue Capability in the Private Sector. To improve the capability of private sector organizations to participate in policy debates, an independent institute will be created within the private sector to analyze and promote policy change. An existing, non-profit, private organization, Fundacion Ciencia, has been selected as the vehicle for this activity because of its institutional independence, prestige, and interest in the policy and analytical aspects of agriculture sector development. Traditionally, it has been oriented to the natural sciences, but has experience in important developmental research projects. It is small, but has most of the requisite characteristics to conduct policy analysis and public engagement activities, and insists on maintaining its independence and commitment to scientific rigor.

Ciencia will provide an institutional base for conducting policy analyses and fostering debate of agricultural policy issues. This will be done by creating an Agricultural Policy Institute (API) within Ciencia. The API will sponsor policy studies, increase public awareness and understanding of agricultural policy issues, and expand private sector capabilities in agricultural policy analysis and research.

Policy Studies. The policy studies either will be contracted to private sector foreign or domestic consulting firms, universities, or conducted by scholars awarded scholarships or fellowships. Ciencia itself will not hire full-time staff to conduct studies. Some studies also will be completed for thesis or dissertation research by individuals awarded scholarships by API. Such studies will serve the complementary purpose of improving private sector capability in policy analysis. The studies will range from relatively simple analyses of a single issue to research into complex, long-run problems. Four priority areas have been identified for initial studies:

1) Terms of trade between the agriculture and industrial sectors of the economy and the effects on agricultural sector performance;

2) Priorities for agricultural research and means for achieving a higher pay-off from investments in research;

3) Policies and mechanisms to facilitate integration of marketing, with production, processing, and final demand;

4) Policies for more effectively meeting consumption needs of low-income households through alternative targeting and delivery mechanisms.

In addition to initiating studies, the Institute may direct studies sponsored by the public sector (including the PAU), other donor organizations, or private sector producer and business organizations. Depending on the scope and nature of such studies, the API may share costs with producer organizations for non-political, non-partisan studies.

Public Awareness and Education. The Institute will increase public awareness and understanding of policy issues through widespread dissemination of research results and organization of public forums for policy discussions. In addition to public education, these activities will be used to convey private sector concerns to the GOE.

Institute-sponsored studies will be published and disseminated widely, along with other pertinent information on agricultural policy. Information will be made available to the private sector and the general public through the magazine, Desde el Surco, and the bulletin, El Agropecuario, as well as through commercial radio, television, and newspapers. Written communications and meetings will be held with the GOE to provide information.

Forums such as workshops, seminars, debates, roundtables, and panel discussions are another means for sharing information and fostering exchange of views on agricultural policy issues. At least two such forums will be sponsored by Ciencia each year. Special workshops with guest lecturers will be held to address specific issues in agricultural policy. During the first 3 months, a 3-day workshop will be held in which international experts on different aspects of agricultural policy will share experiences from elsewhere in the world and their possible relevance to Ecuador.

Expansion of Private Sector Policy Analysis Capability. Although talent to conduct policy analysis can be found in Ecuadorean universities and firms, it is of limited depth and and breadth. Consequently, the API will seek both to mobilize existing talent and substantially expand it in the following ways:

- Canvass existing talent and develop contracting procedures to enable the Institute to include local analysts in API sponsored policy studies, on either a contractor or subcontractor basis. The long-term advisor and some short-term consultants will be available on occasion to assist local firms to conduct studies.

- Establish a small agricultural policy library as a reference center to assist analysts concerned with policy problems.

- Sponsor an essay contest each year with cash awards for the best essays on agricultural policy. The essays will be published and disseminated.

- Provide three modest research grants each year to analysts addressing agricultural policy issues.

- Establish an international guest lecture program. Twice a year, international experts will offer sessions on agricultural policy issues of particular importance to Ecuador.

- Provide scholarships for 6 students (4 Ph.D. and 2 M.S.) to study agricultural economics in U.S. universities. Degree programs will emphasize agricultural policy and theses must address policy issues of importance to Ecuador. After completion of the required coursework, students will return to Ecuador to serve as research associates in the Institute while completing their theses. Upon completion of their studies, all students will be required to work one year at the Institute for each year of study.

Ciencia has no permanent professional staff in policy analysis now, but will contract and pay for a qualified economist to serve as Managing Director of the Institute. A long-term policy consultant will be contracted to assist the Institute in identifying and managing studies, and in developing its information dissemination, policy forum, guest lecture, policy essay, and scholarship programs. Short-term technical assistance also will be available when local expertise is inadequate to address specific issues.

Technical advisors will also assist API staff in broadening the Institute's base of financial support. The resident advisor will assist the Director in contacting other donors with research proposals. Other donors already have expressed interest in contracting with API for policy studies. Short term technical assistance also will be provided to train Ciencia staff in fundraising techniques. If the mid-term evaluation of the Institute is favorable, other means of continuing funding will be sought for the Institute. Potential sources of funding are other international donors, U.S. foundations, and domestic fund raising activities.

A.I.D. will provide grant financing for 24 person months of long term technical assistance, policy studies, short term technical assistance, guest lecturers, scholarships, and foreign exchange costs for conferences and research awards. (US$1,367,000). Ciencia will provide salary for the Director and administrative staff, office space and equipment, supplies, administrative support, local costs of information dissemination activities, and contracts with local firms for studies (US$405,000).

2. Agricultural Information System Component. A principal objective of the policy analysis formulation and implementation activities is reorientation of price and marketing policy from the public to the private sector. But, the success of this reorientation will require more than just changes in policy that determine how prices are set and who is responsible for carrying out marketing functions. It also requires timely and reliable information for public and private sector managers to use in making policy, program, and investment decisions.

a. Requirements and Characteristics of an Agricultural Information System. Data requirements for policy formulation are extensive and vary with particular issues and their immediacy. However, historical and current data on crop area cultivated, yields, production, prices, input costs, stockholdings, imports, and exports are required for most types of policy analysis. Also, policy and program operations require current data, such as commodity prices, growing conditions, weather conditions, yield and production forecasts, and related information including worldwide agricultural situation reports. Private sector agents need information to assist in planning what and how much to produce, what inputs to purchase, whether to store, or market immediately, how to market, where to market, and other similar information. Current information on prices, stocks, and weather is of paramount importance.

In general six types of data and information are required by private and public sector users from a basic agricultural information system:

1) Benchmark data. An agricultural census every five to ten years provides invaluable information on the structure and characteristics of farming and identifies significant changes that are occuring over time. The most recent agricultural census was conducted over ten years ago, and the data now are of little use. With a new census, not only would current information be provided, but from comparisons with the earlier data significant trends could be identified enabling the private sector to strategically orient its businesses and allow the public sector to better orient programs and policies.

2) Periodic data. Farmer/producer behavioral information, farm management studies, and examination of input/output relations are necessary to learn how producers react to economic and policy factors and thus to be able to measure impacts of actual or proposed changes. Once a basic understanding is obtained, the information can be easily updated for several subsequent years, but new studies are needed whenever a new technology is adopted or other fundamental structural change occurs.

This information enables farmers and business firms to respond in advantageous ways to unfolding developments by being able to ascertain how the markets will respond. It also enables public sector officials to determine whether certain events are deviations from long term trends or presage emergence of new trends.

3) Agronomic and agroclimatic data. These data collected at various locations and different times of year are necessary to determine how major crops respond to fertilizer, irrigation, plant density, and other cultural practices. This information will help farmers adopt production practices that enable them to lower costs and expand output, contributing to higher net returns and greater subsequent investment.

4) Current crop and livestock data. This includes area planted, yields, and production for the most important crops, supplies and prices of fertilizers, seeds, and other inputs, interest rates and availability of credit, and commodity stocks held by government and private traders. Reliable current crop data are particularly essential in Ecuador where weather and other forces produce wide variation in yield from year to year and from micro-climate to micro-climate. Needed information for the livestock sector includes inventory of cattle, swine, and sheep by age and sex of animal, annual off-take, milk output, chicken flock size, and other similarly quantifiable data.

This information enables the private sector to more efficiently plan operations in the short-run by enabling it to better gauge market demand, supply availabilities, and prices in the near term. It also permits greater efficiencies in operations such as better-timed input purchases and more advantageous product marketing which will result in lower costs and higher revenues.

5) Market news. This includes volumes of major commodities traded or available in key market places and prevailing prices of standardized units and quality of the commodities. This information is vital for improved efficiency in market performance which in part comes about by private sector agents entering the markets most advantageous to them and the system then responding.

6) Projections. Forecasts of key indicators permit planners and private sector decision-makers to look ahead and plan long term investment and operating strategies. Such projections enable the private sector to anticipate sustained opportunities, calculate the risks involved, and then to make long term investment decisions accordingly. Without such information, risks usually are perceived as too high to warrant any significant long-term investment.

Characteristics of an Agricultural Information System. This Project will develop an information system with the following characteristics:

- Close collaboration between those collecting the data and those using it to assure timely delivery of the types of information needed.

- Information collected at the appropriate times of the year, using separate surveys for different crops, and often more than one survey per crop per year.

- Electronically processed and formatted data provided to users.

- Information suitable for an integrated central data bank from which both current and historical data can be drawn.

- Users able to manipulate data electronically, thus vastly speeding report preparation and decisionmaking.

No official market news system now exists, requiring complete creation of one. A market clearinghouse, currently in the early stages of planning by the Chamber of Commerce in Guayaquil, is designed as an information sharing facility for its members. Partial systems exist for the other two activities, but they are spread across both MOA and non-MOA agencies -- INAMHI in the Ministry of Natural Resources and INEC in the Office of the Vice President. Little computer capability now exists, and funds will be directed to providing this information system.

Project activities will assist the GOE to develop an agricultural information system capable of delivering timely and accurate information to public and private sector managers. This component consists of four activities: 1) a market news reporting system; 2) a crop and livestock reporting system; 3) an agroclimatic impact analysis system and 4) the computer facilities necessary for those systems.

To establish this revised and expanded information system, the MOA will effect the necesary decrees, regulations and interministerial agreements to ensure effective operation of the system. This includes designating the information developed by this system as the official MOA estimates and eliminating duplication of data collection and dissemination once the system is operating satisfactorily.

b. Market News System. The market news system will be created as a separate division under the Directorate of Information in the MOA. Operation of the system will be guided by a users advisory board appointed by the Minister, representing producers, intermediaries, the Ministry, and other primary users. The central office will consist of a director and support staff.

The market news system will provide daily, weekly, and semi-weekly reports of market prices, quantities, changes in conditions, and related information. These will be released to newspapers, radio, and television for wide dissemination to all users. Daily, weekly, monthly, and annual summaries will be available to the MOA, other GOE units, and to the public.

Information will be reported for three categories of commodities: grain and oil crops, livestock and meat products, and fruits and vegetables. Coverage will encompass the major markets and regional trading centers, geographically dispersed to provide thorough coverage for the commodities treated. The service will begin with reports for 4 commodities (potatoes, beef cattle, rice and hard corn) from 6 to 8 market locations and will be expanded as experience and resources permit and warrant.

Trained reporters will be stationed near important markets to collect daily information on quantities traded, prevailing prices and perhaps the high-low range, and on other factors that describe the character and activity of the market that day. The latter might include reports of whether trading is especially light or heavy, demand is strong or light, supplies especially

abundant or scarce, and information on the quality of products traded. Once a system of commonly accepted grades and standards is in place, the information reported can become much more precise.

The daily information collected by each reporter will be relayed to a central or regional processing center for compilation and tabulation. The compilation then will be released for dissemination through the media and other outlets. The data will also be stored for subsequent future processing to develop a history of weekly, monthly, and seasonal price information. As the history is developed over time, it can be reported along with current prices; i.e., "commodity prices today are substantially higher or lower than last week or a year ago."

An essential requirement for sustained improvement in market news and marketing efficiency is the existence of widely recognized grades and standards on which to base trading and prices. These either do not now exist or exist only for a very few commodities. In collaboration with the National Norms and Standards Institute (INEN) and commodity program offices in the MOA, the Market News Division will develop and implement an effective set of grades and standards for major agricultural products.

A long-term technical advisor will be assigned to the Market News Division to assist the MOA and user Advisory Board in selecting markets to be covered, developing collection and reporting procedures, training reporters and staff, and organization of the market news reporting system. Short-term technical assistance will be provided for specialized training, development of appropriate and effective means of disseminating and monitoring the information use to ensure effective use and access by small and marginal producers and development of a system of grades and standards for major crops.

A.I.D. will provide grant financing for long and short term technical assistance (US$400,000) and loan financing for training materials (US$20,000). The GOE will finance field support for the market news reporters, travel, office space, supplies and equipment, vehicles, training and Ecuadorean technical assistance (US$620,000). Market reporters will be recruited from current MOA employees and trained for this activity.

c. Crop and Livestock Reporting. Production and farm level price data for nearly 80 products now are collected and published by the MOA. However, because of collection and processing procedures used, the validity and reliability of those data are seriously questioned. In recent years, an area frame sample has been used by INEC to collect similar data.1/ But, those data are unofficial and little

1/There are two primary sampling techniques, the area frame and the list frame. The area frame essentially is an aerial photograph of a specific geographic area that is divided into small blocks. The sampling is selection of blocks, and then farmers residing in those particular blocks are interviewed to obtain the desired information. The list frame simply is a listing of names of farmers in a particular area, and sampling is the selection of names from the list. The area frame is deemed to provide much more reliable estimates.

used because of the long time lag between collection and reporting and their variance with the official data. Planting intentions, area planted, growing conditions, yield forecasts, and related data which are urgently needed for policy decisions are not now collected.

This activity will correct existing deficiencies and expand the information system. It will provide situation reports during the production season and statistically reliable estimates of area, yield, production and prices for specific crops.

The Crop and Livestock Reporting System is intended to provide current and prospective information on domestic production of crop and livestock commodities. The system will begin with eight basic commodities, four crops (rice, hard corn, wheat, and potatoes) and four livestock enterprises (beef, milk, broilers, and eggs). Coverage will be expanded gradually to encompass 19 commodities.[2/]

The agricultural information system will be established by strengthening and expanding capabilities at MOA and INEC. MOA will be the primary operator and along with the private sector a major user of the system. INEC will be responsible for data collection using area frame samples, but will transfer edited data to the MOA for compilation and dissemination.

A Crop and Livestock Reporting Board (CLRB) will be created in the Directorate of Information of the MOA to assist in carrying out this activity. It will consist of an agricultural statistician, policy analyst, agroclimatologist and commodity specialists. Its function will be to receive the data pertaining to areas, yields, livestock numbers, etc. from the Directorate of Information, review all the information, formulate the final estimates, and release the information. The data released by the CLRB will be the official estimate of the MOA for the products under its purview.

Data collection procedures in INEC will be modified to meet the specific needs of the system. Currently, two large surveys per year are conducted to collect data on 77 crop and livestock enterprises. Under the new system, only one such survey will be conducted while several smaller, more specialized surveys will be used to obtain data for essential products. The general survey will provide statistically valid estimates at the provincial level, while the more specific surveys will provide reliable estimates only at the national level.

One or more surveys will be conducted during the production season for the selected commodities. The number and frequency of surveys and type of information collected will vary according to the nature of the commodity. For the seasonal field crops (cotton, hard and soft corn, rice, wheat, barley, potatoes and soybeans), at least four surveys will be conducted

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[2/]The commodities are: bananas, cacao, coffee, sugar, cotton, rice, hard and soft corn, wheat, barley, potatoes, soybeans, oil palm, and cattle, milk, sheep, pigs, poultry and eggs.

each season. The first, before planting, will determine farmers' planting intentions at the time of the survey to enable making national estimates of the area likely to be planted to these crops. Later, after planting is completed in all areas, a second survey will determine the area of each crop actually planted and the condition of the crop at the time. Then to develop yield and production forecasts, two or more additional surveys will be made to obtain objective yield estimates. These surveys will differ from the others since they are not to interview farmers but to conduct sample field measurements and observations of the growing crops.3/ The final survey, after harvest is completed, will determine the area actually harvested, actual yield per hectare harvested, total production, and prices being received by farmers for the crop commodities. For those crops grown twice each year (e.g., rice), the process will be repeated for each cycle.

The procedures will be different for perennial crops (bananas, cacao, and coffee) and will have to be tailored to the characteristics of each. It is likely that reliable production estimates can be developed from two to three surveys each year including those needed for yield estimates. Also, cooperation from well-established producer organizations for these commodities may well reduce the effort required to develop reliable estimates.

The procedures are different still for livestock and livestock commodities. Surveys will be conducted at least twice each year to provide estimates of the size and composition of the national cattle and hog herds and the sheep and chicken (including broilers) flocks. This will enable estimation of the number of animals that will be slaughtered during the year and the amount of meat (beef, pork, poultry, and mutton) that will be produced and available to the market. Surveys will be conducted to determine current production of milk and eggs and the prices being received by the producers.

Because of the wide diversity across regions in types of crops, production systems, and multiple-cropping, coverage of these commodities to meet predetermined schedules will require very careful planning for timing of the several surveys and for the data editing and processing functions. Starting with a relatively small number of the more important commodities will allow experience to be gained and the system expanded as feasible.

3/ Short term technical assistance will be contracted early in the Project to complete the design of this portion of the activity.

The various surveys are to be conducted by INEC using the area frame sampling technique. The questionnaires (developed jointly by MOA and INEC specialists) will be short, requiring only a small amount of information from each farmer. After the enumerators' visits to the farms, the questionnaires will be returned to INEC for encoding and editing to reduce erroneous entries eliminate discrepancies, and ensure overall quality control. This process should require only 2 to 3 days at most.

The edited data then will be transferred to the Crop and Livestock Reporting Board (CLRB) in the Information Directorate of the MOA. There the data are processed to develop the national totals. For example, the processing will reveal the total area planted to rice. Using yield forecasting techniques and the data collected form the field surveys plus agroclimatic data, the CLRB can project total national production (making explicit assumptions about the weather through the remainder of the growing and harvest season). Then, with estimates of the stocks on hand, it can estimate the total supply that will be available to the market during the year. When comparing the total supply to the expected consumption, the CLRB also can project the likely range of prices through the year. This process should require no more than 2 to 3 days, enabling the information to be released about 7 days after the survey is conducted.

Because of the potential value of this information, it will be closely held during preparation, completely free of any external influence, and then made readily available to all users at the same time. A schedule will be developed in advance listing the dates for release of the information. In addition to release to the media, procedures will be developed to ensure rapid and wide dissemination to all parts of the country. The information, of course, will be immediately available upon release to the PAU for its use in program administration and planning.

The Project will provide 24 months of long term technical assistance and 60 months of short term technical assistance for development of the system, training, development of the questionaires, design of the yield estimation procedures, development of the revised sample frames for crop specific surveys, and development of publications and other means for widespread dissemination of the information.

A.I.D. will provide grant financing for long term and short term technical assistance (US$950,000) and loan financing for training supplies and materials (US$20,000). The GOE will provide office space and equipment, supplies, travel, salaries, and Ecuadorian technical assistance (US$505,000).

d. Agroclimatic Impact Assessment. Weather, especially rainfall and temperature, is an important determinant of crop yields, and such data are critical to determining impacts on agriculture. The Project will expand and improve the weather data reporting and analysis system in PRONAREG and INAMHI begun under the pilot NOAA/AISC-University of Missouri Project. Project activities will focus on improving the quality and usefulness of

meteorological data; publishing timely and reliable reports; upgrading the meteorological network and communications systems; training technicians and users; and conducting field studies in major agricultural regions.

The climate monitoring system will be expanded from 12 reporting stations to 50, at the same time improving the quality of data gathered through upgrading meteorological equipment and training. The meteorological and agricultural databases will be computerized, incorporating existing data and new data from the upgraded weather and agrometeorological station network. Historical and daily real-time data bases will be developed for precipitation, maximum and minimum temperature, relative humidity, wind speed, evaporation and sunshine duration. The operational data base will include information from about 50 selected stations, with daily data from 50 others used to complement that base. The value of the information produced by the system will be enhanced by incorporating operational agroclimatic indices, outputs from crop models, and climate risk analysis into the data system.

As a continuation of the pilot project, training courses, seminars and workshops will be used to improve product/services quality, and improve staff and management skills so that continued external technical assistance will not be necessary. A scholarship for M.S. study in agrometeorology in a U.S. university will be awarded to one of the staff members.

New information will be added to the weather reporting system through the development of phenological models to estimate crop growth stages for major commercial and subsistence crops. As crop responses to weather conditions vary widely at different growth stages, knowledge of the growth stages and responses can be used in conjunction with weather data to estimate crop yields. Information currently available from published reports, field studies, and experiment stations on soil data for major soil groups at regional and national levels will complemented with information from special studies for development of the models. Studies financed under the Project will include:

- Crop phenological experiments which will allow development and calibration of phenological models for Ecuador.
- Evapotranspiration studies to develop crop water requirements, a major input into the soil moisture balance.
- Soil moisture balance studies to calibrate empirical methods. Soil-water studies will focus on water capacity and infiltration/runoff rates particularly for the Sierra region.

An interagency committee will be established to coordinate the planning and implementation activities to ensure that it is fully integrated into the overall agricultural information system, and particularly with the activities of the Crop and Livestock Reporting System. The committee will be responsible for assuring that the meteorological and agricultural data is directly

applicable for operational use and that adequate procedures are developed for systematic communication of information to the CLRB, PAU, and other interested organizations.

The Project will provide short term technical assistance for training in data collection and analysis, computerized database management, quality control, improvement of operational procedures, technical report preparation, and development of methodologies for assessing weather impacts on agriculture. In conjunction with the assistance provided under the Computer System component, technical advisors will assist in the development of an efficient computer-based information system for crop and weather data. Technical advisors also will help develop soil water capacity charts, crop variety distribution maps, and occasional field surveys to obtain information for agroclimatic impact assessments not obtained in the regular crop surveys.

AID will provide a grant financing for 30 person months of short term technical assistance (US$270,000), and loan financing for climatic monitoring equipment and training supplies (US$183,000). The GOE will finance technical assistance, training, equipment, vehicles, commodities, travel, office support, and salaries (US$510,000).

e. Computer Facilities. Computer facilities are practically nonexistent in the MOA. Development and effective use of the information system require substantial computational capability for timely, useful data. The Project will provide computational facilities, technical assistance, management assistance, and training necessary to fully utilize the system without a lengthy time lag.

The computer system will consist of three minicomputers, two in Quito and one in Guayaquil. The Subsecretariat for the Coast is deemed to require separate facilities because of the size of the program and because the telephone system is inadequate for effective use of a long distance computer network. One minicomputer in Quito will be the main facility for MOA information processing. The second will be in INAMHI for use in the analysis of weather data. Thirty eight micro computers and 36 terminals will provide computer access for individual units using or providing information. The micros will serve a dual purpose, both meeting specialized needs of some units and providing access to the larger system. Six micros will be provided to INEC for encoding survey data on disks for transfer to MOA.

Since the MOA has no personnel with computer skills, a facilities management approach is to be used. A local firm will be contracted to operate and maintain the system. Training programs will be initiated to acquaint potential users with the system, operation of the micros and software, and utilization of the larger system.

The Project will finance short term technical assistance for system design, installation, training, and software development. The technical advisors will assist the MOA and USAID in developing detailed specifications and bid

proposals for the equipment and facilities management contract, evaluating the bids, detailing site and installation plans, overseeing site preparation and installation of equipment, assisting in software selection, conducting training, and development of custom software.

A.I.D. will provide loan financing for purchase of computer equipment, training, and software (US$1,020,000) and grant financing for technical assistance (US$460,000). The GOE will finance the facilities management contract, site preparation for the computers, Ecuadorean technical assistance, travel, supplies, and office support (US$910,000).

D. Financial Plan

The estimated total cost of the five year Project is $12,500,000 of which $8,500,000 will be contributed by AID and $4,000,000 by Ecuador. The AID component is comprised of $1,400,000 in loans and $7,100,000 of grants (Table 1). All of the AID contribution will be in foreign exchange, with the GOE and Ciencia furnishing all the local currency for the Project. Project expenditures will cover five years, with $3,231,000 of AID funds disbursed during the first year, declining thereafter to $709,000 in the fifth year (Table 2). Detailed budget summaries for each component are provided in Annex G.

Project grant funds will be used to support 138 months of long-term technical assistance and 280 person months of short-term T.A. Grant funds also will be used for the policy support activities in the private sector, including scholarships, conferences, guest lecturers, and research grants. Loan funds will be used to purchase equipment (computers, radios, and weather instruments) and to support training activities.

The counterpart contribution to the Project is $4,000,000, 32% of total project cost. Of this total, the GOE will contribute $3,595,000 and Fundacion Ciencia will contribute $405,000. GOE-financed activities include salaries and per diem, support of the contract staff for the policy analysis unit, the facilities management contract, vehicles and equipment acquired locally, and field and office support for the market news, crop and livestock information, and agroclimatic systems, as well as support for the project office.

The Ciencia contribution will be used for office support costs, salaries and perdiem, and all local currency costs for publications, awards, and technical assistance.

Table 1. AGRICULTURAL SECTOR REORIENTATION BUDGET BY CATEGORIES

COMPONENT/ACTIVITY DESCRIPTION	USAID LOAN	USAID GRANT	USAID TOTAL	GOE	TOTAL
COMPONENT I. Policy Analysis					
Immediate Policy Agenda	0	1160	1160	140	1300
Policy Analysis-Public	25	1080	1105	577	1682
Policy Analysis-Private	0	1367	1367	405 a/	1762
Subtotals	25	3607	3632	1122	4754
COMPONENT II. Information					
Market News System	20	400	420	620	1040
Crop & Livestock Data	20	950	970	505	1475
Agroclimatic Impacts	183	270	453	510	963
Computer System	1020	460	1480	910	2390
Subtotals	1243	2080	3323	2545	5868
PROJECT COORDINATOR		540	540		540
Evaluations/Audits		250	250		250
Inflation and Contingencies	132	623	755	333	1088
TOTALS	1400	7100	8500	4000	12500

a/ From Fundación Ciencia

Table 2. AGRICULTURAL SECTOR REORIENTATION

ESTIMATED PROJECT EXPENDITURES BY PROJECT YEARS (US$000)

COMPONENT/ACTIVITY DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	ALL YEARS
COMPONENT I. Policy Analysis						
Immediate Policy Agenda	530	320	210	100	0	1160
Policy Analysis-Public	220	330	265	200	90	1105
Policy Analysis-Private	366	474	287	171	69	1367
Subtotals	1116	1124	762	471	159	3632
COMPONENT II. Information						
Market News System	200	160	20	20	20	420
Crop & Livestock Data	310	320	190	80	70	970
Agroclimatic Impacts	224	149	50	30	0	453
Computer System	1196	216	36	16	16	1480
Subtotals	1930	845	296	146	106	3323
TOTALS	3046	1969	1058	617	265	6955
PROJECT COORDINATOR	110	110	110	110	100	540
Evaluations			125		125	250
Inflation and Contingencies	65	160	260	160	110	755
AID TOTALS	3221	2239	1553	887	600	8500
GOE TOTALS	400	600	800	1000	1200	4000
GRAND TOTALS	3621	2839	2353	1887	1800	12500

IV. PROJECT ANALYSES

A. Technical Analysis

In and of themselves, none of the activities to be financed by the Project is particularly novel in a technical sense. What is somewhat novel is the juxtaposition of resolution of short-term policy issues and development of capacity to analytically treat policy issues over the long run. In the judgment of the Project Development Committee, this combination of "action" and "institution-building" elements in the Project is particularly opportune in the Ecuadorean context.

The identification of specific issues to be addressed places policy analysis in proper perspective, i.e., as a tool for formulating, assessing, and selecting courses of action to deal with important, real problems. Experience in other countries suggests strongly that what may appear to be a short-run, even myopic, approach is strangely enough a precondition for generating an interest in and appreciation of policy analysis for the long run. In the final analysis, only when decision makers come to value and want policy analysis can genuine institutionalization be expected to take place.

This juxtaposition of emphasis on both action and institution building also helps explain what at first may appear to be too heavy a reliance on technical assistance as a major ingredient of the Project. The technical assistance to be provided is foreseen as having two major functions -- assisting in actually doing the work and in transferring skills to counterparts. In other words, institutionalization is seen as emerging from a learning-by-doing approach where Ecuadorean technicians and expatriate counterparts daily work side by side. Given the limited policy analysis capacity and information that now exists in the country, the judgment of the Project Development Committee is that this approach makes eminent sense. The Project is expected to result, not in development of untested "capacity" to perform policy analyses and other functions, but in a capacity that has passed the test of five years of actual performance. Thus, in the judgement of the Project Development Committee, the Project purpose can be best achieved by implementing the set of activities selected for this Project.

1. Analysis of Alternatives. The team of technical experts who assisted the Project Development Committee in designing of this Project conducted analyses of several alternative approaches to the Project activities. They evaluated alternatives with respect to technical feasibility, ease and rapidity of implementation, and cost effectiveness.

a. Immediate Policy Agenda. Alternatives for analysis of the urgent policy reform issues included having them conducted by MOA staff, contracting with Ecuadorean non-governmental institutions, and contracting with U.S. institutions. The latter alternative was selected because of the almost complete lack of analytical capability in MOA and because, although some capacity exists in the private sector, it is not well organized to

respond rapidly. Economic research in agriculture has been neglected so that firms and institutions that do other types of consulting or research do not internally possess the requisite skills. They must seek assistance from a very limited number of trained and experienced agricultural economists most of whom work full time at other jobs. Using U.S. consultants allows tapping a large pool of experienced analysts who can be available immediately through use of IQCs and/or 8(a) firms. Thus, the urgent issues can be addressed without long delays.

b. Policy Analysis Unit. Alternatives to providing the continued policy analysis (formulation and implementation) necessary for effective policy decisions were evaluated. Among the issues examined were the approach to policy analysis, the institutionalization of the process, the creation of a specialized policy analysis unit and its size, functions, and location within the Ministry.

One approach would be an almost complete use of outside resources to conduct the policy analyses and provide them to an economic advisor or policy specialist in the MOA charged with developing, overseeing, interpreting, and synthesizing the results of the studies. However, this would not lead to institutionalization, would place too much dependence on a single advisor, and would be apt to overload the capacity of a single person. Thus, a unit of few to several persons would appear to be a more logical approach.

Because there are few economic analysts in the MOA, it was decided to bring Ecuadorean analysts from outside the MOA to provide a core staff for the policy analysis unit. But, because of civil service pay scale limits, it is necessary to supplement salaries to obtain qualified staff. This could have been done by topping salaries of government employees or by contracting directly with the persons. Because of Ecuadorean laws and procedures, salary topping was deemed not feasible. The contracting alternatives available were either direct AID contracting, funding under a project contract, or a separate contract with an Ecuadorean consulting firm. The latter was selected because a firm is better prepared to handle the procedures than AID/E, because of AIDs limited staff and heavy workload. By using a private sector firm, funds from the transition support project could be used to establish the unit prior to approval of the Project. Also, this facilitates transferring the support to PL 480 funds when they become available. The firm selected was the only one that the technical analysis indicated possesses a strong economic orientation, and its previous work on AID contracts has proved very satisfactory.

The location of the PAU in the Ministry was another issue with alternatives to be analyzed. At first, a logical choice would appear to be the existing planning unit. However, that unit has been downgraded and does not have the prestige or personnel to become an effective policy analysis unit commanding the attention of the Minister and his advisors. No other existing unit is appropriate, so it was decided to create a special unit attached to the office of the Minister. Since the Minister has an economic advisor, it was decided that the unit would be more effective if located in that office. The Unit

will give the economic advisor the strong analyses required for formulating and evaluating effective policy alternatives while utilizing existing communication channels.

The policy analysis unit is to be small so that it can concentrate on day-to-day needs for policy analysis and advice. It will consist of five analysts contracted from outside the MOA and five recruited from within. The latter will gain experience from on-the-job training and promote institutional stability in the unit.

Effective advice will, in the long run, depend on the base of information available--statistics, in-depth studies and analyses. Because PAU staff must concentrate on day-to-day needs of the Ministry, it will not conduct major studies, but will synthesize, analyze, and interpret information from studies it commissions as well as those available from other sources. The evaluation of the consultants conducting the technical analyses for the Project indicated that the capacity does not exist in the MOA to conduct major economic policy studies and development of internal capacity to do so would require a lengthy gestation period. Thus, most of the studies will be contracted to outside agencies, including consulting firms, individuals, universities, foundations, etc, and may be Ecuadorean, expatriate, and/or joint ventures. Since a review has shown a limited in-country capacity, the latter (joint operations) is expected to be commonly used.

c. Policy Analysis Capacity in the Private Sector. In the PID, the approach for involving the private sector was to strengthen the capacity of one or more producer organizations to conduct policy analyses and lobby for policy change. During the technical analysis, a large number of producer organizations as well as most of the Chambers of Agriculture were evaluated as potential candidates. However, the producer organizations were found to be so fragmented that no single one could be representative of the sector. While still intent on strengthening producer organizations' understanding of policy, another approach was thought more effective to enhance private sector policy analysis capability.

Other alternatives evaluated included creation of a policy institute or foundation, involvement of a university or universities, and utilization of an existing private foundation or institute. Creation of a new institution was judged to be a last resort because of the red tape and delays involved, the time required to gain prestige, and possible perceptions that it would be a captive agent of AID. Universities were rejected because they tend to be politicized and because none has graduate programs in agriculture or even undergraduate programs in agricultural economics, a discipline essential for good agricultural policy analysis. An existing, non-profit, private organization seemed a desirable alternative if one could be found that was interested, independent, prestigious, and legally permitted to undertake such a program. An evaluation of existing foundations resulted in selection of the Fundación Ciencia which, while small, has most of the requisite characteristics. Although, its activities have been oriented to the natural

sciences, it has been involved in important developmental research. Also, it was willing to undertake a policy analysis project as long as its independence could be maintained.

An analysis of Ecuadorean private sector consulting firms was undertaken to determine the feasibility utilizing such firms for conducting policy analyses. Although there are a large number of registered consulting firms, the active number is relatively small. Most of the larger firms are engineering oriented, and only a few specialize in economics. Those firms which do agricultural consulting generally have no full time agricultural specialists. They hire specialists when needed for specific studies from the individuals available to do agricultural economics and policy studies. The consulting firms generally indicated that they would be interested in (1) training programs to improve their capacity to do economic analysis; and (2) joint ventures with U.S. or third country firms.

d. Market News System. Three alternatives for implementation of a Market News System were considered: 1) a separate system created and operated by the MOA; 2) a contractual agreement between the MOA and a private entity for organization and implementation of the system; 3) a contractual agreement between the MOA and a University. The first was selected because it is expected to be most responsive to industry needs, adaptable to changing requirements, a cohesive entity, and to provide continuity.

A contractual arrangement could pose problems since the system periodically would have to be put out for bids. This could result in a lack of continuity and loss of trained market news reporters if the contracting firm changed. Furthermore the common property requirements of market news data make gathering them public function and care is needed to guard against private interests capturing the system for their own uses.

Universities were rejected because of their lack of agricultural economics and marketing programs, existing institutional capacity, and expertise to adequately handle such a program. Since it would be a continuous program of a service nature without a strong research component, a university was not considered a preferable alternative.

The location and development of the unit in the MOA also was considered to be more cost effective because of the availability of employees who can be trained for market news gathering and dissemination whereas the other units would require full project funding or the MOA to expend larger amounts of its very limited operating funds.

e. Crop and Livestock Monitoring System. The primary issues related to strengthening the crop and livestock data system pertained to its location. The MOA's Directorate of Information initially was considered the appropriate location. However, an information system for this type of data requires a good area frame sample which the National Institute of Statistics and Censuses (INEC) had already established (the SEAN program) with AID financing. A major decision thus was whether to locate the data gathering and analysis in INEC or MOA.

Each alternative has strengths and weaknesses. The MOA's data collection procedure is highly subjective, depending on personal estimates of professional agriculturalists (performing extension type functions) in the 130 Agricultural Service Agencies at the cantonal (county) level. The area frame sample provides a scientific statistical basis for the estimates. INEC has well trained people for maintaining and using the area frame sample and also a field staff to collect data. However, it does not collect all of the types of data needed and does not provide it timely or in the most useful forms to the MOA. However, shifting all data collection and processing functions to MOA has disadvantages because MOA does not have qualified staff, considerable time would be required for the necessary training, and the investment made in SEAN would be lost.

The approach selected utilizes both INEC and MOA in a mixed approach to data collection and processing. The area frame sample, data collection, and transfer of data to electronic media will be left in INEC, while processing, analysis, and publication will be functions the MOA Information Directorate. The capabilities in MOA will be developed with technical assistance, and the computer system will be furnished by the Project.

f. Agroclimatic Data System. The agroclimatic portion of the Project is a continuation of a NOAA-University of Missouri-AID pilot project in which the national meteorological institute (INAMHI) from the Ministry of Natural Resources (MNR) and the National Regional Program (PRONAREG) of the MOA are cooperating in development of an agroclimatic impact assessment program. An evaluation of the effort indicated the units were working together effectively, developing the needed data base and recently began publishing a monthly agroclimatic data bulletin. It was decided that any change in the structural relationship would cause unnecessary delays in continuation of the effort. The essential coordination of the agroclimatic activity with the other information activities will be the responsibility of the project office in the MOA.

The major alternatives to the agroclimatic impact assessment technology are systems primarily based on either field observations or satellite technology. Either of these alternatives would be more expensive than the technology proposed and, in the latter case, the use of satellite technology for real-time assessments of other than broad regions is still in the developmental stage.

PRONAREG was selected to continue as the MOA unit because of the successful pilot project. It was originally selected because 1) it was the one unit in the MOA with personnel having backgrounds in both meteorology and agronomy who had made applications of weather data to crop analysis and 2) it has accumulated through previous and ongoing programs a large amount of data useful in agroclimatic impact assessment models. This includes geographic and cartographic data for various subregions, regional crop production data, soils data, soil maps, and hydrological data.

g. Computer Facilities System. Alternatives were evaluated in determining the computer needs for the policy formulation and information processing components of the Project. These included the type of system (mainframe, minicomputer, microcomputer, or combination), purchase or rental, and how to operate the system. An analysis of types and quantities of information to be processed and analyzed formed the basis of the analysis.

The system selected as most cost effective in meeting the somewhat disparate needs is a combination of mini and microcomputers in a network. The system consists of a primary mini for the main data processing, a smaller mini for the coastal office, a mini for the mapping and model needs of the agroclimatic and related activities and a mini for INAMHI for the weather data. This is supplemented by 38 microcomputers which act as terminals plus providing individual computing capability.

Because of uncertainty about exact needs and how rapidly they would grow, equipment leasing was viewed as a means of providing needed flexibility. Leasing opportunities were found to be available in-country and evaluated. However, financial provisions of the leases were unfavorable; leasing companies typically attempt to recover full costs over a two year period. It thus was concluded that equipment purchase is more cost effective.

The method of managing the computer system was a final issue. The MOA does not have the capability since it has virtually no computer capacity. The alternatives evaluated were: 1) hiring new employees, 2) selecting and training existing employees, and 3) using a facilities management contract with a private Ecuadorean firm.

The first alternative was discarded due to financial limitations, low civil service pay scales, and a bureaucracy already considered too large by Ministry administrators. Selecting and training people would necessarily be a lengthy process and could unduly delay implementation of a serviceable system. An evaluation of private computer firms indicated the capacity existed for managing the system contemplated and, in fact, was commonly done for other government agencies. Thus, the facilities management approach was selected. This will be combined with on-the-job and other training programs so that by the end of the Project internal capacity for managment of the system will exist.

2. Technical Feasibility

a. Immediate Policy Agenda. Again, dealing with urgent policy problems is by no means novel. This is worthy of note, however, because of the problems in marshalling analytical resources under the Project. The use of IQC's and/or 8(a) firms to conduct the studies will permit these issues to be addressed with the urgency required.

b. Policy Analysis Unit. What is significant about the "technology" that is proposed for the PAU of the MOA will be its modus operandi. It builds explicitly on lessons learned from Abt Asssociates' evaluation of agricultural sector planning activities in Latin America and the Caribbean over the last decade. Particular attention has been paid to measures to set a dynamic in motion to expand effective demand for policy analysis. Distinguishing features include:

- The Unit will be product and client oriented. Priority will be given to fast turn-around, highly focused studies that respond directly to policymakers' concerns.
- A good portion of the Unit's time will be devoted to advising (i.e. giving immediate policy advice).
- The Unit will be relatively small. The intent is to create a critical mass of personnel whose quality is more important than quantity.
- The primary outputs of the Unit will be action recommendations.

c. Development of Forum for Private Sector Policy Analysis and Debate. The various activities to be performed by Ciencia under the Project are not unusual. What is unusual is selection of a not-for-profit foundation to perform them. This project activity is not without its risks but, in the judgement of the Project Development Committee, holds considerable promise for broadening interest and understanding of agricultural policy, and contributing to more coherent policymaking.

d. Development of Market News Reporting System. The major technical issue related to the development of a viable market news reporting system is essentially logistical in nature. From the training of reporters to the dissemination of information to the general public, careful planning and attention to detail are required. This is particularly true since grades and standards will need to be developed at the same time. Consequently, the market news reporting system will start slowly and deal with only three sets of agricultural products in major markets. As experience is gained, the number of products and markets will be expanded.

e. Crop and Livestock Monitoring. For collection of crop area and production data on a continuing as opposed to "one-time" basis, the area frame sampling methodology is far superior to the list frame methodology. It will provide more precise estimates, and, more importantly, its representativeness deteriorates less rapidly over time.

Experience in Ecuador and other countries suggests the area frame sampling methodology is technically sound and operationally feasible. Moreover, the methodology is recommended by both the U.S. National Academy of Sciences and the Statistics Division of the Food and Agriculture Organization of the United Nations to serve the agricultural statistics needs of developing countries. An important issue is the division of the effort between two organizations. The Project Development Committee believes, however, that the coordination and organization procedures to be implemented by the Project will result in adequate cooperation to assure success.

f. Agroclimatic Impact Assessments. The agroclimatic impact assessment activity complements the crop and livestock monitoring system. It is particularly germane to agriculture in Ecuador which is so affected by weather and climate variability. Like the other information support activities of the Project, this activity relies on technology whose feasibility has been tested and confirmed elsewhere. Further, the technology already has been applied successfully on a pilot basis within Ecuador itself.

Agroclimatic impact assessment technology will not permit the Ministry to make forecasts or estimates of absolute crop yield or production. Moreover, it has nothing to do with weather forecasts. What the technology does provide is reliable, timely, and continuous information on the impact of weather in terms of relative crop conditions, which will assist in predicting crop yields

g. Computer Facilities. Any computer system must be a function of the information requirements of its users. During intensive review, these requirements were studied in detail and conclusions drawn as to the configuration of computer equipment that would best meet them. Ample account was taken of the fact that information requirements are somewhat in flux and likely to remain so for some time. As a consequence, the configuration of computer facilities to be financed under the Project has been designed with the understanding that flexibility, adjustment, and expansion likely will be needed in the future.

B. Financial Analysis

The Project consists of technical assistance, training, and equipment to establish an agricultural information and policy analysis system. Although the information developed will support public and private sector policy and investment decisions, the Project itself is a non-revenue producing project. The primary financial analysis issues are: (1) budgetary support capability of implementing institutions to cover operating and recurring costs; (2) financial management capability of implementing institutions; and (3) cost-effectiveness of Project activities, relating the cost of the inputs to constructively valued outputs.

1. Budgetary support capability for operating and recurring expenses. The primary implementing agencies are the Ministry of Agriculture, INEC, INAMHI, and the Fundacion Ciencia. With the exception of Ciencia, all of these institutions are governmental entities dependent upon GOE budgetary allocations and procedures for funding.

The majority of the operating costs of Project activities involving the GOE entities are personnel and facilities costs which are already part of the budget of each of the participating agencies and represent no new financial burden. New staff positions in participating units in the MOA will come from inter-MOA staff transfers rather than the creation of new positions, thus imposing no overall increased costs or managerial burden on the entities. The

private sector analysts working in the PAU will be financed with PL480 local currency generations during the life of the Project and are not expected to be continued after the Project ends.

Primary non-personnel operating costs to the MOA will be for the computer facilities management contract, field support for the market news reporters, and funding for in-depth policy studies to be sponsored by the PAU after A.I.D. funding ends. Non-personnel operating costs for INEC are primarily for field support for conducting area frame samples. Provision of adequate funding for these activities in a timely fashion will be critical to the success of the Project. Data collection in the field will be tightly scheduled and often dependent upon crop cycles, therefore delays could cause serious disruptions of the system. The need for continuity in the computer facilities management services is obvious.

All of these costs will be budgeted and financed by the GOE from the beginning of the Project. For much of the life of the Project, these costs will largely be covered by the use of PL480 local currency generations to assure that adequate support will be available as needed in the crucial startup and initial implementation periods. By the end of the Project, all policy analysis and information system costs will be fully incorporated into the GOE budget. These amounts of money do not represent significant budgetary demands and the Mission anticipates no problems for continuing funding after the end of the Project. This is particularly true given the strong GOE commitment to this program and the expectation that the policy analysis and information services will have clearly proven their worth to policy level officials by the end of the Project.

The private sector activities will be undertaken by the Agricultural Policy Institute, a new organization which will be created under the Project. The parent organization, Fundacion Ciencia, has been in existence for several years, but has no full-time staff. The operating expenses of the API will include all local currency costs of the activities, including salaries for the Project Director and administrative and clerical staff, office space and supplies, publications, and local costs of training and publicity activities. During the life of the Project, all of these costs will be financed with PL480 local currency generations. Therefore, no problems are foreseen in obtaining adequate local currency support. In the conceivable event that delays in obtaining the funds are encountered, no significant impact will be made on Project activities or outputs.

A more difficult issue is the long-term financial viability of the Agricultural Policy Institute. Project funding will be the sole source of financing for Project activities and the operating expenses are dependent upon the availability of PL480 local currency generations. Clearly, additional sources of financial support are necessary if the API is to become a self-sustaining institution. A minimally acceptable level of funding which would allow the Institute to continue its role in policy analysis and public education would be $175,000 per year. Project funds will be used to assist

the Institute in becoming financially self-sufficient by training the staff in fundraising techniques. In addition, if the mid-term evaluation of Ciencia is positive, A.I.D. will assist the Institute in finding additional financing in the form of an endowment or other donor support if necessary.

2. Financial management capability. All of the GOE implementing institutions have established acceptable financial management systems. The Project activities will not significantly add to the financial management responsibilities of the implementing entities. The Mission expects no problems in this area.

The expansion of activities in Ciencia to include agricultural policy analysis and education represents a significant increase in staff, budget, and responsibilities. Currently without any full-time professional staff, Ciencia will hire a director for the Agricultural Policy Institute and additional administrative staff. However, Ciencia has successfully implemented projects for other donor agencies, including the Canadian International Development Research Center, the German Development Bank, and UNICEF in a responsible and professional manner. Taking into consideration Ciencia's successful track record and the addition of professional staff and technical advisors, the Mission foresees no problems with Ciencia's financial management capability.

3. Cost Effectiveness. Even in non-revenue producing projects, a reasonable relationship of Project costs to outputs is required. A quantifiable cost-benefit analysis is not possible for this Project because the specific policies to be implemented will not be known until the Project gets underway. In addition, the estimation of direct benefits from policy change or access to improved information is extremely difficult to calculate. Such activities may facilitate investment by removing obstacles, or creating incentives, or improving information, but will not be solely responsible for any investment which may result. Many other factors outside of the influence of the Project will also determine the type and scope of investments, including the overall economy, interest rates, availability of credit, export possibilities, attractiveness of alternative investments, etc. Therefore, precise measurement is impossible at this time.

Nonetheless, it can be stated that policy change is inherently a cost-effective activity because the relatively small costs of technical assistance and studies, when combined with political will, become determinants of the investment incentive structure, directly or indirectly affecting virtually everyone in the country. Of course, the degree to which the benefits are positive depends in large part on the quality of the studies and the detailed components of the policy adopted, which is the product of both technical and political factors. Nonetheless, given adequate political will, reliable information, and competant analysis, policy change will have greater impact per dollar invested than virtually any other type of activity.

Moreover, the capability to design effective policies and the availability of reliable information are essential and necessary elements in any attempt to improve the functioning of the agricultural sector. All of the recent studies

of Ecuadorean agriculture have identified inappropriate policies as a major constraint to increasing agricultural production and productivity. The World Bank estimates that, given appropriate policies, credit availability, and improvement of other agricultural services, aggregate production of the 21 major crops could increase by 50% over a ten year period. Using this figure to indicate an order of magnitude of potential improvements in the sector which are not attainable without policy changes, it is clear that Project costs are entirely reasonable in the context of potential benefits.

C. Economic Analysis

The ASRP is a nonrevenue producing Project. Its economic justification, therefore, must be based on the potential impacts on the economy, through its effects on agricultural activities. Since a major policy objective in Ecuador is to improve the country's agricultural productivity, an appropriate approach to the economic evaluation of the Project is a breakeven analysis based on the increased production needed to pay for the Project. The present value of the flow of total Project expenditures - USAID and GOE - is US$9.314 million using an interest rate of 23 percent[1/]. The increased annual flow in the agricultural GDP of the country required to justify this expenditure on a breakeven basis is US$2.142 million, which is only 0.13 percent of the 1984 Agricultural GDP of US$1.7 billion.

A 1983 World Bank appraisal of the agricultural sector indicated that a reasonable potential exists for increasing the aggregate production of the 21 most important crops by 50 percent over a ten year period. The analysis also identified the removal of policy constraints as one of the essential elements in achieving the potential. This Project is designed to address and devise programs for removing the types of constraints identified by the World Bank, including the price, marketing and related policies discussed in the Project activities and other sections of this paper. The Project development committee is convinced that the implementation of the Project activities will result in attaining a large enough share of the potential increases so that the economic returns will be very substantially greater than the projects costs.

The breakeven analysis indicates that the Project is justified by expected production increases, but there also are other Project benefits. The breakeven analysis discussed above is based on the entire Project which consists of two interrelated supporting components. While the improved information component is essential to support effective long run policy

1/ The current lending rate of BNF is 23 percent. The appropriate cost of capital is difficult to determine in Ecuador due to a poorly developed capital market. A sensitivity analysis of various rates of interest indicated that the following increases in annual flows would be required for a breakeven with Project costs: 10% - US$1.709 million 30% - US$2.605 million, 40% - US$3.202 million, and 50% - US$3.737 million.

formulation and implementation, it also will serve private sector decisionmaking and therefore have economic consequences apart from policy reform. A lack of informationcauses uncertainty, which results in risk aversion in decision making - causing discounting for risk or the need for a premium to undertake risky activities. These risks are, for example, contributors to what are considered to be excessive marketing margins. With a marketing bill apparently about equal to the agricultural GDP (a lack of adequate information makes it difficult to determine the exact value the marketing bill), a reduction of 1 percent in average market margins would result in a one year savings equal to or greater than the total cost of the Project, around twice as large as the information component and over ten times the cost of the market news activity.1/

Additional benefits can be expected from savings and/or increased efficiency of government operated businesses. The GOE also operates a number of enterprises to provide inputs to producers and to carry out marketing related activities including price supports, storage, processing, and retail sales. The exact public cost of these is difficult to determine because of the way the funds are budgeted. However the 1984 budget continued line items totaling over US$4 million at the official exchange rate for four of the enterprises - ENPROVIT, ENAC, ANDES, and Fabrica de Abonos. Also the World Bank reported in its 1983 analysis that in the period 1974-78 the subsidies to ENAC alone amounted to US$15 millon. General conclusions about these enterprises are that they tend to be inefficient and ineffective. Because of the costs to government there are large potential savings from divestiture and/or redefining their roles and activities to make them more efficient. The analyses to be undertaken within this Project will help the GOE to decide how to solve problems related to these public enterprises and at the same time help asure that essential services are provided to producers, intermediaries, and consumers in a cost effective manner.

The economic justifications discussed above approach the issue from the viewpoint of potential impacts on selected economic parameters in the agricultural sector. There are other potential benefits from policy reforms including reductions in food imports, reductions in the cost of food, increased employment, a more secure food supply, etc. However, the agricultural sector is a complex interrelated system and attempts to achieve what appear to be a desireable objective may have undesirable consequences with respect to other variables in the system. For example, Ecuador has been importing an increasing amount of food products with wheat being the major

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1/ A preliminary partial equilibrium analysis by the consulting firm which conducted the technical analysis for the public sector policy component of this Project indicated that a general reduction in marketing margins by 10 percent would result in increased food production (7%), increased exports (9%), lower food prices (1.8%), decreased food imports (20%), and an increased labor demand (16%).

contributor to those increases. A possible policy choice is to devote more development resources to wheat production so that imports can be reduced and the country's limited foreign exchange used for other purposes. However, data from preliminary studies indicate that the country may not have a comparative advantage in wheat production. Thus, an economically preferable alternative might be to use limited funds to develop products in which the country has a comparative advantage so that exports of those products will increase foreign exchange earnings by greater amounts than the costs of increased wheat imports. Making the proper choice depends on having adequate knowledge of the costs and benefits of the feasible alternatives. Since such knowledge and the capability to provide adequate analyses of such issues does not currently exist in the MOA it is imperative develop the knowledge and the analysis capability for properly using the knowledge.

Policy changes, as indicated, nearly always produce both benefits and costs, i.e., few meaningful policy changes are are Pareto optimal. Some groups in the society will receive positive gains from a change and others will lose. An example is a reduction in marketing margins where, except for reducing spoilage and other losses, these will result from reducing the incomes of intermediaries. It is the function of the policy analyses to determine not only the gains and losses but also to identify the groups who are affected so that those with decision making authority can balance the impacts in view of their objectives.

The studies that are to be funded by the Project will be designed to include determination of costs and benefits (social, cultural, and political as well as economic) of alternative approaches to achieving the GOE's policy objectives. Those determinations are, in fact, essential if the studies are to be useful in making policy related decisions and implementating the programs to carry them out. The terms of reference for the analyses to be conducted will include provisions that require the determination of costs and benefits including distributional effects for the alternatives to be analyzed. This will permit decision makers to be aware of the potential costs of their actions, to select the alternatives with less undesirable impacts, and/or to design programs to help ameliorate the undesirable impacts. The techniques for determining economic impacts are well known but will vary with the type of problem being analyzed and will need to be adjusted to the special circumstances and structure of the Ecuadorean economy. The approaches can include one or more of the following: the shadow-priced benefit cost ratio of policy alternatives, the shadow price adjusted rate of return from various measures; the foreign exchange impacts of proposed policies, the impact on the government budget, the shifts in producer and consumer surpluses; general or partial equilibrium models; econometric analyses, etc. As the sector is analyzed and knowledge increases the bases for these analyses will be enhanced, thereby enabling better estimates to be derived and better policy decisions to be made.

D. Social Analysis

Changes in economic and agricultural policy have social impacts as well as economic and political implications. Such policies, either by design or by default, affect the distribution of society's benefits and opportunities. Therefore, policy change nearly always results in gains for some individuals and groups and losses for others, while attempting to achieve a net gain to society. The general social issues of the Project concern the distributional impact of Project activities and the feasibility of the activities given the attitudes of important segments of society.

The Project has two components: 1) Agricultural Policy Formulation and Implementation, in which studies will be completed, implementation plans developed and the policy analysis capability in the public and private sectors will be strengthened through training, education, and experience; and 2) Agricultural Information System, in which the data collection, processing, and dissemination capability of the MOA will be strengthened.

1. Component I: Policy Formulation and Implementation. Policy studies, analysis, and training per se have no social impacts. Each policy study financed under the Project will include analyses of the impacts of the policy on different social and economic groups. Since the purpose of this component is to analyze and recommend policy options, the specific policies which will be adopted are not known. However, since the general direction of policy changes desired by the GOE is known, the groups likely to be significantly affected can be identified.

The general direction of policy change will be to move toward a free market, with reductions in current government market interventions, including maintaining minimum price levels for agricultural producers and subsidizing agricultural inputs. This implies a change in emphasis to policies favoring economic growth. Therefore, special attention needs to be given to those groups which are most vulnerable to change--small scale agricultural producers and the urban poor. Collectively, these groups are important in a market economy, providing the basic labor force, a significant part of basic grain production and a large proportion of final demand. Individually, however, the members of the groups are economically weak, due to low incomes they often have limited access to economic opportunities.

Small producers represent 70% of Ecuador's total rural population. Primarily producers of basic foods, they produce relatively little for the market. Their low farm income levels are determined by the low quantity they produce for sale, the level of technology used, and by limited access to marketing channels. The limited economic opportunities have contributed to migration to urban areas, changes in the traditional division of labor between men and women, and pressure on other traditional cultural values.

The impact of free market agricultural policies on small scale agricultural producers will depend heavily on the specific policies chosen and the design of the programs to implement policy. In order to effectively incorporate

potential commercial producers into the market system, the policies must explicitly recognize the social, economic, and cultural constraints which determine the small farmers production systems. In addition, government analysts must take into consideration that farming systems will vary considerably between regions due to technical, climatic, economic, social, and cultural circumstances.

Generally, larger farmers will be able to adjust most easily to policy changes resulting in fewer restrictions, uncontrolled prices, and a freer market. Access to credit, information, and new technology, combined with greater financial reserves and market power, will enable them to take advantage of new opportunities. Without programs specially designed for their needs, the small producers seldom have adequate access to the tools of commercialization.

Programs to effectively incorporate small producers into the economic mainstream must combine research, extension, credit, and marketing elements aimed at alleviating small farmer constraints. Extension programs must recognize women's greater role in agricultural production and develop mechanisms for reaching them. Reduced input subsidies will create the need for more credit to utilize new technologies. Credit programs must overcome the traditional lack of access which limits technological innovation by small producers. As the distributional elements of new marketing systems become evident, analysis of relative market power of small and large producers and intermediaries will be needed to determine whether special programs are necessary to increase the market power of the small producers.

The nature of the commercialization of agriculture in an unprotected market economy is that success depends on responding to competitive pressures by introducing new technologies, increasing efficiency and productivity, in some cases expanding the size of operations to take advantage of technical or economic efficiencies, and full integration into the market economy. Generally, the result is a reduction in the overall number of individuals involved in farming and in the number of farms, with smaller, traditional farms being more likely to fail.

In the long term, a more efficient, productive agricultural sector will result in lower prices for agricultural produce and lower food costs. The impact of this on small farmers who are unable to adjust will be a reduction in real income levels and therefore a reduction in the already limited purchases made from the market. To the degree that the majority of the rural population of the country is cut out from economic improvement, a vast potential internal market is lost, which in turn reduces employment opportunities.

In the short and medium term, the impact on the urban poor will depend on the degree to which greater efficiency and productivity in the agricultural sector, and hence lower food prices, will offset any loss of food subsidies.

These issues will be included in the policy analyses conducted by the PAU and the Agricultural Policy Institute. The final policies chosen will reflect the

administration's priorities in social and economic development based on a full understanding of the tradeoffs involved and the impacts on different groups in society.

The other main issue involved in policy development-acceptability of policy initiatives to affected groups-involves not only the impact of new policies but also the degree of participation in policy development by these groups. The development of private sector capability in policy analysis and promotion is designed to increase the level of participation and create an effective policy dialogue between the private sector and the government. While some individuals and groups will inevitably object to some policy elements, active participation will reduce irrational resistance and the sense of political alienation and will increase the potential for compromise and identification with the final policy decisions.

2. Component II: Agricultural Information System. The primary social impact of the agricultural information system concerns the market news reporting system, which is designed to improve the quality of and access to the information necessary for making informed investment, planting, and marketing decisions. The other elements of the information system--crop and livestock reporting and agroclimatic information will have indirect impacts primarily through the policy formulation process.

The key social issue in market news reporting is equality of access to information. The system for communication of market information must take into account the information requirements and media preferences of small and often isolated producers. The Project proposes to disseminate information through a wide variety of channels, including agricultural magazines, newspapers, and radio. The most important medium for reaching the small farmer will be radio. In order to provide maximum access to the information, the activities to establish the information system will include a study of the media habits of the different economic groups in different areas of the country, including the times that the major agricultural decisionmakers listen to the radio and the preferred stations. These will be used to help design a dissemination system that will reach the largest possible number of smaller producers feasible within the budgetary constraints of the Project and MOA.

E. Institutional Analysis

The institutional beneficiaries of the Project will include the Ministry of Agriculture (MOA), the National Institute of Statistics and Census (INEC), the National Institute of Meteorology and Hydrology (INAMHI), and, in the private sector, the science foundation (Ciencia). In addition, Ecuadorean private consulting firms will benefit from contracted studies.

The institutions involved in the Project are shown by component and activity below.

Component	Activity	Institutions
I	1 & 2	Ministry of Agriculture Policy Analysis Unit Marketing Subsecretariat
	3	Ciencia Private Sector Consultants
	2	Ministry of Agriculture Information Directorate Crop and Livestock Reporting Board INEC

Component	Activity	Institutions
II	1	Ministry of Agriculture Information Directorate
	3	Ministry of Agriculture PRONAREG INAMHI
	4	Ministry of Agriculture Information Directorate Crop and Livestock Reporting Board Policy Analysis Unit PRONAREG INAMHI

1. Ministry of Agriculture. The Ministry of Agriculture is large organization, having over 2,400 employees, but receives less than 5 percent of the GOE budget. Most of its funds are required for salaries, which are very low and insufficient to attract and hold people with specialized training and skills.

The Ministry has undergone numerous reorganizations, the present one being the 10th in less than 30 years. But, these reorganizations has done little to modernize MOA operations or upgrade personnel skills. There is virtually no computer capacity, and the Ministry has no effective means for controlling its rather vast operations.

Some nine semi-autonomous agencies, performing services from from research to marketing and regional entities, are attached to the MOA, but have separate budgets. At the same time, some important agencies with strong agricultural

and rural functions are not, such as the Secretariat for Integrated Rural Development (SEDRI) which is attached to the office of the Presidency. As a consequence, the Ministry is fragmented, uncoordinated, and has serious internal as well as external conflicts.

a. Organization. The present government began a reorganization of the Ministry shortly after taking office in 1984. Four Subsecretariats were created, and recently a fifth was added. The Subsecretariats are organized along both functional and regional lines with one for the Sierra and one for the Coast, one for marketing, one for administration, and one for planning.

The organization and operational procedures still are evolving. A major problem in this or any organizational structure is effective utilization of the large number of employees. The Ministry appears overstaffed, but civil service regulations preclude paring the numbers. At the same time, the low salaries make it virtually impossible to attract and retain people in top management or technical positions. Thus, it is difficult not only to formulate policies and programs, but to get them implemented and effectively carried out.

b. Policy Making and Policy Analysis. Policy making authority resides with the Minister, with advice from the Subsecretaries, Advisors, and heads of important agencies. Policy making is severely impaired by many constraints, but effective coordination across the subsecretariats and the lack of credible information, data and, analytical expertise are major ones.

There has been formal body whose function is policy analysis although the Planning Unit does some related work. There is very little economic analysis, and very few economists or agricultural economists in the Ministry. Although the Minister has an economic advisor, he has not had the staff and there is little capacity elsewhere in the Ministry to draw upon.

The Policy Analysis Unit is being created in the MOA to help overcome this deficiency. It will consist of a high level professional staff composed by ten analysts, five agricultural economists or other policy specialists from the private sector and five others from the Ministry itself. Although, this unit's role has been clearly explained throughout this project paper, there has been no explicit definition of the functions to be accomplished by each of the PAU integrants. Therefore, to avoid disorganization, duplication of efforts which would result in a delay in policy analysis outputs, a plan of activities should be elaborated for this unit with the guide of USAID.

Coordination. Because of little overall coordination among units within the Ministry and the semi-autonomous agencies in the past years policies have often been found in conflict with one another and competitive or duplicative programs have been operated by different subsecretaries. To avoid, these type of problems in policy making, coordination of Project related activities in the MOA will be achieved by development coordinating devices to assure that

each unit carryout its activities adequately so that all can be meshed into a workable unit. The basic approach will be the focusing of overall responsibility in a single office, the PAU, with that office supplied with sufficient resources to enable it to carry out these coordinating functions.

A primary problem for coordination is in the information system due to the diverse units that are involved - different units within the MOA and two units outside (INEC and INAMHI). The basic approach to assuring cooperation within their system will be the location of the primary responsibility for the release of official MOA duty on crops and livestock. Technical committees will develop the schedules for data collection and procedures for processing and publication. A Crop and Livestock Reporting Board will be established to develop official estimates and approve official releases of yield area and production estimates.

Contractual agreements will be developed by the MOA with INEC and INAMHI to establish the duties and responsibilities for each part. It is presumed that these will be modified over the life of the Project as experience is gained and as the issues become clarified through implementation of the Project activities. Technical assitance from the Project will assure that the issues are recognized and addressed.

Policy Implementation. Policy implementation has been complex in Ecuador not only because of the internal institutional inefficiency of the system but also because of external problems, such as social and political resistance to change due either to conflict of interests or to mistrust or misunderstanding of policy reform. Hence, the situation has not permitted the creation of adequate conditions nor attitudes for policy implementation. Taking into account these types of constraints plus many more which will result from implementing new policies, implementation is a concern to this Project. Thus implementation is considered an intergral part of all activities and TA will be used to help assure that followup activities are undertaken.

Institutionalization of Policy Analysis Unit. The approach of the Project is to assist the GOE with its agenda of policy change, that is, a reorientation to the private sector and a more market oriented agricultural system. Thus, the primary Project emphasis is on providing the types of assistance to successfully implement such a program in the short run. A secondary emphasis is to develop the MOA's institutional capacity to continue to do effective policy analysis and implementation. The question here, is the mechanism to institutionalize policy analysis and implementation capacity. Formalizing the PAU within the new administrative structure of the MOA could be a partial answer to this constraint; once it becomes a formal unit the MOA will be committed to assign a budget for its operation, which will permit it to keep on functioning once the Project funds are not available.

Related to this constraint, is the concern about the location of this PAU within the actual MOA's organization. Because of the defficiency and even lack of efficient information and communication systems between and among the

units situated at lower levels in the MOA's structure and high level authorities, the PAU is being located at a high level for a more direct access to the Ministerial staff will provide it more power and therefor better efficiency. This unit will be located directly under the department of economic affairs, so that its outputs will be canalized directly by its head to the Minister and his policy making staff.

Setting the PAU at a higher level would create a heavy burden on the Minister due to his lack of availability to deal directly with the PAU needs or requirements.

c. Marketing and Marketing Policy. The newly created Subsecretariat for Marketing subsumed two existing agencies, ENAC and ENPROVIT. The former buys, stores, and sells grains and is the price support mechanism, while the latter operates retail stores to sell basic foods at subsidized prices in low income areas. Both of these entities are widely viewed as being inefficient and performing functions that could in part be performed by the private sector. There is little else in the way of marketing activities in the Ministry.

A more fundamental concern, however, is that the intended greater reliance on the market for these and other functions requires that markets exist and function efficiently. This is not now the case and certain fundamental information and regulatory functions must be performed by government. These functions now are generally rudimentary or ineffective and must be greatly enhanced. While the subsecretariat is highly supportive of providing these functions, it faces constraints from a lack of trained and experienced personnel as well financial and physical resources.

The Project will contribute to basic marketing improvement through technical assistance and support activities for the Subsecretariat. These activities will consist of development of a marketing strategy necessary to obtaining and implementing a World Bank marketing loan and the development of a market news service. The market news system will represent the first systematic collection and reporting of fundamental market data for the major crop and livestock commodities. This clearly is a function not likely to be performed by the private sector and the Subsecretariat for Marketing is the most logical repository for the service.

The Project also will assist the MOA in developing grades and standards for selected agricultural products. Other studies to be conducted under the Project also will assist the MOA to improve the marketing system. While the Project will not finance improvements in market infrastructure, its contributions will be a basis for such activities by the World Bank and other donors.

d. Information System. The information system's administrative structure is the most complex of those in the Project because several units within and outside the MOA are involved. There now is a statistical unit in the MOA which collects data on crop and livestock production and farm prices

through the 130 Agricultural Service Agencies (ASA), Provincial Agricultural Directorates, technical directorates (ie, the individual crop and the livestock programs) and producer groups (eg. for African Palm). This system provide the official MOA data. However collection methods are highly subjective and the accuracy of the data uncertain at best.

The National Institute for Statistics and Censuses (INEC) also collects crop and livestock data using an area frame sample. The National Institute for Meteorology and Hydrology (INAMHI) of the Ministry of Natural Resources collects weather data and in collaboration with the MOA's National Program for Regionalization (PRONAREG) develops and publishes agroclimatic data in a monthly bulletin.

Under the current system, only historical information is supplied; there are no formal estimates of current conditions or forecasts of future conditions. Except for data supplied by the technical directorates, there is no formalized procedure for obtaining data such as planting intentions, area planted, and growing condition data which can be used for yield and production forecasts.1/ These data are essential to policy and program decisions concerning imports, exports, storage, etc.

The Project will continue support for all three entities. The major concern has been ensuring effective coordination across the agencies, since each is essential to the success of the activity. The work will be coordinated and unified by the Information Directorate being developed in the MOA. This unit will coordinate all efforts and will have responsibility for the entire data system. The computer facilities to be installed in the MOA will permit the processing of data in the Ministry and allow the Information Directorate to be directly and effectively involved.

The INAMHI/PRONAREG program is functioning well and the two units work together effectively. The MOA's statistical unit and INEC's SEAN project, however, have not coordinated activities effectively although the MOA provides financial support to the program and has people assigned to work with SEAN. Major problems have been the late reporting of the SEAN data and discrepancies with the official MOA data. Since there has been no recent agricultural census, no effective way to verify the correctness of either the SEAN or MOA data exists.

However, neither the MOA nor SEAN data provides the type of information needed at the time required for many policy decisions. The Project is providing assistance to upgrade the information system to provide the required data.

1/ INEC asks for planting intentions during its twice yearly surveys but by the dime this information is available the crop has been harvested.

The procedures to obtain the essential coordination across the different units will require substantial effort and commitment by MOA, INEC, and INAMHI. Two coordinating committees will be used to achieve an effective working relationship - one composed of the highest feasible administrators from each unit and the other composed of working-level people. Leadership must come from the MOA; it is the user agency and it is essential that the information supplied be what is needed and timely.

e. Computer System. There is no centralized, automated data processing capability in the MOA. A few agencies programs have some, generally outdated and inadequate computational facilities. However, most of the work is done by manual operations. Thus, there is neither experience nor capability in automated data processing, except for several high level administrators who are familiar with such systems from experience in the private sector.

The most effective means of introducing computer capability to the MOA was given careful consideration. The most feasible approach was deemed to be a Project financed facilities management contract with a private Ecuadorean firm. This approach was elected because there are no skills in the MOA, and training would require many months, thus delaying the Project. An evaluation of the capacity of the private sector indicated this would be feasible. Firms exist which do this successfully for both public sector agencies and private business firms.

2. National Institute for Statistics and Census (INEC). INEC is an effectively organized agency for collecting and handling large data sets. The agricultural area frame sample (SEAN) is conducted by a separate unit partially finance by MOA. The area frame sample, however, is relatively large and conducted twice yearly to obtain provincial level data. But, obsolete data processing facilities prevent fast processing and reporting. A major limitation is an obsolete operating system (software). The Project thus will finance a new operating system and additional stations for encoding data.

The Project also requires a very substantial change in the use of the area frame sample. Instead of two large samples surveys each year, there will be several crop (enterprise) specific surveys taken each growing season. Timeliness becomes critical, but this approach tends to even the work load across the year. With the technical and financial assistance provided by the Project, INEC should be able to adequately handle the changed work load.

3. National Meteorological and Hydrological Institute (INAMHI). This institute, located in the Ministry of Natural Resources, has long experience with collection, analysis and distribution of meteorological data. Under an AID/NOAA/University of Missouri program, INAMHI and PRONAREG have developed a joint effort for providing climatic data for agricultural use. The Project will support an expansion of the effort to increase the number of

weather stations from 12 to 50. INAMHI has made good use of its limited resources, and should be able to adequately incorporate the expanded data base with an improved computer system financed by the Project.

4. Private Sector Organizations. The primary private sector organization receiving Project support is the Fundacion Ciencia. However, it will work with farm organizations, private consulting firms, and other organization connected with agricultural production processing, marketing, and consumption.

a. Science Foundation. Ciencia is a small, private, non-profit foundation created to conduct research and promote improvements in health and other sciences. Its founders were prestigious Ecuadorean private sector, public spirited individuals. It has had strong leadership but has remained small, without permanent paid staff (except secretarial). It has lacked financial resources to hire a permanent staff to take full advantage of grant opportunities. However, although it is small and less than ten years old, Ciencia has considerable Project management and administrative experience. It has successfully conducted several comprehensive projects and has experience in dealing with international donors such as Canada's International Development Reseach Center, the German Development Bank and UNICEF.

Although it has been natural science oriented, its charter is broad enough to cover the policy activities envisioned under this Project. With Project support to expand staff to handle general and Project specific activities, Ciencia should be able to adequately administer the Project. Technical assistance from the Project will enable it to adapt to the new area and to contribute very effectively to agricultural policy development and dialogue in Ecuador.

b. Private Consulting Firms. Another of the means for expanding private sector capability in policy analysis is to encourage the development of private sector consulting firms. These will be contracted to conduct policy studies, either alone or jointly with expatriate firms. Although there are a large number of registered consulting firms in Ecuador few are active and most are engineering firms, with very few specializing in economic topics.

Some firms that specialize in agricultural consulting exist on paper, but are not full time due to the very small amount of business available. Some larger non-agricultural firms conduct agricultural projects by hiring life of Project employees. There is a small, but significant, number of agricultural economists and economists with agricultural interests and/or experience who are available in a part time basis to work for the consulting firms.

The Project will help strenghten the consulting sector by providing funds, through Ciencia and the MOA Policy Analysis Unit, for contract studies, thus providing opportunities for such firms to be more intensively and continously involved in agricultural and policy related research and analysis. The forums and conferences also will encourage such activities. To strengthen the

capabilities for joint venture projects with U.S. consultants, workshops and seminars, sponsored by Ciencia or the PAU will be used. These efforts will be designed to encourage a greatly expanded and higher quality policy dialogue as well as an expanded capacity, effort, and effectiveness for policy research, analysis, and change.

F. Environmental Analysis

A review of the Project during the PID development resulted in the recommendation by the Mission that an Initial Environmental Examination was not required because the Project's activities fall within the action listed in Section 216.2 (c) 2 of AID's Environmental Procedures (Handbook 3) under "Categorical Exclusion". Annex E contains the "Environmental Theoretical Decision", LAC/DR-IEE-85-8, which concurs with this recommendation.

V. IMPLEMENTATION ARRANGEMENTS

A. Administrative Arrangements

1. GOE Implementing Arrangements. The GOE entity responsible for Project coordination is the Policy Analysis Unit (PAU) located within the Office of the Economic Advisor to the Minister of Agriculture. As head of the PAU, the Economic Advisor will be the MOA official responsible for the Project. Within the Policy Analysis Unit, a project office consisting of the Chief of Party, the policy advisor, and administrative assistant and secretarial staff will be responsible for coordination of Project activities, administration of the technical assistance contract, and Project administration. Project administration functions will include recordkeeping, preparing workplans and budgets, and drafting progress reports.

Project activities will be approved and coordinated through a two-tiered committee structure consisting of a Management Committee and a Technical Committee.

The Management Committee, composed of the Economic Advisor, the Chief of Party, and the AID Project Manager, will be responsible for reviewing all annual plans, budgets, and reports. The Committee will also have the authority to make operational decisions based on approved budgets and workplans. The Administrative Assistant will be the Executive Secretary.

The Technical Committee will be composed of the Chief of Party, the AID Project Coordinator, the Administrative Assistant, and a representative of each organization involved in the computer information system component of the Project, including INEC and INAMHI. The function of this Committee will be to coordinate the many interrelated computer related activities and to resolve problems that occur during implementation of the information system.

2. Task Force Followup. Policy studies undertaken to support and followup the recommendations of the Presidential Agricultural Task Force will be financed through a Mission IQC established for that purpose. The Bi-lateral Commission, composed of the Task Force leader, the Minister of Agriculture, and the USAID Mission Director, is responsible for establishing priorities for studying the recommendations, developing procedures to implement the recommendations, and monitoring the followup actions. The head of the PAU and the USAID RDO serve as secretaries to the Commission. Upon direction from the Commission, the PAU will develop the appropriate scopes of work to accomplish the study and USAID will contract the necessary technical assistance through the Mission IQC.

3. AID Implementing Arrangements. The Project will be administered by the Agricultural and Rural Development Office of USAID/E. The Project Manager will be a direct hire U.S. employee in that Office. An AID Project Coordinator to handle administration and coordination will be financed with Project funds. The Mission JCC Agricultural Policy Specialist will advise and assist the PAU and the API on agricultural policy issues. Detailed procurement and disbursment procedures are presented in Annex I.

B. Implementation Plan

Implementation of the Project will entail provision of technical assistance and studies over the five year life of the Project and acquisition of computer and agroclimatic equipment to strengthen the policy analysis and information gathering capability of the public and private sectors.

The first year of the Project will consist of start-up activities, including contracting all technical assistance, purchasing and installing the equipment, and setting up systems and procedures for data collection and analysis. In order to reduce start-up time, the technical services will be contracted through a qualified 8(a) firm. Some pre-Project activities have been funded under the Agricultural Transition Project, including establishment of the PAU and initiation of several urgent policy studies. A number of other priority studies will be completed during the first year, including those studies which will provide basic information needed for policymaking. Initial training of staff in the cooperating institutions will begin during the first year. Under the Ciencia component, scholarships will be awarded.

The majority of the technical assistance services and studies will be performed during the first three years of the Project. The emphasis during this period will be on developing expertise in policy analysis and data collection and processing in each of the participating institutions and establishing efficient operations for each unit.

By the final year of the Project, a minimal amount of technical assistance and consultant support will be needed. All policy analysis and information management systems will be fully institutionalized and operational. The Policy Analysis Unit and the API will be integrated into the policy making and program development operations in the MOA.

Annexes G-I contain complete implementation plans, including output, input, and disbursement schedules, and contracting and procurement plans.

The key dates in the Project implementation schedule are:

PP approval and authorization	July, 1985
Project Agreement Signed	July, 1985
Initial CPs fullfilled	October, 1985
Long-term advisors arrive	October, 1985
Project Coordinator arrives	February, 1986
IQC for Task Force Followup signed	February, 1986
Computer equipment installed	July, 1986
Mid-term evaluation	February, 1988
Final Evaluation	July, 1990
PACD	July 26, 1990

C. Contracting and Procurement Plan

At the request of the MOA, A.I.D. will perform all of the contracting and procurement actions for the Project.

The major technical assistance contract, covering all of the long and short term TA except the short term advisors to Ciencia and any undefined policy studies, will be negotiated with a qualified 8(a) firm after informal competition. Due to the scope of the technical assistance required, the firm selected will be encouraged to subcontract to broaden the base of expertise available. Technical assistance for the agroclimatic component will be subcontracted to the University of Missouri or NOAA to continue their previous work in this field with IHAMHI/PRONAREG. Implementation of this activity will be greatly facilitated by utilizing the same source to build upon the Project knowledge and good working relationships developed during the pilot project.

Short term technical assistance for Ciencia will be obtained through a Mission add-on to the centrally funded Agricultural Policy Project. A Mission IQC will be contracted for all follow-up work from the Presidential Agricultural Task Force.

Technical assistance for the computer facility design, software development, and training will be contracted to a qualified 8(a) firm. This firm will also be responsible for assisting the Mission in preparing specifications for the equipment purchase.

The Project Coordinator will be hired using international competitive negotiation procedures. Technical assistance for evaluations will be contracted through IQC mechanisms.

The computer and agrometeorology equipment will be purchased separately using Invitation for Bids with international advertising. Although all equipment will be purchased in these two procurement actions, delivery of some of the equipment, specifically the microcomputers and the weather monitoring equipment, will be phased as needed.

Goods and services to be acquired under the loan will be acquired in countries included in code 941 of the AID Geographic Codebook or in Ecuador. Goods and services to be acquired under the grant will have their origin in the United States or Ecuador.

The Regional Contracting Officer will be responsible for negotiating and executing all contracts except procurement through the IQC mechanism and the Mission add-on to the Agricultural Policy Project.

D. Monitoring and Evaluation Plan

1. Monitoring. The Project will be managed by a USDH staff member in the Rural Development Office. The Project Manager will be assisted by a

Project-funded Project Coordinator, who will work closely with all implementing agencies and the technical assistance team.

Project monitoring will be greatly facilitated by USAID participation in the Executive, Management, and Technical Committees in the MOA, the Bi-lateral Commission, and the Project Committee in Ciencia. All of these committees will meet regularly and will determine plans and budgets as well as review Project activities.

The Project Coordinator will systematically monitor the dissemination of market news and crop and livestock news to assure that the information is getting to the target audience.

The Project Office in the MOA and the Project Director in Ciencia will each be responsible for preparing regular reports on the progress of the Project, including:

1) Brief monthly reports summarizing expenditures, Project activities, and problems;
2) Quarterly progress reports detailing expenditures, achievements, problems, and plans;
3) Annual reports summarizing the years progress, achievements, problems, and plans. These will be the basis for an in-house evaluation by the AID Project committee;
4) An end of project report to reflect achievements, problems, and evaluations.

2. Evaluation. Major evaluations will be conducted during the third and fifth years of project implementation.

The mid-term evaluation will be a formative evaluation which will focus on implementation progress and problems. For the public sector components, evaluation issues will be the quantity and quality of policy studies and the use of the PAU for policymaking support, the implementation of policy changes, the development and effectiveness of the information system, the operational capability of the computer system and the stage of development and use the agroclimatic impact models. The evaluation will specifically address the question of whether the information is being received and used--by MOA policymakers, by farmers, and by private sector marketing and processing firms. The evaluation will assess the prospects of the Project achieving the Project purpose and will recommend any necessary changes to improve the likelihood of success.

Evaluation of the private sector component will focus on the effectiveness of Ciencia in conducting policy studies and in generating public awareness, knowledge, and participation in agricultural policy making, as well as its effectiveness in administering the other activities. A survey will be conducted among producer organizations and other relevant private sector groups to determine their knowledge and use of the API for policy analysis or

as a channel for presenting their views to the government. The evaluation of Ciencia will be directed toward a recommendation that the activity either be continued and efforts made to find permanent funding sources or that it be discontinued or phased out. In the latter case, alternative means of achieving the Project objectives in the private sector will be analyzed.

The final evaluation will be an summative and impact evaluation to take place just prior to the end of the Project. This evaluation will determine the impacts of the Project and will measure the achievement of the purpose and outputs. Key issues will be the degree to which policy analysis in the public and private sectors have contributed to policy formulation, institutionalization of the policy and information systems, and the effectiveness of the formal and on-the-job training in improving the capability of Ministry staff and the quality of their work. The evaluation will identify any factors which inhibited or enhanced success and will make recommendations to further improve the system.

The evaluations will be conducted by two teams, one for the public and one for the private sector. The public sector team will consist of a team leader experienced in evaluation procedures and with experience in Latin America, an economist with policy experience, an agricultural marketing specialist, an agricultural information systems specialist, a market news/grades and standards specialist, and a computer systems specialist. The team leader and policy specialist will spend 5-6 weeks each and the other team members about 3 weeks. The private sector team will consist of an agricultural policy economist who will be the team leader, an expert in farm organizations and an individual from a private enterprise or foundation involved in agricultural activities. Each will spend 3-4 weeks on the evaluations. Each evaluation will require 33-36 person weeks and cost around $100,000 which will be paid from Project grant funds.

The Logical Framework (Annex A.) and the detailed implementation plan (Annex H) will serve as the framework for both evaluations. These documents include specific benchmarks and targets for evaluating progress.

At the same time as the mid-term evaluation, the Ciencia component will be audited by a local firm to assure that adequate financial and administrative controls are being used. At the end of the Project, a full audit of all Project activities will be conducted.

E. Conditions and Covenants

1. Condition Precedent to Disbursement for the Crop and Livestock Reporting System Other Than Short-term Technical Assistance. Prior to the first disbursement of assistance for other than short-term technical assistance, or the issuance of documentation pursuant to which disbursement will be made, for the Crop and Livestock Reporting System or any computer equipment pertaining to this system, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., a Ministerial decree or equivalent

documentation establishing the Crop and Livestock Reporting Board reports as the official Ministry of Agriculture (MAG) statistics for the products under its jurisdiction.

2. Condition Precedent to Disbursement for the Policy Analysis Unit after April 1, 1986. Prior to any disbursement after April 1, 1986, or the issuance of documentation pursuant to which disbursement will be made, for the Market News Information System in the Information Directorate of the MAG, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., (a) a copy of the approved Government documentation which officially establishes positions for these personnel, in a number mutually agreed upon by the Parties; and (b) a copy of the annual operating budget, which provides for full funding of these personnel and all necessary support.

3. Condition Precedent to Disbursement for the Market News Information System after April 1, 1986. Prior to any disbursement after April 1, 1986, or the issuance of documentation pursuant to which disbursement will be made, for the Market New Information System in the Information Directorate of the MAG, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., (a) a copy of the approved Government documentation which officially establishes positions for these personnel, in a number mutually agreed upon by the Parties; and (b) a copy of the annual operating budget which provides for full funding of these personnel and all necessary support.

4. Condition Precedent to Disbursement for the Crop and Livestock Information System after April 1, 1986. Prior to any disbursement after April 1, 1986, or the issuance of documentation pursuant to which disbursement will be made, for the Crop and Livestock Reporting System in the Information Directorate of the MAG, the GOE shall present to A.I.D., in form and substance satisfactory to A.I.D., (a) a copy of the approved Government documentation which officially establishes positions for these personnel, in a number mutually agreed upon by the Parties; and (b) a copy of the annual operating budget, which provides for full funding of these personnel and all necessary support.

5. Special Covenants. The GOE through the Ministry of Finance, covenants that, unless A.I.D. otherwise agrees in writing, it will provide an annual budget line item, beginning in 1987, in an amount to be mutually agreed upon by the Parties, to be used by the Policy Analysis Unit to contract outside studies and technical assistance.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title and Number: Agriculture Sector Reorientation 518-0051

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Goal:			
To enhace economic growth, provide a stable and low cost food supply, and improve export performance through increased reliance on private sector initiatives.	1. Aggregate production of 21 major commodities increased by 30% by 1995. 2. Rural income increased by 10% by 1995.	1. Official MOA production records 2. National accounts and census/survey data on incomes.	1. Continued GOE support for production and market oriented development of agricultural sector. 2. Favorable weather conditions. 3. Favorable export market conditions for Ecuadorean agricultural Products.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Purpose:			
To realign agricultural policies in such a way as to increase reliance on markets and private sector initiative	1. Reduced government intervention in pricing of agricultural commodities, as determined by the following: a. Number of agricultural commodities subject to consumer price controls reduced from 3 to 0 by 1990. b. Number of agricultural commodities subject to producer price supports reduced from 20 to 5 by 1990.	1) MOA Program Documents 2) Evaluation 1) MOA Program Document 2) MOA Budget	1. Political and social stability. 2. No significant change of GOE priorities during project life. 3. Relative economic stability. 4. Interested investors for divested enterprises can be found.
	2. Reduced government intervention in marketing of agricultural inputs, services, and products, as determined by the following: a. Among wholly government owned parastatals, 3 will be divested, and 3 will have been reorganized with significant reduction in their scope of activities.	1) GOE Documents	

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	3. Realignment of food subsidy policies and procedures with the objective of increasing efficiency (thereby reducing costs) of targeting low income consumers completed by 1990.	1) Project Evaluation 2) GOE program documents	
	4. Realignment of structure of incentives for production of agricultural commodities, including: pricing policies, credit and investment policies, colonization policies, taxation policies, and research and education priorities.	1) GOE program reporting documents 2) Project Evaluation	

OUTPUTS	OVI	MOV	ASSUMPTIONS
COMPONENT I - POLICY FORMULATION AND IMPLEMENTATION			
1) Immediate Policy Agenda	1. No fewer than 6 commodity marketing studies completed. 2. Cost of production studies for at least 20 products completed. 3. Divestiture option studies completed for at least 7 parastatals. 4. Commodity price studies completed for at least 10 commodities. 5. At least 7 other studies completed, including domestic resource costs and demand analysis.	1a. Copies of completed studies 1b. Quarterly reports	1. Technical assistance is effectively provided. 2. MAG provides qualified counterpart personnel and resources. 3. Sufficient continuity of PAU and API personnel so that on-the-job training is effective.
2) Strengthen MAG Policy Formulation Capability			
	a1) PAU unit officially created a2) Staff positions transferred a3) Unit included in budget a4) funding for outside staff and studies budgeted for 1987	a) MOA Budget	
b) PAU functional	b1) no less than 12 in-depth studies contracted by PAU and completed	b1) Copies of completed studies	

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OUTPUTS	OVI	MOV	ASSUMPTIONS
	b2) A PAU briefing for the Minister and subsecretaries is conducted at least once a month	b2a) Quarterly reports b2b) Minister's Schedule	
	b3) PAU receives 30-40 requests for problem analysis from upper Ministry management per year by second year of project	b3a) Quarterly reports b3b) Written requests/ memos b3c) PAU Work log	
	b4) Calendar of anticipated events is published annually and distributed to MOA management	b4a) Copy of distributed Calendar	
c) staff trained and capable of independent analysis	c1) At least two workshops held each year	c1) Quarterly Reports	
	c2) Policy analyses completed with minimal technical assistance by fourth year of project	c2) T.A. schedule - Eval. of analyses in 4th and 5th years	
d) Policy implementation plans completed	d1) Implementation plans completed for each policy adopted	d1) Copies of implementation plans	
3) Private Sector Policy Analysis Capability			
a) Agricultural Policy Institute established	a1) Institute created within Ciencia a2) Staff hired a3) Activities budgeted a4) Adequate financing secured by EOP to assure continued operation	a) Ciencia Budget and records	

OUTPUTS	OVI	MOV	ASSUMPTIONS
b) Policy issues analyzed	b1) No less than 3 studies completed each year b2) At least 3 research grants awarded each year	b) Ciencia records, Quarterly reports Copies of studies	
c) Public interest in and knowledge of agricultural policy stimulated	c1) One essay contest held each year	c1) Newspapers Copy of Announcement	
	c2) No fewer than two major forums/workshops held each year with minimum attendence of 75 persons at each	c2) Quarterly Reports Copies of Proceedings Attendance lists	
	c3) No fewer than two guest lecturer presentations held each year	c3) Quarterly Reports Disbursements Announcement of Presentations	
	c4) All reports, studies, research papers, essays and proceedings sponsored by API publicized and disseminated	c4) Copies of Reports	
d) Private Sector policy analysis capabilty enhanced	d1) Six scholarships awarded and recipients work on Ecuador policy analysis for thesis and return to work for Ciencia after completion of degree work	d1) Quarterly Reports Disbursements Copies of Thesis Evaluation	

OUTPUTS	OVI	MOV	ASSUMPTIONS
	d2) No less than 80% of studies financed performed wholly or in part by in-country Ecuadorian professionals	d2) Copy of Reports Disbursements Contracts	
	d3) Survey of existing policy analysis capability completed	d3) Copy of Survey	
	d4) Policy library established	d4) Consultant Reports Site Visits	
COMPONENT II - INFORMATION SYSTEM DEVELOPMENT			
4. Market News System			
a) System Established	a1) Market News unit formally established within Directorate of Information, staff officially transferred to unit, and budget included in MOA budget	a1) MOA Budget	
	a2) Board of Users appointed by Minister and through regular meetings takes active role in design and use of system	a2) Minutes of Meetings	
	a3) Procedures and data forms developed	a3) Copy of Procedure Statement and Forms	

OUTPUTS	OVI	MOV	ASSUMPTIONS
	a4) Market reporters trained and stationed at markets	a4) Quarterly Reports	
	a5) Market news reported daily from markets	a5) Daily info log	
	a6) Market News Unit widely disseminates daily, weekly, and semi-weekly reports through written and broadcast media	a6) Copy of media records	
	a7) Systematic reporting on at least 12 commodities by EOP	a7) Market news reports	
b) Grades and Standards established	b1) Grades and standards for 5 major commodities developed and officialized by MOA.	b1) Official MOA records	
	b2) Reporters trained in standards system	b2) Quarterly Reports	
	b3) Private sector producers and marketers trained in system	b3) Spot Checks	
5. Crop and Livestock Reporting			

OUTPUTS	OVI	MOV	ASSUMPTIONS
a) CLRB Established	a1) CLRB formally created in Information Directorate, staff transferred, budget included in MOA budget	a1) MOA Budget	
	a2) Information sharing agreement signed between MOA and INEC	a2) Copy of Agreement	
b) Reporting system functional	b1) Commodity survey instruments designed	b1) Survey instruments	
	b2) Sample frames for each commodity developed	b2) Unit Files	
	b3) Staff trained in use of instruments	b3) Quarterly Reports Evaluation	
	b4) Surveys scheduled and logistical arrangements made	b4) Schedules, evaluation	
	b5) Information transferred from INEC to CLRB within one week of survey	b5) CLRB Records	
	b6) CLRB disseminates national totals within one week of receipt of INEC information	b6) National Media, CLRB documents	

OUTPUTS	OVI	MOV	ASSUMPTIONS
	b7) Schedule developed and met for dissemination of survey information	b7) Schedule	
	b8) Procedures developed for information dissemination	b8) CLRB Files	
	b9) 19 commodities included in reporting system by EOP	b9) Evaluation	
6. Agroclimatic system			
a) INAHMI system improved	a1) New staff hired	a1) INAMHI Records and Budget	
	a2) Number of monitoring stations increased to 50 by EOP	a2) Quarterly Reports	
	a3) 5 Phemological studies completed	a3) Quarterly Reports	
7. Computer System			
a) Computer System established	a1) Equipment purchase and installed	a1) Consultant Records	
	a2) Staff trained in equipment operation	a2) Project Officer Site Visits	

OUTPUTS	OVI	MOV	ASSUMPTIONS
	a3) End-users trained in system capabilities		
	a4) Facilities management contract in operation		

OUTPUTS	OVI				MOV	ASSUMPTIONS
Inputs:	(U.S. $000)					
	G	U.S. L	GOE	CIENCIA		
Technical Assistance	5,010		390			
Training and Scholarships	520	278	50			
Computer Equipment		690		15		
Other Equipment			30			
Publications		300	25	100		
Workshops Etc.	157			45		
Administrative Support and Supplies and Salaries			2,677	245		
Vehicles			90			
Evaluation	250					
Coordination	540					
Contingencies	623	132	333			
	7,100	1,400	3,595	405		

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Gerald R. Wein, Acting Mission Director of the Agency for International Development in Ecuador, having taken into consideration among other factors, the maintenance and utilization of projects in Ecuador previously financed or assisted by the United States, do hereby certify that in my judgement Ecuador has the technical capability and the physical, financial, and human resources to utilize and maintain effectively the proposed loan of One Million Four Hundred Thousand United States Dollars (US$1,400,000) and grant of Seven Million One Hundred Thousand United States Dollars (US$7,100,000) from the Government of the United States of America to the Government of Ecuador for the Agriculture Sector Reorientation Project.

This judgement is based on: (a) the fact that the project design, as described in the Project Paper, takes into account existing GOE institutional capacities to utilize and maintain project resources; and (b) the USAID's previous experience with the maintenance and utilization of other projects in Ecuador previously financed or assisted by the United States.

Gerald R. Wein
Acting Director, USAID/Ecuador

July 30, 1985

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1984 Continuing Resolution. Has it been determined or certified to the Congress by the President that the Government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from entering the United States unlawfully?

It has not been so determined. The GOE has an active narcotics program with USG support.

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor of any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

No such case is known.

3.	FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?	No.
4.	FAA Sec. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?	No.
5.	ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.	N/A
6.	FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?	No.
7.	FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?	No.

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?	Yes, taken into account by the Administrator at the time of approval of Agency OYB.
(b) If so, has any deduction required by the Fishermen's Protective Act been made?	N/A
9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country?	No.
(b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?	No.
10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)	Yes, taken into account by the Administrator at the time of approval of Agency OYB.

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?	No.
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)	Payment status is current.
13. FAA Sec. 620A; FY 1982 Appropriation Act Sec 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?	No.
14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?	No.
15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards?	No.

Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)	
16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)	Yes. Yes. Yes, taken into account by the Administrator at the time of approval of Agency OYB.
17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti.	N/A.
18. FY 1984 Continuing Resolution. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?	No such determination has been issued.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?	The Department of State has not determined that Ecuador is a violator of human rights.

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest? N/A

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.? N/A

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (b) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier? N/A

PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).	
(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that amount)?	(a) A Congressional notification has been submitted. (b) Yes.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Detailed financial and implementation plans are included in the PP. (b) Reasonably firm cost estimates are presented in the PP.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	No such action is required.
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?	N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	N/A.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No. The project is specifically designed to promote Ecuador's economic development based on detailed analyses of agricultural policies and programs.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	The project will promote private sector participation in policy making and will develop an agricultural information system to provide reliable and timely information needed for policy formulation and private sector investment decisions.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The Project will finance technical services provided by private U.S. consultants.
9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	Host country contribution, including in-kind support, are estimated at 28% of total project costs.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes.
12. FY 1982 Appropriation Act. Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	N/A.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?	Yes. A categorical exclusion from A.I.D. environmental analysis requirements was approved by the LAC Chief Environmental Officer.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?	N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?	The Project will help insure wide participation of the poor in the benefits of development on a sustained basis by strengthening the capacity of the GOE to design and implement sound agricultural policies and programs which will contribute to economic growth and development of the country.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?	Yes, the Project will increase the productivity and income of rural poor through the formulation of policies and programs which benefit the agriculture sector as well as the marketing system.
c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	Although the project does not involve production technologies, it does seek to promote the use of simple, low cost methods to improve agricultural production.
d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the cost of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	Yes.
e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than $100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.	N/A.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes. The Project will contribute to the development of the productive capacity of the agriculture sector.
g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intelectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	The Project responds to the serious economic crisis of Ecuador and seeks to provide solutions which are consistent with the capacities of the public and private sector implementing organizations. The project will support human resources development through adequate training which will strengthen management and technical capacity of the Ministry of Agriculture personnel involved in the Project.
2. Development Assistance Project Criteria (Loans Only)	
a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.	The GOE is currently involved in renegotiation of its external public debt. It is assured that successful conclusions of these renegotiations will allow the GOE to meet future repayment obligations.
b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?	N/A.
c. ISDCA of 1981, Sec. 724(c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?	N/A

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? N/A

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? N/A

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

STANDARD ITEM LIST

A. Procurement

1.	FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Yes, normal A.I.D. procedures will be followed.
2.	FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	Yes.
3.	FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	Ecuador does not descriminate against U.S. marine insurance companies.
4.	FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If off-shore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not resonably be procured in U.S.)	N/A.
5.	FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise elegible under Code 941, but which have attained a competitive capability in international markets in one of these areas?	N/A.

6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per cent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.?	No, shipping is not excluded from these requirements.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	Yes, it is anticipated that all T.A. will be competitively contracted.
8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?	Yes. The Project Agreement will so state.
9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?	Yes. Direct contracts entered into by A.I.D. under this project will contain such a provision.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used?	N/A.
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?	N/A.
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)?	N/A.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?	Yes, interest rates are those stated.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an intenational organization, does Comptroller General have audit rights?	N/A.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?	Yes.
4. Will arrangements preclude use of financing:	

a. FAA Sec. 104(f); FY 1982 Appropriation Act. Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?	(1) Yes. (2) Yes. (3) Yes. (4) Yes.
b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?	Yes.
c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes.
d. FAA Sec. 662. For CIA activities?	Yes.
e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	Yes.
f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?	Yes.

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments arrearages or dues?	Yes.
h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?	Yes.
i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?	Yes.
j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights.?	Yes.
k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?	Yes.

REPUBLICA DEL ECUADOR
MINISTERIO DE FINANZAS

OFICIO NO. 2965

Quito, a 18 JUL. 1985

REPLY DUE 8-3 PS
☐ NO REPLY NEEDED
☐ REPLIED BY
ON
Date Initials
FILE

Señor Arq.
Orlando LLenza
DIRECTOR DE LA AGENCIA DE LOS ESTADOS UNIDOS
PARA EL DESARROLLO INTERNACIONAL
Ciudad

Estimado señor Director:

La mayoría de las políticas agrícolas empren didas hasta ahora han restringido el desarrollo agrícola, debido a que tendían a favorecer al consumidor a través del control de pre - cios, subsidio a las importaciones, tipos de cambio y políticas de mercado. Con la reducción de estas políticas, el sector agrícola - ha sufrido una declinación que ha dado como resultado un incremento en las importaciones de productos alimentarios así como una mayor - dependencia en el Gobierno para asegurar la disponibilidad de suministros y mercados para productos agrícolas.

El Gobierno actual está profundamente interesado en promover el desarrollo agrícola mediante una mayor dependencia en el sector privado y una menor intervención a nivel Gubernamental. Para ello hace falta fortalecer la capacidad del Minis - terio de Agricultura a fin de que pueda realizar el tipo de análi - sis económicos que se requieren en cuanto a políticas agrícolas, el proceso de toma de decisiones y la implementación de estas políti - cas. Por otra parte, el sector privado necesita ser apoyado para - que pueda asumir una función más importante en el proceso.

Con estos antecedentes, me permito solicitar la cooperación técnica y financiera de la A.I.D. a fin de implementar un Programa para la Reorientación del Sector Agrícola del Ecuador.

El objetivo del Programa sería cooperar con el Gobierno del Ecuador en nuestros esfuerzos para reorientar las - políticas agrícolas hacia el sector privado; esto se alcanzaría for taleciendo la capacidad de análisis del Ministerio de Agricultura - sobre políticas agrícolas, apoyando la realización de estudios, for taleciendo el sistema de información y computación del mismo Minis- terio y fortaleciendo también la capacidad analítica de servicio de las organizaciones del sector privado.

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REPUBLICA DEL ECUADOR
MINISTERIO DE FINANZAS

2965

- 2 -

Con estos antecedentes, el Ministerio de Finanzas se permite solicitar a la Agencia para el Desarrollo Internacional que se considere el financiamiento de un proyecto, que en una parte contaría con fondos de préstamo por un monto aproximado de US$1,400.000, el mismo que sería concedido con un plazo de 25 años, incluyendo 10 años de gracia, al 2% de interés anual durante los primeros 10 años, y 3% de interés anual en los años subsiguientes, sobre los saldos. Además el Proyecto contemplaría un fondo no reembolsable de hasta US$7,100.000.

El Gobierno del Ecuador, de acuerdo al trámite usual en estos casos, asignaría una contrapartida por un monto aproximado de US$4,000,000 que será utilizada para financiar los costos de salarios, suministros, operación, mantenimiento, y seguro de los equipos financiados bajo el Proyecto.

Además, el Gobierno entiende que el éxito del Proyecto dependerá de ciertos cambios estructurales en el presupuesto del Ministerio de Agricultura, sin que ésto signifique un aumento del mismo. Este Ministerio se compromete a cooperar con el MAG para efectuar este tipo de cambios, que se definirán posteriormente.

Le agradezco por su atención a la presente y aprovecho la oportunidad para reiterarle mis sentimientos de consideración y estima.

Muy atentamente,
DIOS, PATRIA Y LIBERTAD,

REPUBLICA DEL ECUADOR
Ministro de Finanzas

Francisco X. Swett M.,
MINISTRO DE FINANZAS Y CREDITO PUBLICO.

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AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

LAC/DR-IEE-85-8

ENVIRONMENTAL THRESHOLD DECISION

Project Location	: Ecuador
Project Title and Number	: Agriculture Sector Reorientation 518-0051
Funding	: $6,800,000 (G), $2,000,000 (L)
Life of Project	: 5 years
IEE Prepared by	: USAID/Quito
Recommended Threshold Decision	: Categorical Exclusion
Bureau Threshold Decision	: Concur with Recommendation
Comments	: None
Copy to	: Orlando Llenza, Director USAID/Quito
Copy to	: Joe Goodwin, USAID/Quito
Copy to	: Eric Zallman, LAC/DR
Copy to	: IEE File

James S. Hester Date JAN 10 1985

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

100

Environmental Impact Considerations

I. Project Data

Country: Ecuador
Project Title: Agricultural Sector Reorientation Program
Project Number:
Life of Project: 5 years

II. Project Description

The purpose of this project is to reorient agricultural policy so as to provide an enhanced role for the private sector. AID grant funding will provide technical assistance to the GOE and establish a policy analysis unit in the MOA, conduct policy studies, conduct a marketing strategy analysis, establish a market information system, and establish grades and standards for agricultural products. Grants also will be made to private sector agencies for policy and marketing activities. Loan funds will be used for acquiring computer and communication equipment and other commodities.

The total cost of the project is $12.6 million of which $2.0 million in AID loan, $6.8 million in AID grant, and $3.8 million in GOE counterpart. These funds will finance long-term technical assistance ($1,140,000), short-term technical assistance ($810,000), Ecuadorean policy advisors ($305,000), private sector support ($1,600,000), training ($220,000), computer and related equipment ($1,990,000), policy and marketing studies ($2,790,000), grades and standards development ($360,000), system design, analysing and programming ($400,000), field support (1,850), and contingencies and inflation ($1,135,000).

All of the above activities are included in the list of actions set forth in Section 216.2 (c) 2 which are not subject to General Procedures for further environmental analysis set forth in Section 216.3 of AID Environmental procedures. Consequently, an Initial Environmental Examination is not required.

Ecuadorean private sector. The Project Paper will review the capability of Ecuadorean firms in this area to determine the feasibility of this approach.

The Marketing Information System activity anticipates the need to spend significant resources strengthening and or developing the capacity of the Ministry to implement this program component. To accomplish this objective, it is proposed that approximately one million dollars in short-term technical assistance be provided to accomplish the necessary in-country training. In the course of project design, four consultants will intensively review existing capabilities within the Ministry and identify the training needs of the staff. It is presently contemplated that in-country training with consultants will permit the development of sufficient well-trained staff to implement the activities.

E. Financial Considerations

The project design has attempted to minimize the requirement of additional financial resources for the MOA. The policy unit consultant staff is not permanent. The four to five MOA permanent staff to be assigned to this unit will be drawn from the Planning Division of Ministry and will not be additional staff. The policy studies will be contracted to U.S. and Ecuadorean firms and will require administrative support from the MOA.

The Marketing and Marketing Information System Activities are anticipated to require a minimum of additional staff as existing staff from the government marketing and storage program as well as other MOA programs will be shifted to this activity. Training will be provided to these individuals. During project design the Mission will analyze to what extent such a transfer of staff is possible and will develop detailed estimates of the additional recurrent costs the market information system will require. Given that the statistics staff is in place these activities should likewise have a minimal recurring costs impact on the MOA budget.

With respect to the project activities with the Chambers of Agriculture and the producer associations, the Project Paper will discuss development of funding sources from within these organizations to support the project activities. It is proposed that a cost sharing system be developed so that in the initial year of funding, A.I.D. funds would pay 75% of the costs of the program, gradually reducing to 0% in the last year of the project. The viability of this system will be analyzed as will the project funding support needed for the other private sector components.

F. Recommended Environmental Threshold Decision

The activities financed under this project all fall within the actions listed in Section 216.2(c)2 of A.I.D.'s Environmental Procedures (Handbook 3) and are therefore not subject to the General Procedures for further analysis of environmental impact included in Section 216.3. The basis for this conclusion is given in Annex B.

10V

DEPARTMENT OF STATE

TELEGRAM

AMEMBASSY QUITO

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AIDAC

E.O. 12356: N/A
TAGS: N/A
SUBJECT: AGRICULTURAL SECTOR REORIENTATION PROJECT (518-0051)

1. THE DAEC REVIEWED AND APPROVED THE SUBJECT PID ON DECEMBER 18, 1984. FOLLOWING ARE THE MAJOR ISSUES DISCUSSED AND THE GUIDANCE FOR THE DEVELOPMENT OF THE PROJECT PAPER.

2. THE PROJECT PAPER SHOULD INCLUDE A RATIONALE FOR SELECTING THE CRITERIA TO BE USED IN DETERMINING PRIORITY POLICY AREA STUDIES. WHILE THE CRITERIA FOR STUDIES SELECTION DISCUSSED AT THE REVIEW INCLUDED PRIORITY GOVERNMENT OF ECUADOR (GOE) AGENCY CONCERNS AND POLICY AREAS OF CONCERN TO BOTH AID AND OTHER DONORS, THE SELECTION CRITERIA SHOULD ALSO EXPLICITLY INCLUDE A MECHANISM FOR CONSULTATION WITH THE ECUADORIAN PRIVATE SECTOR IN ORDER TO OBTAIN A BALANCED VIEW OF POLICY AREAS PERCIEVED AS CONSTRAINTS. TO THE EXTENT FEASIBLE, THE SELECTION CRITERIA SHOULD ALSO CONSIDER POTENTIAL INCOME DISTRIBUTION EFFECTS AND RECURRENT COST IMPLICATIONS OF PROSPECTIVE CHANGES WHICH WOULD RESULT FROM THE REORIENTATION OF AGRICULTURAL SECTOR POLICIES.

3. IT WAS ALSO RECOMMENDED THAT HAVING SELECTED THE STUDIES THEY BE PRIORITIZED AND SEQUENCED OVER AN APPROPRIATE TIME FRAME, SINCE CHANGES IN ONE POLICY AREA MAY REQUIRE PRIOR CHANGES IN ANOTHER AREA. FOR INSTANCE, TO STIMULATE AGRICULTURAL EXPORTS BY REDUCING FERTILIZER PRICES WOULD REQUIRE PRIOR CHANGES IN TRADE POLICIES AND INDUSTRIAL INCENTIVE LAWS.

4. SINCE THE GOE USES PRODUCTION COSTS TO SET OFFICIAL PRICES ON SOME AGRICULTURAL COMMODITIES, AND SOME OF THE OFFICIAL PRICES HAVE DISTORTED RESOURCE ALLOCATION, IT IS RECOMMENDED THAT A STUDY OF THE SECTOR'S PRICE POLICIES PRECEDE THE PROPOSED PRODUCTION COST STUDIES.

5. THE SCOPE OF THE PROPOSAL WAS THOUGHT TO BE AMBITIOUS. GIVEN THE TIME CONSUMING STEPS REQUIRED TO PROCEED FROM THE STUDIES PHASE OF THE PROJECT TO ACTUAL POLICY DESIGN, IMPLEMENTATION, AND EVALUATION, THE

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MISSION SHOULD RECONSIDER FUNDING 20 POLICY AREA STUDIES. THUS, THE PROJECT SHOULD STRIKE AN APPROPRIATE BALANCE BETWEEN STUDIES AND FOLLOW-ON ACTIVITIES TO ENSURE ACHIEVABLE CHANGES IN SECTOR POLICIES DURING THE LOP.

6. THE PID PROVIDED A BRIEF DISCUSSION OF THE MINISTRY OF AGRICULTURE'S ROLE IN THE IMPLEMENTATION OF THE PROPOSED ACTIVITIES. HOWEVER, SINCE A NUMBER OF THE POLICY AREA STUDIES IMPLY PARTICIPATION AND COORDINATION WITH OTHER MINISTRIES, A SYSTEMATIC ANALYSIS OF THE ROLE AND CAPABILITIES OF PARTICIPATING INSTITUTIONS SHOULD BE INCLUDED IN THE PP. THE PP SHOULD ALSO INCLUDE A DETAILED INSTITUTIONAL ANALYSIS, INCLUDING AN EVALUATION OF THE CAPABILITIES OF THE RELEVANT MOA AGENCIES PARTICIPATING IN THE PROJECT ACTIVITIES. RECURRENT COST IMPLICATIONS RESULTING FROM THE PROPOSED PROJECT ACTIVITIES SHOULD BE ANALYZED AND CONSIDERED IN FINAL PROJECT DESIGN.

7. THE MISSION AGREED TO MAKE AVAILABLE TO THE BUREAU THE SCOPES OF WORK FOR THE ECONOMIC, FINANCIAL AND INSTITUTIONAL/ADMINISTRATIVE ANALYSIS TO BE CARRIED OUT DURING PP DEVELOPMENT.
SHULTZ
BT
#1895

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BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
POLICY ANALYSIS -- PUBLIC SECTOR

ITEM	USAID LOAN	USAID GRANT	USAID TOTAL	GOE	TOTAL
IMMEDIATE POLICY AGENDA				-	
Urgent Policy Studies		300	300	-	300
TOTALS		300	300		300
POLICY FORMULATION-PUBLIC SECTOR					
Technical Assistance					
Long Term					
Chief of Party (34 Mos.)	-	480	480	-	480
Policy Specialist (24 Mos.)	-	240	240	-	240
Short Term					
Technical Assist. (48 Mos.)	-	240	240	-	240
Sr. Marketing Spec. (25 Mos.)		160	120	-	120
T.A. for Studies, etc. (36 Mos.)	-	360	360	80	440
Followup of Presidential Task Force	-	500	500	60	560
Training Materials, etc.	25	-	25	-	25
Support Activities					
Travel-Domestic	-	-	-	50	50
Travel-International	-	-	-	32	32
Salaries and Support PAU	-	-	-	450	450
Commodities-Supplies	-	-	-	20	20
Publications, etc.	-	-	-	25	25
TOTALS	25	1940	1965	717	2682

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
POLICY ANALYSIS -- PRIVATE SECTOR

COMPONENT/ACTIVITY DESCRIPTION	USAID LOAN	USAID GRANT	USAID TOTAL	GOE	TOTAL
TECHNICAL ASSISTANCE					
Long Term Advisor	-	240	240	-	240
Short Term T.A.	-	450	450	-	450
POLICY SUPPORT ACTIVITIES					
Publications	-	-	-	100	100
Policy Forums	-	120	120	-	120
Scholarships	-	520	520	-	520
Grants, Awards, Travel	-	22	22	45	67
Guest Lecturer Program	-	15	15	-	15
SUPPORT OF CIENCIA FOUNDATION					
General Admin. Support	-	-	-	135	135
Project Support	-	-	-	110	110
Microcomputer	-	-	-	15	15
TOTALS	-	1367	1367	405	1772

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
INFORMATION SYSTEM -- ($1,000)

COMPONENT/ACTIVITY DESCRIPTION	USAID LOAN	USAID GRANT	USAID TOTAL	GOE	TOTAL
CROP AND LIVESTOCK MONITORING					
Long Term T.A.					
Sr. Agrl. Statistician	-	240	240	50	290
Short Term T.A.					
Statistical (30)	-	340	340	50	390
Informations Specialist	-	120	120	20	140
Yield Estimates	-	250	250	-	250
Training-Materials, etc.	20	-	20	20	40
Travel	-	-	0	20	20
Commodities, Supplies	-	-	0	20	20
Office Support	-	-	0	325	325
Subtotals Crop & LS	20	950	970	505	1475
MARKET NEWS REPORTS					
Long Term T.A.					
Market News (18 Mos.)	-	180	180	30	210
Short Term T.A. (18 Mos.)	-	220	220	20	240
Training Materials, etc.	20	-	20	20	40
Support for Market News					
Travel	-	-	-	20	20
Commodities Supplies	-	-	-	10	10
Office Support	-	-	-	190	190
Field Support	-	-	-	265	265
Equipment for Market News					
Vehicles	-	-	-	65	65
Subtotals Market News	20	400	420	620	1040
TOTALS	40	1350	1390	1125	2515

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
AGRO-CLIMATIC IMPACTS -- ($1,000)

COMPONENT/ACTIVITY DESCRIPTION	USAID LOAN	USAID GRANT	USAID TOTAL	GOE	TOTAL
TECHNICAL ASSISTENCE					
Short Term T.A.					
Data Management (6 mos)	-	60	60	15	75
Agrometeorology (18 mos)	-	150	150	15	165
Users Workshops (6 mos)	-	60	60	-	60
TRAINING					
M.S. in Climatology	56	-	56	10	66
In Country - Materials, etc.	7	-	7	-	7
SUPPORT ACTIVITIES					
Commodities	-	-	-	40	40
Travel, Publications, etc.	-	-	-	125	125
Salaries, Office Support	-	-	-	250	250
EQUIPMENT					
Vehicles	-	-	-	25	25
Radios	70	-	70	-	70
Printing Equipment		-	-	30	30
Weather Instruments	50	-	50	-	50
TOTALS	183	270	453	510	963

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
COMPUTER FACILITIES -- ($1,000)

COMPONENT/ACTIVITY DESCRIPTION	USAID LOAN	USAID GRANT	USAID TOTAL	GOE	TOTAL
TECHNICAL ASSISTANCE					
Micro Systems & Software	-	150	150	-	150
Mini Installation & Mgt.	-	50	50	-	50
Mini Sustom Software	-	260	260	-	260
Ecuadorean T.A.	-	-	-	50	50
TRAINING					
Micro Systems	75	-	75	-	75
Mini Systems	75	-	75	-	75
EQUIPMENT					
Central Mini	300	-	300	-	300
Coastal Mini	100	-	100	-	100
INAMHI Mini	100	-	100	-	100
Microcomputers (38)	190	-	190	-	190
Site Preparation	-	-	-	250	250
SUPPORT					
Facilities Management	-	-	-	465	465
SAS Rental	30	-	30	-	30
Upgrade INEC	50	-	50	-	50
Supplies, Travel, Per Diem	-	-	-	25	25
Software Minis	100	-	100	-	100
Office Support	-	-	-	50	50
Salaries, Offices, etc	-	-	-	70	70
TOTALS	1020	460	1480	910	2390

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
POLICY ANALYSIS UNIT BY YEAR (US$1,000)

COMPONENT/ACTIVITY DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	TOTAL ALL YEARS
IMMEDIATE POLICY AGENDA						
Urgent Policy Studies	250	50	-	-	-	300
Subtotals	250	50	-	-	-	300
POLICY ANALYSIS-PUBLIC SECTOR						
Long Term T.A.	60	120	120	120	60	480
Policy Specialist	60	120	60	-	-	240
TA for Studies, etc.	80	170	110	50		360
Followup Pres. Task Force	200	100	100	50		500
Short Term T.A.						
Technical Assistance	60	50	50	50	30	240
Sr. Marketing Spec.	30	30	30	30		120
Training--materials, etc.	10	10	5			25
TOTALS	750	650	475	250	140	2265

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
PRIVATE SECTOR SUPPORT (US$1,000)

COMPONENT/ACTIVITY DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	TOTAL ALL YEARS
TECHNICAL ASSISTANCE						
Long Term Advisor	90	120	30	-	-	240
Short Term T.A.	125	125	100	75	25	450
POLICY SUPPORT ACTIVITIES						
Policy forums	50	50	20	-	-	120
Scholarships	90	170	130	90	40	520
Grants, Awards, Travel	8	6	4	3	1	22
Guest Lecturer Program	3	3	3	3	3	15
TOTALS	366	474	287	171	69	1367

BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
INFORMATON SYSTEM (US$1,000)

COMPONENT/ACTIVITY DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	TOTAL ALL YEARS
CROP AND LIVESTOCK DATA						
Long Term Advisor	60	120	60	-	-	240
Short Term T.A.	-	-	-	-	-	0
Statistical	100	100	60	40	40	340
Information Spec.	40	20	20	20	20	120
Yield Estimates	100	70	50	20	10	250
TRAINING - Materials, etc.	10	10	-	-	-	20
	310	320	190	80	70	970
MARKET NEWS SYSTEM						
Technical Assistance						
Long Term T.A.	90	90	-	-	-	180
Short Term T.A.	100	60	20	20	20	220
Training materials, etc.	10	10	-	-	-	20
	200	160	20	20	20	420
	510	480	210	100	90	1390

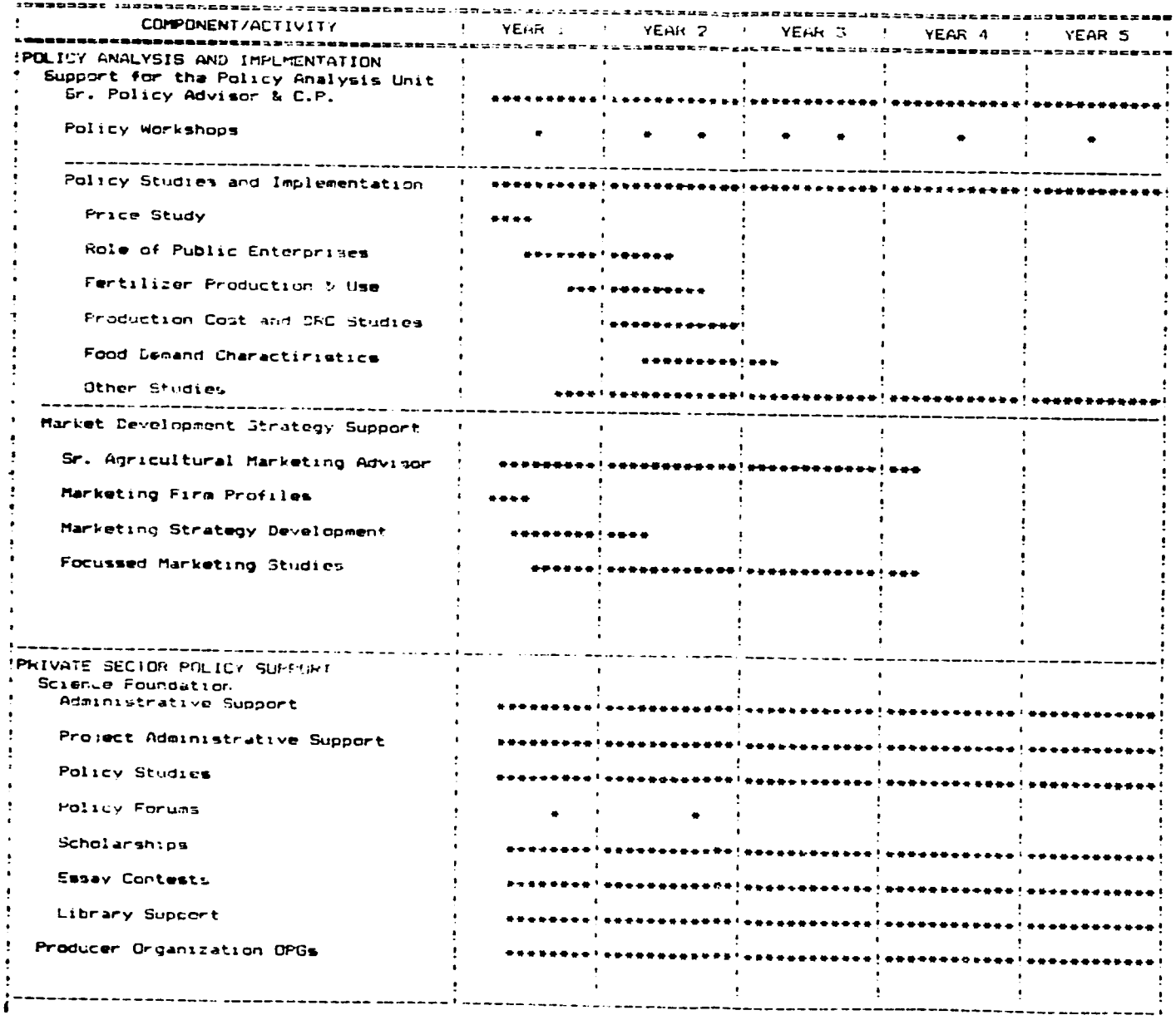
BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
AGROCLIMATIC INFORMATON (US$1,000)

COMPONENT/ACTIVITY DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	TOTAL ALL YEARS
TECHNICAL ASSISTANCE						
Short Term T.A.						
Data Management	20	20	10	10	-	60
Users Workshops	10	20	20	10	-	60
Agrometeorologist	60	60	20	10	-	150
TRAINING						
MS in Meteorology	30	26	-	-	-	56
Workshops-materials, etc.	4	3	-	-	-	7
EQUIPMENT						
Radios	70	-	-	-	-	70
Weather Instruments	30	20	-	-	-	50
TOTALS	224	149	50	30	-	453

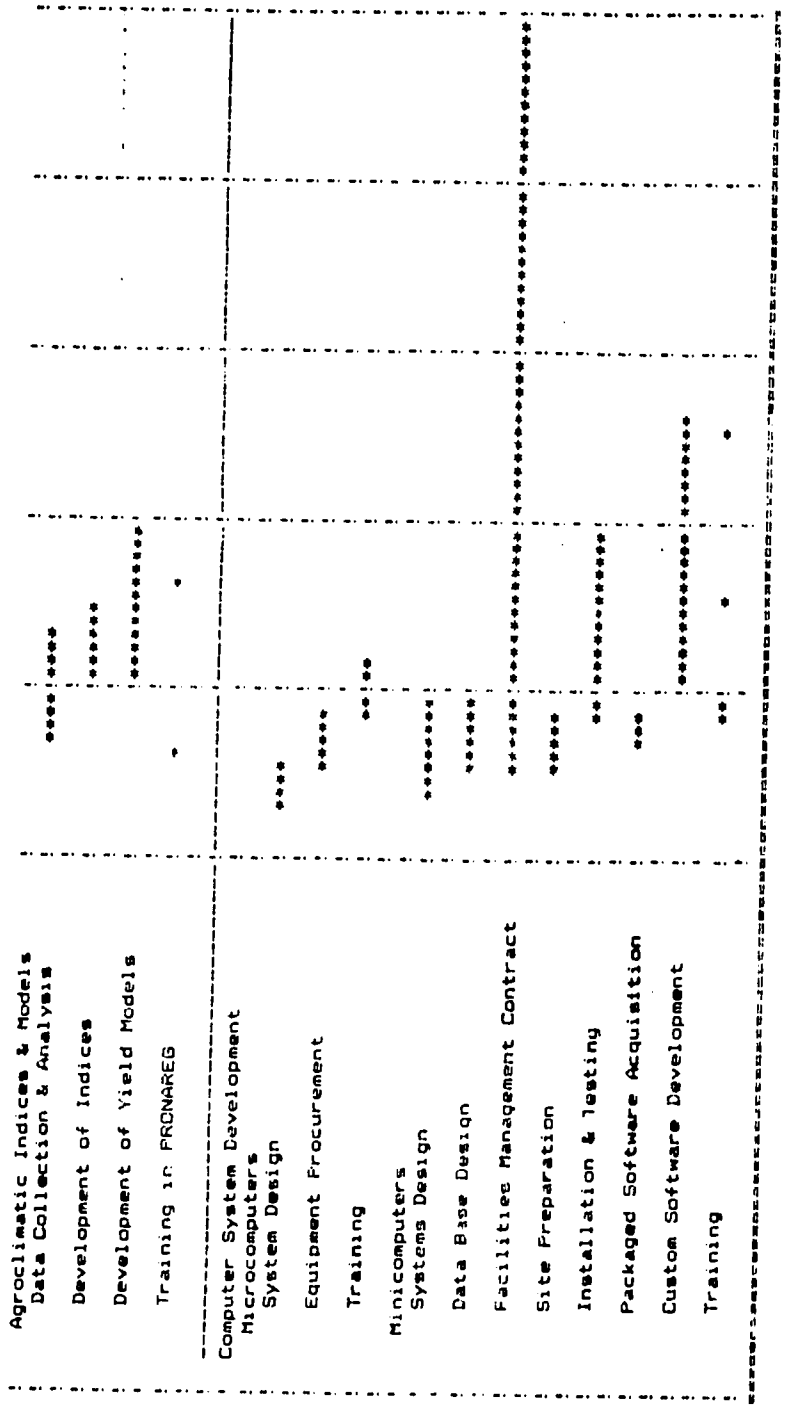
BUDGET AGRICULTURAL SECTOR REORIENTATION PROJECT
COMPUTER SYSTEM (US$1,000)

COMPONENT/ACTIVITY DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	TOTAL ALL YEARS
TECHNICAL ASSISTANCE						
Micro System & Software	90	50	10	-	-	150
Mini Installation & Mgt	50	-	-	-	-	50
Mini System Software	150	100	10	-	-	260
TRAINING						
Micro Systems	60	15	-	-	-	75
Mini Systems	60	15	-	-	-	75
EQUIPMENT						
Central Mini	300	-	-	-	-	300
Coastal Mini	100	-	-	-	-	100
INAMHI Mini	100	-	-	-	-	100
Microcomputers	190	-	-	-	-	190
SUPPORT ACTIVITIES						
SAS Rental	6	6	6	6	6	30
Upgrade OS at INEC	10	10	10	10	10	50
Software Minis	80	20	-	-	-	100
TOTALS	1196	216	36	16	16	1480

IMPLEMENTATION PLAN FOR THE AGRICULTURAL SECTOR REORIENTATION PROJECT



INFORMATION SYSTEMS SUPPORT
Market News System
Market News Advisor
Maket & product Identification
Reporter Section & Training
Media Activities Development
Implementation of News Service
Development of Grades & Standards
Crop & Livestock Monitoring
Long Term Advisor
Information Requirements Assessment
Design Survey Forms
Sample Section
Implement Data Colection
Data Base Design
Information Reports Development
Training MOA Stat & Data Systems
Upgrade Computer OS for INEC
Training In Sample Frame for INEC+
Agro-Climatic Data
Long Term Technicqal Advisors
Develop Meteorologica Data Base
Upgrade & Expand Weather Stations
Training for Weather Observers
Computer Installation in INAMHI


Agroclimatic Indices & Models
Data Collection & Analysis
Development of Indices
Development of Yield Models
Training in PRONAREG
Computer System Development
Microcomputers
System Design
Equipment Procurement
Training
Minicomputers
Systems Design
Data Base Design
Facilities Management Contract
Site Preparation
Installation & Testing
Packaged Software Acquisition
Custom Software Development
Training

SCHEDULE OF OUTPUTS

ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Immediate Policy Agenda					
- Studies	Complete the following studies: - comprehensive divestiture review - divestiture option studies on 2 entities - cost of production for 10 products - domestic resource costs - demand analysis - 2 commodity market studies - 2 policy implementation plans	- divestiture studies on 3 parastatals - cost of production for 5 crops - 2 commodity marketing studies - 2 other studies	- divestiture studies for 3 parastatals - cost of production for 5 crops - 2 commodity marketing studies - 2 studies follow up	- 2 following studies	- 2 following studies
Task Force Followup	- IQC contact signed - studies completed	- studies completed	- studies completed	- studies completed	- studies completed

1/2

ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
2. Policy Analysis Unit-MOA	- PAU legally established - positions created - staff hired from private sector - technical assistance contracted - office organized and staff trained - reports produced for Minister	- staff training continued	- staff training continued	- unit functioning with minimal assistance	
3. Agricultural Policy Institute	- API established - technical assistance contracted - director and staff hired - 3 scholarships awarded - 4 studies completed	- 3 scholarship awarded - 3 grants awarded - essay contest held - 2 guest lecturers - one workshop - one conference - 3 studies completed	- 3 grants awarded - essay contest held - two guest lecturer - two forums - 3 studies completed	- 3 grants - essay contest - two guest lecturer - two forums - 3 studies completed	- 3 grants - essay contest - two guest lecturers - two forums - alternative funding sources found - 3 studies completed

ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	- one conference held - one workshop held - one essay contest held - 3 research grants awarded - library set up				
4. Market News System	- technical assistance arrives - reporters assigned and trained - schedule for market and product expansion planned - procedures and report forms developed - media strategy developed	- new staff transferred and trained - grades and standards for 2 more commodities developed - reports on 4 new commodities and 6 new market locations added	- new staff trained trained - reports on 4 new commodities and 8 new markets added	- system functioning with minimal assistance	

ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	- grades and standards for three commodities developed - reports from 6 markets on four commodities collected and disseminated				
5. Crop and Livestock Reporting					
INEC area frame samples	- technical assistance arrives - information requirements assessed - sample forms designed - sample procedures and schedule for 8 commodities developed - staff trained	- staff training continues - 6 new commodities added to system	- 5 new commodities added	- system working with minimal technocal assistance	

ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	- area frame completed for 8 commodities - data regularly transferred to CLRB				
- Crop and Livestock Board	- staff transferred - staff trained - technical assistance arrives - procedures and forms designed - dissemination format and schedule developed and adhered to	- dissemination format and schedule for new crops developed	- dissemination format and schedule for new crops developed	- system working with minimal technical assistance	
6. Agroclimatic Information System	- technical assistance arrives - staff hired - staff trained	- 20 new weather stations added - equipment installed	- 10 new weather stations installed - new staff hired and trained	- system functioning with minimal technical assistance	

	- equipment purchased	- staff hired and trained	- 2 crop phenology studies completed
	- install 8 new weather stations	- 2 crop phenology studies completed	
	- one crop phenology study completed		
	- develop database		
	- data sharing procedures with CLRB, and PAU established		
7. Computer System	- technical assistance contracted	- complete equipment installation and testing	- staff and user training
	- equipment purchased	- software developed	
	- initial equipment installation begins	- staff and user training	
	- system designed		
	- database system designed		
	- site prepared		
	- software development begun		

- INEC system upgraded

- staff and user training

CONTRACTING AND PROCUREMENT PLAN

AID will be responsible for all foreign exchange contract and procurement actions in the Project. The authorized nationality for all grant-financed technical assistance and studies will be U.S. or Ecuador. The authorized source and origin for all loan-financed equipment and training will be AID Geographic Code 941 and Ecuador. Anticipated contracting and procurement actions financed by the Project include contracting for technical assistance, commodity procurement, and training.

I. TECHNICAL ASSISTANCE CONTRACTING PLAN

As currently planned, the Project will finance the technical services described below. Some minor changes in the kinds of services and level of effort may occur. The Scopes of Work for the major long term and short term technical advisors are attached.

A. Description of Services

	Level of Effort (p/m)	Estimated Cost ($US 1000)
Long-term Technical Assistance		
Chief of Party	48	480
Policy Advisors (2)	48	480
Crop and Livestock	24	240
Market News	18	180
Short-term Technical Assistance		
Policy	20	240
Marketing Policy	10	120
Crop and Livestock	58	710
Grades and Standards	6	60
Agroclimatic		
Data management	6	60
Crop and Soils	18	150
Agrometeorologist	6	60
Market News	12	160
Computer Services		
Microcomputer systems	18	150
Minicomputer systems	6	50
Mini software development	32	260
Training		150
Studies Consultants		
Policy Studies (PAU)	55	660
Policy Studies (API)	38	450
Task Force Followup	42	500

Evaluation Consultants	18	250
Project Coordinator	60	540

b. Methods of Contracting

The long and short term technical assistance for the policy, market development, and information components, and the long-term advisor for the API will be contracted through an 8(a) firm using informal competition. Given the substantial scope of the technical assistance to be contracted, the selected firm will be expected to subcontract for some of the services. In particular, the short term technical assistance under the agroclimatic component will be subcontracted to the University of Missouri, which has been providing similar services to INAHMI for several years. This contract will also include the short-term assistance needed to conduct policy studies and follow-on assistance for policy implementation.

Short-term technical assistance for the API policy studies will be obtained through a Mission add-on to the centrally funded Agricultural Policy Project (936-4084) The Presidential Task Force Followup studies will be contracted through a Mission IQC.

Technical assistance for the computer facility design, software development, and training will be contracted to a qualified 8(a) firm. Since this firm will also be responsible for assisting the Mission in preparing specifications for the equipment purchase, it is important that the contract begin as soon as possible after the beginning of the Project.

The Project Coordinator position will be contracted using competitive negotiation procedures and international advertising. Consultants needed for the evaluation studies will be hired through an IQC or 8(a) firm, or through another quick response mechanism.

The reliance on 8(a) firms for the majority of the technical assistance to be contracted is due to the GOE's need to make numerous major policy decisions in the near future. Therefore, the project activities must be implemented with as few delays as possible.

The Regional Contract Officer (RCO) will be responsible for negotiating and executing the contracts for the technical assistance, computer services, the Project Coordinator, and the Mission IQC for the Task Force Followup as all of these contract actions exceed Mission authority. AID/W will execute the Mission add-on to the Agricultural Policy Project. The Mission will be responsible for contracting the consultants to conduct the project evaluation.

C. Contracting Schedule

All contracting actions will be started immediately after the Project Agreement is signed. Necessary RFPs will be published in the CBD no later than the end of August.

II. COMMODITY PROCUREMENT PLAN

The following list of commodities will be procured in the Project. The specifications for computer equipment will be refined by the technical assistance team prior to initiating procurement. Adjustments or refinement to the other commodity specifications may also be made prior to procurement

A. Propcsed Commodity List

Description	Estimated Quantity Unit Cost ($US)	Estimated	Total Cost ($US)
Computer System			
Minicomputer for PAU -4MB processor -4 Disk Drives (350MB) -2 600 lpm printers -16 CRT terminals	300,000	1	300,000
Minicomputer for PRONAREG -2MB processor -3 Disk drives (350MB) -1 600 lpm printer -1 plotter -2 graphic stations -8 CRT terminals	100,000	1	100,000
Minicomputer for Guayaquil -2 MB processor -2 Disk drives (350MB) -1 600 lpm printer -12 CRT terminals	100,000	1	100,000
Software for Minis -details??	100,000		100,000

SAS Rental for Minicomputers		30,000		30,000
INEC Upgrade	50,000		50,000	
Microcomputers	5,000	38	190,000	
-? K RAM				
-Disk Storage ?HD, floppy ?				
-printers?				
-modems?				
-software?				
-plotter?				
-graphics?				
Accessories				
-cables				
-diskettes				
-etc				
Agroclimatic Equipment				
Radios		35	70,000	
-Details??				
Weather Instruments				50,000
-details??				

B. Method of Procurement

The computer systems will be procured by competitive negotiation on the basis of formal procurement using an Invitation for Bids. Evaluation of offers will take into account price, availability of service, maintanence and training capability, and delivery time.

The climate monitoring equipment and radios for agrometeorological work will be procured through a separate Invitation for Bids. Bids will be evaluated on price, delivery time, and maintenance capability.

All project commodities imported into Ecuador will be delivered on the basis of CIF Guayaquil or Manta in the case of ocean shipping and CIF Quito in the case of air freight. Suppliers will provide all risk insurance which fully covers the CIF cost of the commodities. The GOE will be responsible for customs clearance and delivery, except as may be provided by local authorized dealers or representatives of the supplier. The GOE will inspect all commodities upon receipt and will be responsible for initiating all insurance claims against suppliers or shippers. The GOE will also maintain adequate insurance on all commodities through the life of the Project.

The RCO will be responsible for negotiating and executing both commodity procurement actions as the total estimated cost of the procurements exceed Mission authority.

C. Schedule for Procurement

The computer procurement will be initiated upon completion of system design and development of detailed specifications by the technical advisors. Publication of the IFB will take place no later than December 1985. The procurement for agrometeorology equipment will be initiated after arrival of the technical advisors. The IFB will be issued no later than December 1985.

III. TRAINING PLAN

A. Description of Training

The Project will provide on-site, short term training to staff and end-users of the computer system and in all technical areas and long-term participant training for seven persons from the public and private sectors.

The long term training component of the Project is comprised of six scholarships (4 PhD. and 2 M.S.) to be awarded by the API for agricultural policy studies and one scholarship from INAHMI for M.S. degree work in agrometeorology. All scholarships will be awarded during the first two years of the project.

All in-country training will be provided by the long and short term technical advisors and will continue through the life of the Project. Policy analysts in the Policy Analysis Unit in the MOA will receive training in policy analysis, policy implementation planning, and data management. In the crop and livestock information system component, management and technical personnel will be trained in data collection and survey techniques, statistical analysis, and estimating yield. In the market news component, management and field staff will be trained in collecting and analyzing market news and in data management. Training will also be provided to management and field staff in the agroclimatic information system component in data management, agrometeorology, and design of agroclimatic impact assessments.

All end-users and field staff will be trained in the operation and use of the computer equipment. The staff of the computer centers will be trained in management and administration of a computer facility.

Special training in fundraising techniques will also be provided to Ciencia staff to improve their capability to maintain financial support of the Agricultural Policy Institute after the Project ends.

B. Methods of Procuring Training

The scholarship training for Ciencia and INAMHI will be handled by the AID/W Office of International Training. Placement of students will be assisted by the technical assistance advisors to Ciencia and INAMHI. Scholarship awards will be made by the Project Director of Ciencia and the Director of INAMHI respectively, taking into account the recommendations of the project advisors.

All in-country training will be provided by the long-term resident advisors with assistance from short term advisors with specialized knowledge when needed.

Agricultural Sector Reorientation Project

518-0051

Methods of Implementation and Financing

(a) Summary Table

	ITEM	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	APPROXIMATE AMOUNT (US$000)	L/G
A.	Technical Assistance				
	1. Policy related	A.I.D. inst. contract - 8(a)	Direct pay	4,550	G
	2. Computer services	A.I.D. inst. contract - 8(a)	Direct pay	610	G
	3. Evaluation	A.I.D. inst. contract	Direct pay	250	G
	4. Project coordinat.	A.I.D. PSC	Direct pay	540	G
B.	Training				
	1. Long term	Participant training (PIO/P)	Direct pay	200	L
	2. Short term			520	G
	(materials)	A.I.D. Proc.	Direct pay	78	L
C.	Commodities				
	1. Computer systems	A.I.D. Proc.	Direct pay	870	L
	2. Agroclimatic equipment	A.I.D. Proc.	Direct pay	120	L
D.	Support Activities				
	1. Fora	A.I.D. Proc.	Direct pay	120	G
	2. Guest speakers	A.I.D. Proc.	Direct pay	15	G
	3. Grants, awards	HC	Direct pay	42	G

(b) None of the expected methods of financing departs from the three preferred mechanisms under A.I.D.'s payment verification policy.

(c) No significant host country contracting is foreseen at this time under the Project. Therefore, a detailed exploration and assessment of host country contracting and payment procedures is not applicable. The Ciencia Foundation will make a small number of local grants and awards of modest value for policy research and analyses. However, formal contracting procedures will be required.

Signed: William D. Ross
William D. Ross
Controller
USAID/Ecuador

Date: July 25, 1985

SCOPES OF WORK FOR LONG TERM TECHNICAL ASSISTANCE

PROJECT COORDINATOR

Objective: To assure coordination among all project activities and agencies to meet the project goals and to comply with USAID regulation and procedures.

Scope of Work:

1. To coordinate all project activities, both those involving the public and private sectors.

2. Monitor all activities to assure that implementation is proceeding according to plans and to facilitate adjustments when it is not.

3. Facilitate and assist with activities of the public sector chief of party, private sector advisor, and director of the computer facilities firm.

4. Develop and assist with the implementation of activities related to implementation for followup activities of the U.S. Presidential Agricultural Commission to Ecuador.

5. Prepare or have prepared all reports and documents required of USAID/E.

6. Implement those activities which are to be carried out directly by USAID/E.

7. Approve annual operating plans, budgets, implementation plans and reports from the firms and individuals contracted to carry out the project activities.

8. Prepare quarterly reports, annual internal evaluations, and related reports.

9. Develop procedures, PIO/Ts, and other documents required to carry out the midterm and final evaluations.

CHIEF OF PARTY

Objective: To plan, direct, and oversee the implementation of project activities in the Ministry of Agriculture and other cooperating government agencies.

Scope of Work:

1. Review and make recommendations with respect to polciy memoranda and policy studies for submission to the Minister and Ministerial Council.

2. Supervise, oversee and coordinate all activities that are in the public sector components of the project, ie. all those encompassed in contract of the agency that administer the project. (Those will be all of the pubic sector policy related activities except the Presidential Task Force follow-up and all the information activities except the computer activity.

3. Supervise the design of all systems and procedures that are required to implement the public sector project activities.

4. Prepare or supervise and coordinate the preparation of implementation plans, annual programs, budgets, periodic reports and required documents pertaining to the public sector activities within the jurisdiction of the project office.

5. Organize and supervise the functioning of the project office in the MOA, including the hiring of personnel, obtaining supplies and equipment, etc.

6. Prepare, supervise or arrange for the preparation of all contracts, purchase orders, and other relevant implementing arrangements.

7. Coordinate and arrange for training, workshops, short term technical assistance, and related activities.

8. Serve as policy advisor to the Policy Analysis Unit.

POLICY ADVISOR-PRIVATE SECTOR

Objective: To work with Fundación Ciencia in the implementation of the ASRP private sector activities.

Scope of Work:

1. Work with the Director of the Agricultural Policy Institute in developing and carrying out project activities and in assuring high quality work.

2. Adivise and assist Fundación Ciencia officials with respect policy studies, development of terms of reference, selection of contractors, evaluation of results, and dissemination of information.

3. Assist Ciencia officials with activities to develop their fund raising capability and their efforts to achieve financial independence.

4. Conduct analyses of policy related issues to supplement activities of Ciencia funded studies and to summarize, synthesize, and/or integrate the results of private and public sector policy studies.

5. Work with the private sector organizations to enhance their understanding of policy and to promote policy dialogue.

6. Assist with the development of the forums, conferences, workshops, and meetings sponsored by the foundation.

7. Conduct and/or assist with training for policy analysts, contractors, consultants, students, and others.

8. Assist with and advise on the preparation of reports, budgets, annual plans and other documents required by USAID/E.

9. Act as liason between Ciencia, USAID/E and public sector project activities.

SENIOR POLICY ADVISOR

Objective: To provide advise to the PAU with respect to policy of issues, research, analysis, and implementation.

Scope of Work:

1. Advise about and assist with organizational and operational procedures for the Policy Analysis Unit.

2. Advise the Policy Analysis Unit with respect to analysis, research, implementation, and monitoring of policy related issues.

3. Conduct training or assist with the design and planning of training in policy analysis, economic concepts, research procedures, and related topics required for policy analyses.

4. Assist with the design, evaluation and interpretation of policy studies.

5. Conduct policy analyses and prepare reports on policy issues where appropriate.

6. Assist with coordination, synthesis, compilation, and

7. To provide liason with those involved in the information activities of the project and with other data sources of the country.dissemination of policy analyses, studies, and programs.

MARKET NEWS SYSTEM SPECIALIST

Objective: To provide technical assistance for the development and implementation of a market news reporting system.

Scope of Work:

1. Assist with the design, development, and implementation of a market news reporting system including the organization and operational procedures for the unit that will be created.

2. Assist with the selection of personnel to staff the market news reporting system.

3. Assist with the selection of markets and products, product characteristics, market conditions, etc. to be reported.

4. Design or assist with design of forms for data collection, organization of report; and procedures for dissemination of the results.

5. Develop and assist with training programs for the market report personnel including office staff and market reporters.

6. Develop plans and scope of work for the short term technical assistance required for carrying out the development of the market news reporting system.

7. Work with media representatives and others to develop procedures for widest possible, economically feasible methods of disseminating the market news.

8. Prepare or assist with the preparation of progress reports and other documents required of the activity.

SENIOR AGRICULTURAL STATISTICIAN

Objective: To provide technical assistence for the development of the Crop and Livestock Information System.

Scope of Work

1. Assist with the design and implementation of the crop and livestock data system including organizational and operational procedures to operate the system.

2. Assist with coordination of MOA, INEC, and INAMHI crop and livestock data activities.

3. Assist with the design of the crop specific area frames, questionaires, and other needs for obtaining planting intentions, areas planted, yield estimates, areas harvested, yields, prices, livestock numbers, production, and related data.

4. Assist with the development calendars for crop schedules, field survey's, report preparation, and release of data.

5. Assist with training and/or the development of training materials and courses.

6. Develop plans and scopes of work for short term technical assistance required to carry out the crop and livestock information system.

7. Prepare or assist with the preparation of progress reports and others documents required of the activity.

CRITERIA FOR POLICY STUDY PRIORITIZATION

1) Criteria - The studies to be undertaken and priorities for conducting them should be based on the following criteria:

i. Importance of the problem with respect to the agricultural and food policy goals of the nation. This process will consider 1) the potential for increased output of basic food products, 2) potential increases in exportable products, 3) price impacts, 4) improvements in the marketing of agricultural products, 5) number of people directly affected, 6) employment generation potential, 7) income distribution impacts, 8) impacts on small producers, 9) fiscal balance impacts, and 10) foreign trade, exchange, and international relations.

ii. Ease of implementation of the potential changes. Studying a problem that cannot be solved at present due to legal, cultural, social, economic, or political factors would not be worhtwhile from the viewpoint of efficiency in the use of limited resources for developing action programs to quickly have positive impacts on the sector. While the harder problems need to be addressed and approaches to their solution evolved, the higher priority issues should be those problems which can be addressed with reasonable expectations of demonstrable and quick responses.

2) Study Procedures - In the PID, it was anticipated that most of the studies would be contracted to private Ecuadorean consulting firms. During the project analyses, however, it was determined that the in-country capability for conducting agricultural economics types of studies was very limited. Thus, except for the first three studies, it was determined to include the responsibility for contracting the studies within the scope of work for the institution that will supply the technical assistance for the MOA portion of the policy and information project components.

This will necessarily involve using U.S. institutions to do a large share of the work. However, to the extent possible, national resources will be used. Where feasible, MOA reources will be used. Otherwise if Ecuadorean institutions with the required expertise exist, they will be contracted to conduct the studies. If an institution has only partial capability, it can be assisted in the

study by the use of short-term T.A. available under the project or it can be undertaken as a joint effort between Ecuadorean and U.S. institutions.

The first three studies, which are to be concerned with prices, market firm profiles, and the roles of ENAC and ENPROVIT need to be initiated as soon as possible after approval of the project. Therefore, they will be contracted with IQC firms.

CIENCIA SCHOLARSHIP PROGRAM

The project will provide funding through the Fundación Ciencia to offer six scholarships for graduate study in U.S. The scholarships will be for study in agricultural economics with an emphasis on agricultural policy. Four will be for Ph.D. study and 2 at the MS level. The Ph.D. scholarships will be for four years and the MS for two years. Students in both programs will be expected to write a thesis on a topic of relevance to agricultural policy in Ecuador. They are expected to collect data for the thesis. The M.S. students for a summer team or for the semester and the Ph.D. students for up to one year. During the time the students are in Ecuador collecting data and working on their theses their major professor will make a trip to Ecuador to provide advice and assistance for the research, with travel and per diem paid by the scholarship funds. Upon completion of the program the Ph.D. students will spend two years and the M.S. students one year as a research associate with Ciencia.

Ph.D. Program:

Four years with one year for data collection and analysis in Ecuador. Cost per student per year US$ 25.000 with a total cost of US $ 100.000 per student. This includes funds for a stipend of US$ 12,000 per year in the US and US$ 900 per month for the time in Ecuador. The second and third years in the U.S. will have stipends of 12,600 and 13,200 respectively. Airfair for the student will be provided for 2 trips - one of which is the trip to collect data. all tuition and fees will be paid and the student will be allowed up to US$ 500 per year to purchase books and supplies.

M.S. Program:

The M.S. scholarship will be for two years including one summer term or one semester to return to Ecuador to collect data for the thesis. Cost per student: US$ 25,000 per year plus US$ 10,000 research costs including cost for the major professor's trip to Ecuador. Students will receive a stipend of US$ 12,000 per year, all tuition and fees, US$ 500 per year for books and supplies and two round trips (tourist class airfare), one of which is to collect data.

LIST OF CONSULTANTS REPORTS

A. Strengthening Private Sector participation in Agricultural Policy Formation .....James Riordan

B. Agricultural Policy Analysis Within the Agricultural Sector Re-Orientation Project.....David Franklin

C. Agricultural Sector Reorientation Project.....J. B. Penn

D. Policy Analysis in the MOA.....J. B. Penn

E. Cost of Production Studies.....J. B. Penn

F. Agricultural Economics Consulting Capacity in the Ecuadorean Private Sector.....J. B. Penn

G. Concepts for Development of an Agricultural Information System in Ecuador.....Sigma One Corporation

H. The Agricultural Sector Reorientation program: Towards an Agricultural Marketing Strategy.....Harold Riley

I. Ecuador Agricultural Market News System.....Fred Tuttle

J. Grades and Standards Component of the Agricultural Reorientation Program.....Ned Tyler

K. Development of an Agricultural Information system in Ecuador.....William Wigton and Marilouse Harrell

L. Crop Monitoring and Reporting Information System.....
.....Andrés Ravelo and Anna Ravelo

M. Evaluation of the Computational Need of an Agricultural Information System.....Comprehensive Marketing Systems

Copies of these reports are available from the ARDO Office USAID/ECUADOR, Quito, Ecuador.