[redacted]/BJC

UNCLASSIFIED PD-AAZ-138
60690

Action Plan

FY 1989 and 1990

ECUADOR

March 1988

Agency for International Development
Washington, D.C. 20523

UNCLASSIFIED

MISSION ACTION PLAN
FY 89 and 90

518 - ECUADOR
TABLE OF CONTENTS

	Page
PART I - STRATEGY AND OVERVIEW OF PERFORMANCE	
A. Strategy Summary	
1. Setting	1
2. Strategy	5
B. Progress To Date	8
C. Country-specific Goals	13
PART II - PROPOSED FYs 89/90 PROGRAM	
A. Plans by Goal and Objective	
Goal 1: Economic Stabilization	
Obj. 3: Stabilize Financial Structures	14
Goal 2: Basic Structural Reforms Leading to Rapid and Sustained Economic Growth	
Obj. 1: Increase Agricultural Production	19
Obj. 2: Strengthen the Private Sector	28
Obj. 5: Promote Exports	36
Obj. 6: Preserve and Manage Natural Resources	43
Obj. 15: Fiscal Reform	49
Goal 3: Wider Sharing of the Benefits of Growth	
Obj. 8: Increase Access to Voluntary Family Planning Services	53
Obj. 9: Improve Health and Health Services	59
Obj. 10: Reduce Infant and Child Mortality	69
Obj. 11: Improve Housing	76
Obj. 13: Increase Participant Training	83
B. Program Summary	
1. Summary Program Funding Table	87
2. Summary Project List, by Objectives	89

Page

C. Special Program Analyses

1. New Project and Amendment Description 90
2. Food Aid 98
3. Local Currency 104
4. Women in Development 109

PART III - MANAGEMENT

A. Management Strategy 112
B. Staffing 117
C. Operating Expenses 125
D. Evaluation Plan 127
E. Country Training Plan 133
F. Gray Amendment 149

Annex: Mission Strategy for the Management and Preservation of Natural Resources

MISSION ACTION PLAN
FYs 89 and 90

518 - ECUADOR

PART I - STRATEGY AND OVERVIEW OF PERFORMANCE

1

USAID/ECUADOR

FYs 89/90 ACTION PLAN

PART I. STRATEGY AND OVERVIEW OF PERFORMANCE

A. Strategy Summary

1. Setting

This Action Plan is being presented in the middle of a critical transition period for Ecuador. In spite of the critical economic situation confronting the country in the immediate future, as described below, Ecuador's political leadership has demonstrated a strong commitment to democracy as evidenced by the active participation of at least ten political parties, and the community at large, during the January 31, 1988 presidential elections. Such elections were conducted in peace and the results have been accepted by both participants and voters. In sum, the electoral process has strengthened democracy and is fully consistent with U.S. interests and objectives in Ecuador.

The upcoming May 8, 1988, runoff elections between the top two candidates in the January 31 national elections will determine who will assume the presidency on August 10 for a four-year term. Both candidates represent political orientations which differ substantially from that of the Febres Cordero administration. A state of nervousness exists which is contributing to capital flight and speculation. This, in turn, has fueled a rapid devaluation of the sucre and further intensified pressures on the Febres Cordero administration to modify the free market policy matrix which it introduced and which engendered very favorable responses from the U.S. G. and the international community. The marked decline in petroleum prices, natural disasters and internal political friction have all served to limit the impact of the free market policy measures enacted in August 1986, which have turned into a "whipping boy" for the political opposition in this election year. In late February and early March of this year, under considerable political pressure, the Febres Cordero government reluctantly introduced restrictions on the free access to foreign exchange, as well as some price controls for agricultural commodities.

While the repercussions of these new policy changes are not yet fully discernable, they may jeopardize debt rescheduling negotiations with the international banking and donor communities. The anticipated rescheduling agreements have been a key component of Ecuador's economic recovery plan and a failure to sign them or any significant delays would deepen an already severe economic crisis.

Given the circumstances, USAID/Ecuador's strategy must be as flexible as possible to permit the Mission to respond to the development priorities identified by the incoming administration. The process of strategy formulation, which will result in a new Country Development Strategy Statement (CDSS) due in Washington in FY 89, must explore the root causes for the current economic crisis and the structural impediments to longer-term growth with equity. Per capita income of $1,150 tends to hide the existing significant disparities which exist among regions and population groups. For the vast majority of the population, low levels of income, health and education continue to be the norm. Although much progress has been made in the past 20 years, the national infant mortality rate (IMR) is still 51 deaths per thousand children born. Additionally, the IMR varies widely between provinces, ranging from a low of 27 per 1000 to a high of 106 per 1000. Over 25 percent of the workforce is either unemployed or underemployed and only a small proportion of the low income population has access to safe drinking water.

The discovery of commercially exploitable quantities of oil in the late 1960s radically changed the traditional structure of Ecuador's economy. For example, while in 1970 bananas, cacao, and coffee accounted for 83 percent of export earnings, in 1985 they accounted for only 18 percent. The oil boom of the 1970s as well as cyclical bonanzas for coffee and banana exports, masked some underlying defects in the economy: an overvalued exchange rate, relatively high inflation rates, stagnating agriculture and migration to the cities, low domestic savings, import protection cushioning industry from the need to be competitive, excessive public sector spending, growing public and private foreign indebtedness and growth in imports despite a policy of import substitution. In addition, the nationalistic economic policies of the military regimes of the 1970s led to the withdrawal of most foreign oil companies by the mid-1970s. Foreign investors in other sectors were also discouraged by economic nationalism, by the gap between the theory and the reality of the Andean Pact and by Ecuador's restrictive interpretation of Andean Pact investment regulations.

By 1979 it was becoming eminently clear that Ecuador was too heavily in debt. According to World Bank figures, by 1979 the debt service ratio had risen to 38 percent, compared with 13 percent in 1972. The situation deteriorated still further in the early 1980s.

The country's problems were compounded in 1983 when freak weather conditions caused by El Niño impacted negatively on major agricultural crops, including the main export earners. It was possible to offset the losses from major agricultural exports with higher oil revenues but at the expense of seeing oil reserves fall in the absence of new exploration. GDP registered negative growth of 3.3 percent in 1983. The response was further devaluation, more import restrictions and renewed requests for debt rescheduling. The austerity measures of 1982/83 laid much of the groundwork for the Febres Cordero government, which took office in August 1984, to implement its free market philosophy and monetarist economic policies. These policies helped spur a recovery in the agricultural sector, with growth rates of 10.6 percent in 1984 and 9.3 percent in 1985.

During the past two years, however, Ecuador has been faced with formidable economic difficulties. The country's economic situation was adversely affected in 1986 by the sharp decline in the export price of oil, which reduced oil export earnings by almost $1 billion and domestic revenues by $500 million. Fiscal adjustments were made to counteract the adverse oil price shock and, as a result, the 1986 public sector deficit was held to 4.1 percent of GDP, roughly half of what would have occurred without additional fiscal corrections. Non-petroleum exports grew substantially during 1986 and, for the first time in many years, accounted for more than half of Ecuador's total export earnings. Agriculture and other non-petroleum growth offset the contraction brought by the oil shock and the fiscal measures, and instead of falling, as originally expected, GDP grew by 2.9 percent in 1986.

In March 1987 the government's economic program was again thrown off course when economic conditions were adversely affected by the earthquakes which damaged infrastructure, including roads, telephone and telecommunication facilities, and destroyed a large section of the main petroleum pipeline, resulting in the suspension of oil production and export for almost six months. As a consequence, in 1987 Ecuador confronted one of the most serious economic and social crises in its history.

Ecuador immediately set to work to overcome this natural catastrophe. A new pipeline connection with Colombia was built,

oil swaps were arranged with Venezuela and Nigeria and repair of the main pipeline was initiated within days of the earthquakes. With great internal effort and some assistance from the international community, Ecuador was able to repair in record time much of the physical damage caused by the earthquakes and to restore oil export capacity in less than six months. The government continued to pursue its stated economic policy by introducing necessary corrective monetary and fiscal measures, and put into effect several significant programs designed to achieve further economic and financial stability.

The principal objectives of Ecuador's program of structural reform were to improve resource utilization in the industrial and agricultural sectors, strengthen the balance of payments through both export development and more efficient import substitution, and to create a market-responsive economic environment which would sustain higher growth in output and greater employment generation. The strategy underlying this program consisted of modification of industrial, agricultural, financial and trade policies so as to reduce administrative controls and increase reliance on market forces to allocate resources.

The international donor community was pleased with the results Ecuador achieved in restructuring its economy. The reforms implemented were both extensive and effective and included cutbacks in long-standing price controls, reduced subsidies on energy, elimination of export taxes, liberalization of imports by a reduction of prohibitions, and fostering of direct foreign investment. On the financial side, the government sharply reduced Central Bank expansion of credit, devalued the exchange rate to competitive levels, and made interest rates more flexible and market-responsive.

In spite of the government's efforts, the impact of the earthquakes on revenues and expenditures led to an increase in the public sector deficit to the equivalent of 10.5 percent of GDP in 1987. The impact on the country's external accounts is even more serious. The current account deficit of the balance of payments increased from 5.8 percent of GDP in 1986 to almost 14 percent of GDP in 1987 ($1.2 billion), and the overall deficit amounted to around 7 percent of GDP ($700 million).

The pressures on the balance of payments created by the decline in export earnings and the deterioration of public sector finances were reflected in a rapid depreciation of the sucre. This depreciation, coupled with political pressures from all segments of the population, forced the government to introduce changes in the foreign exchange market in early March 1988. A new foreign exchange rate was created and imports would

henceforth be rationalized according to social criteria. It is still too early to assess the full impact of these reforms or to gauge the response of the international donor community. It is possible, however, that the new exchange rate measures will reduce pressures for a complete reversion to centralized control of all foreign exchange, which is the apparent inclination of the two presidential candidates involved in the May 8 runoff election.

2. Strategy

This Action Plan for FYs 89-90 reflects a continuity of the Mission's present strategy. Over the past year A.I.D. has continued to assist the GOE in its program to stabilize the external sector and to restructure the economy along competitive lines. However, it should be noted that over the next six months A.I.D's strategy in Ecuador could experience some significant changes as a result of two interrelated events: the democratic transition to a new GOE in August 1988 and the elaboration of a new CDSS for the period 1989 - 1992.

In view of these events and the uncertainties surrounding the upcoming presidential run-off election, the Mission is not proposing, at this time, any new projects for FY 1990. We plan to continue with our existing agenda through FY 1989, while maintaining enough flexibility to be responsive to the new GOE coming to office on August 10, 1988. Social and economic development priorities will be discussed with the transition team of the new government after the May 8, 1988 election. Our revised thinking on possible new project-level interventions for FY 1990 and beyond, which is likely to result from those discussions, will be reflected in the FY 1990 Congressional Presentation and in the forthcoming CDSS exercise.

The Mission's program has three major goals: economic stabilization; achievement of basic structural reforms leading to rapid and sustained economic growth; and a wider sharing of the benefits of growth. The following paragraphs expound on these goals and the Mission's strategy for achieving them.

GOAL 1: Economic Stabilization

The Febres Cordero Administration has implemented a series of economic measures (monetary and fiscal reform, free access to foreign exchange, interest rate liberalization, elimination of subsidies, etc.) that were designed to: reduce existing distortions, principally with the external sector; develop a more competitive economic environment; and permit the free play of market forces.

A.I.D.'s past and present support of the GOE's economic agenda, mainly through ESF and food assistance, has been perceived by the donor community and by commercial banks as a symbol of U.S. support to Ecuador's private enterprise/free-market orientation and has contributed to improved relations between commercial banks, international donors and the GOE.

As the second round presidential election approaches, the economic climate in general tends to be unstable and has already forced the government to reverse important advances in foreign exchange policy and in price controls. This situation will probably be exacerbated in the immediate future. During this period, and more importantly during the transition period (May-August), the Mission will identify those policy areas, at both the macro and sectoral levels, that can realistically be the subject of a constructive policy dialogue with the new administration.

If, as envisioned, the new government takes spteps to reverse some of the key aspects of the macroeconomic policy framework established by the Febres Cordero regime, the Mission will most likely not have the resources to counteract such determinations. Through the proposed Policy Analysis and Transition Support project, however, the Mission expects to be in a position to, at least, constructively engage the new administration in dialogue on policy issues. Also, the sharp decline in our assistance levels seems to indicate that policy impact may best be achieved at the sector rather than the macro level.

During the upcoming Congressional Presentation and CDSS exercises, the Mission will establish the specifics of our future economic policy dialogue.

GOAL 2: <u>Achievement of Basic Structural Reforms Leading to Rapid and Sustained Economic Growth</u>

A.I.D's strategy is to help Ecuador establish the appropriate policy environment while developing and implementing programs to stimulate greater productivity, particularly in the agricultural and small and micro-enterprise sectors. Certainly, the economic shocks experienced in 1986 and 1987 provided dramatic evidence of the danger in Ecuador's over-dependence on the petroleum sector for foreign exchange and government revenue. Ecuador has moved rapidly to implement the reforms needed to increase domestic savings, to encourage diversified exports and to reduce subsidies. However, given the political situation, there have been setbacks in the handling of the economy, particularly in

the exchange rate policy arena. To achieve longer term self-sustaining growth, the maintenance and deepening of these structural changes are necessary. Financial policies and structures need to become more agile and commodity markets need to be made more efficient.

The Mission is implementing a strategy to increase production and productivity in the agricultural sector. The main responsibility for increasing productivity rests directly with the private sector. Incentives have been improved through an interrelated series of macroeconomic and sectoral policy reforms which have benefitted enterpreneurs in the marketing and processing sectors as well as farmers.

The agricultural strategy also involves natural resources management, principally to ensure that the country's future productivity is not undermined by poorly planned exploitation of Ecuador's natural resources. At the same time, efforts will continue to increase non-traditional exports which directly generate income, employment and foreign exchange.

Small-scale enterprises offer the best potential, particularly in the urban areas, for employment generation with relatively modest investments of capital and training. The Mission has initiated a program to provide credit, technical assistance and training to small and microenterprises and will continue to explore ways to be responsive to this sector.

The final element of the Mission's economic growth strategy is human resources development. Efforts are limited to the two critical areas identified by private sector producers: management and technical skills training.

GOAL 3: Wider Sharing of the Benefits of Growth

Mission involvement in the social sectors will be focused on health, shelter and human resource problems. Within the health sector, the Mission will focus on 1) reducing infant and child mortality (child survival), 2) decreasing the incidence of malaria, 3) expanding access to potable water, especially in rural areas and 4) further decreasing the high birth rate. In each of these programs, the Mission will emphasize the institutionalization of service delivery.

Special attention will be given to expanding the general public's understanding of the devastating effects of drug abuse. Both the GOE and the private sector support activities in the battle against drug abuse and USAID will provide needed technical assistance.

A.I.D.'s strategy of providing affordable decent shelter for low income urban families can have a major impact on the health and welfare of the urban poor. The shelter program can also be an important source of growth for the construction sector and thus contribute to the reduction of urban unemployment. The FYs 88-90 program will increasingly use private sector mechanisms to respond to low income shelter needs while continuing to emphasize progressive solutions, such as upgrading of sites and services. The increased reliance on the private sector for meeting the housing needs of the poor will relieve some of the pressures currently placed on public sector institutions.

The Mission expects to double the number of training participants with its existing resources, complemented by the new Andean Peace Scholarship Program. Emphasis will be on selection of candidates from outside of our traditional counterpart groups and institutions.

B. Progress to Date

GOAL 1: Economic Stabilization

A total of $18.8 million in ESF resources was authorized during FY-87, largely as an ex post recognition of the positive reform measures enacted by the Febres Cordero administration and to assist in the recovery effort in the aftermath of the March 1987 earthquakes. Progress to date and the outlook on the macro-economic front has been discussed under Section A.1 (Setting) and A.2 above. The critical program issue affecting this goal is whether USAID/Ecuador will obtain the level of ESF resources in the future which will permit it to exert an influence on future macro-economic policy direction. The CDSS process and the Policy Analysis and Transition Support project will enable the Mission to play a limited role in this regard. However, without significant ESF or food resources, the Mission will most likely delete the Economic Stabilization goal from its program and adopt a sectoral approach in support of the Economic Growth and Sharing the Benefits of Growth goals.

GOAL 2: Achievement of Basic Structural Reforms Leading to Rapid and Sustained Economic Growth

In the agricultural sector, the Rural Technology Transfer System (RTTS) project is successfully helping Ecuador integrate the public and private sectors research and extension activities. Examples of progress to date include: (a) a 10 percent reduction in soybean pest control costs; (b) on-farm trials in coastal livestock improvement which demonstrate a doubling of milk production and 20 percent increases in slaughter weights;

(c) highland dairy farmers are reporting up to 30 percent increases in milk production and reductions in calf mortality from 25 percent to nearly zero; and (d) the National Association of Sheep Producers (ANCO), starting from zero, has built up a membership of 8,000 farmers since the initiation of the project, in large part due to the very positive results, including a 46 percent increase in lamb production and a drop in mortality from 46 to 8 percent in only one year, obtained on the three sheep stations it operates on behalf of the Ministry of Agriculture.

Three members of the 1985 Presidential Agriculture Task Force visited Ecuador in 1987 to review implementation progress on the Task Force's recommendations. They found that Agriculture Sector Reorientation (ASR) project-sponsored studies have played an important role in GOE policy reforms, including the removal of consumer price controls and producer price supports for all but a few commodities, the establishment of an agricultural commodity exchange, the removal of import restrictions on agricultural inputs and the selling of several state-owned storage facilities. Support to the Policy Analysis Unit of the Ministry of Agriculture and to IDEA (the private sector agricultural policy institute established under the project) has been provided under the ASR project. This assistance in policy analysis will be important in helping the new GOE administration to address the sector's needs.

Under the objective of strengthening the private sector, the Mission has focussed its attention on preparatory activities related to two major new initiatives, the Graduate Management School and Small Enterprise Development projects. The Graduate Management School opened its doors to the first class of students in December 1987. Several smaller project activities are also underway to strengthen the private sector human resource base in areas such as banking at the professional level and accounting, marketing and finance at the semi-professional level. Start-up delays outside the control of the Mission have kept the Small Enterprise project from having the desired impact projected in last year's Action Plan. Now that the institutional arrangements are in place, at least three banks are expected to open new credit lines directed to the small business sector as a complement to the training and technical assistance being provided.

In the area of export promotion, the Mission's Non-Traditional Agriculture Exports (NTAE) project has assisted 28 companies to enter new product markets. New trading companies and a strengthened institutional capacity in the Federation of Exporters (FEDEXPOR) have been established to provide a broad range of services to small and medium-size firms with little or no prior exporting experience. Pending the results of an outside evaluation, the Mission plans to extend the NTAE project activity for two additional years.

The Mission has created a new objective (Fiscal Reform) under the "Other" category in this year's Action Plan in order to more accurately reflect the contribution of the Fiscal Administration Development Project, which was listed under the objective of "Stabilize Financial Structures" last year. The 1987 target for increased annual revenues from income and sales taxes was exceeded by nearly 7 percent. Structural and administrative reforms related to revenue generation, however, have not progressed as well. Over the coming year, the Mission expects to enter into a constructive dialogue with the new administration to assess its interest in the area of tax administration improvements.

A summary list of the most important planned performance indicators, policy reforms and project accomplishments for this goal are as follows:

- develop and strengthen the capacity to generate, adapt and diffuse modern agricultural technologies in both the public and private sectors;

- establish a computer center in the Ministry of Agriculture to support the Policy Analysis Unit, marketing services, and improved agricultural statistics;

- initiate the Sustainable Uses for Fragile Lands project;

- establish small enterprise training centers in five secondary cities in the areas of marketing, finance and administration; and

- increase A.I.D. project-related investment and exports in the non-traditional agriculture sector.

GOAL 3: <u>Wider Sharing of the Benefits of Growth</u>

The overall contraceptive prevalence rate grew to 44% in 1987, while private sector family planning organizations have expanded their services by more than 300 percent since the initiation of the Population and Family Planning project, the A.I.D. program performance indicator for the total number of women receiving services for 1987 shows that only 55 percent of the target was reached (nearly 130,000 women). This is due primarily to the availability of improved data for 1987; actual figures still represent a sixteen percent increase over 1986. With A.I.D. technical assistance, in 1987 the GOE formulated a national population policy for the first time.

Since 1982, A.I.D. has assisted the Ministry of Health to improve the National Sanitary Works Institute's (IEOS) capacity to carry out the construction of rural water supply and sanitation systems and to develop low cost appropriate technology adapted to field conditions. During 1987, A.I.D. support to IEOS and a new national law which assigns a percentage of GOE petroleum revenues to construct rural water systems have led to the creation of approximately 400 new systems serving over 250,000 people. ESF and PL-480-generated local currencies will permit IEOS to construct an additional 100 water systems in CY 88. A.I.D. will continue assisting IEOS with training and technology development, as well as initiate a major social promotion campaign to improve hygiene behavior.

In addition to water systems, the Mission contributes to improved health and health services through support to national programs in malaria and AIDS control. Indicator targets for malaria control were not reached; in fact the incidence of malaria increased in 1987 due primarily to labor unrest and the failure of the GOE to make the necessary purchases of DDT. The new GOE administration's support for malaria control will be critical to the success of this effort. The newly-established AIDS control program is receiving financial support both from A.I.D. centrally-funded programs and ESF-generated local currencies.

The Mission submitted its National Child Survival Strategy document for AID/W review in early March 1988. If constructive dialogue with the transition team for the new administration permits, the design of the proposed Child Survival project will be finalized during the summer in order to permit an obligation of funds in late FY 88. Given the desire to ensure the new administration's commitment in this important area, initial obligation may have to be delayed until the first or second quarter of FY 89.

Housing and home improvement loans have been made more affordable for lower-income families due to the introduction and acceptance of the graduated payments mechanism. Private sector production and financing of low-income housing has improved significantly over the past year with the first-time involvement of 11 financial institutions and 13 private developers under the HG-007 program.

Under the Andean Peace Scholarship Program, which did not begin until late FY 87, the first group of trainees (12 journalists principally involved in political and economic reporting) attended a highly successful program at Northeastern University in Boston which focused on the U.S. presidential elections and the New Hampshire primaries in particular. Their articles on the New Hampshire primaries received wide coverage in their local papers.

A summary list of the most important planned performance indicators, policy reforms and project accomplishments for this goal are as follows:

- A.I.D.-assisted birth spacing program through the Ministry of Health initiated in five provinces;

- private sector commercial marketing of contraceptives initiated and maintained in 1,800 outlets;

- number of persons served by new sanitation services under A.I.D.-supported programs increased by 25 percent;

- at least eight cities sprayed with insecticides to control malaria;

- a 22 percent increase in ORS treatment for diarrhea in children under five, and;

- over 250 percent increase in short-term technical training under the Andean Peace Scholarship and LAC II programs.

C. Country Specific Goals

GOALS/OBJECTIVES/PROBLEM AREAS MATRIX

	GOALS				PROBLEM AREAS				
	STABILI-ZATION	REFORMS/ GROWTH	SPREADING BENEFITS	DEMO-CRACY	INCOME	HUNGER	HEALTH	EDUCA-TION	POPU-LATION
1. Increase agricultural production		(x)	x		(x)	x			
2. Strengthen the private sector		(x)			(x)				
3. Stabilize financial structures	(x)				(x)				
4. Increase GDP		x			(x)				
5. Promote exports		(x)			(x)				
6. Preserve and manage natural resources		(x)			x				
7. Expand and improve the infrastructure		x			x				
8. Increase access to voluntary family planning services			(x)						(x)
9. Improve health and health services			(x)				(x)		
10. Reduce infant and child mortality			(x)			x	(x)		
11. Improve housing			(x)						
12. Improve educational opportunities		x	x					x	
13. Increase participant training		x	(x)	x				(x)	
14. Strengthen democratic institutions				x					
15. Other Fiscal Reform		(x)	x	x					

MISSION ACTION PLAN
FYs 89 and 90

518 - ECUADOR

PART II - PROPOSED FYs 89/90 PROGRAM

PART II FYs 89/90 PROGRAM

A. Plans by Goal and Objective

GOAL # 1: Economic Stabilization

OBJECTIVE # 3: Stabilize Financial Structures

1. COUNTRY DEVELOPMENT TREND INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988* Proj.	1989* Proj.	1990* Proj.
A. Total consolidated (non-financial) public budget deficit as a percentage of GDP							
(i) Central Government	1.9	-2.2	-	-4.7	-3.9	4.0	4.0
(ii) Other	0.0	-2.9	-	-5.8	-5.2	-5.5	-5.2
Consolidated	1.9	-5.1	-4.0	- 10.5	-1.3	-1.5	-1.2
B. Current account balance of payments deficit as a percentage of GDP (deficit:-)	1.0	-5.8	-	-13.2	-11.0	-5.0	-5.0

*Source: Central Bank, Ministry of Finance and IMF estimates.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Percentage of total savings operations subject to interest rate controls	99	0	0	0	0	0	0
B. Percentage of total lending operations subject to interest rate controls	99	67	10	67	67	80	80

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- Tariff reform to further standardize tariffs and lower the effective rate of protection.	1/88	-	Economic events during 1987 (March earthquakes and petroleum price reduction) created serious deficit constraints which precluded serious dialogue on this issue. Given national elections, it will be mid-FY 89 before Mission expects to be in a position to reopen discussions.
- Development of a privatization strategy	1/88	-	See discussions under Objective No. 2 (Strengthen the Private Sector)
- Progress in achieving divestiture within at least two of three GOE institutions (CFN, IESS, MAG)	1/88	-	See discussions under Objective No. 2 (Strengthen the Private Sector)
Block No. 6			
- Development of specific economic management targets	2/87	-	As with tariff reform, the economic crisis due in large part to the March 1987 earthquakes and depressed petroleum prices, made discussion of these targets nearly impossible.
- Performance monitoring against economic management targets	3-4/87	N/A	See above.
- Continuity of important GOE development investment programs	all/87 all/88	all/87 all/88	GOE credit lines under A.I.D. sponsored non-traditional exports and low-income housing projects received continued support.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
Mission will seek to encourage new GOE administration to continue (or avoid major reversal of) free market policy emphasis of the Febres Cordero government.	
- Include conditionality in FY 88 ESF agreements regarding access to foreign exchange, interest rates and tariffs (if end-of-FY fallout money becomes available).	4/88
- Discuss conclusions of macro-economic analysis on the impact of free market policies adopted by Febres Cordero government with the incoming administration.	3/88
- Reach agreement with new GOE administration regarding policy dialogue agenda for the new Policy Analysis and Transition Support project.	4/88
- USAID/Ecuador CDSS will reflect policy dialogue agenda and mutually agreed-upon areas for A.I.D. assistance over the life of new GOE administration.	1/89

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Complete priority policy studies for discussion with new GOE administration.	1/89
- Present FY 88 PAAD and obligate ESF resources should end of fiscal year resources become available.	4/88

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum thru FY-87	FY 1988	FY 1989	FY 1990
Economic Stabilization and Recovery	518-0058	O	ESF	43,031	G	43,031	-	-	-
Economic Stabilization and Recovery II*	518-0078	N89	ESF	18,000	G	-	-	9,000	9,000
Policy Analysis and Transition Support	518-0067	N88	DA		G	-	300	-	-

* It is expected that future ESF resources will be provided on a sectoral basis and thus would appear in support of other, as yet undefined, objectives.

7. NARRATIVE

The Mission's FY 87 Economic Stabilization and Recovery Program (ESF) was requested and justified largely on the very positive free market policy measures adopted by the Febres Cordero administration. As an ex post recognition of the comprehensive exchange and interest rate reforms of August 11, 1986, and of the progress in reducing trade barriers registered in January 1986, $12.3 million was obligated in May based on USG interest in supporting the present GOE administration which, despite two devastating shocks to the economy (the 1986 oil price decline and the March 1987 earthquakes) and strong political pressure to reverse many of its market-oriented policy reforms, especially in an election year, had maintained a firm stance vis-a-vis its policy agenda. An additional $6.5 million was obligated in September 1987.

No ESF resources are currently programmed for Ecuador in FY 88. Given the inclinations of the two presidential candidates, one of whom will assume office in August 1988, it is very likely that Ecuador will experience a reversal in some of the market-oriented policies adopted by the Febres Cordero administration. Through the proposed Policy Analysis and Transition Support project, the Mission expects to be in a position to discuss constructively with the new GOE transition team the positive impact achieved to date by many of such policies and the advantages of retaining in some form elements of these policies in the future. In addition to studies being conducted by the Mission in preparation for submitting a CDSS in the fall of 1988, the Policy Analysis and Support project will provide the Mission the wherewithal to assist the new GOE in exploring alternative policy directions in a variety of sectors and to lay the basis for continued dialogue on priority areas for A.I.D. assistance.

Given the limited ESF resources expected for FYs 88-89 and beyond, the Mission is seriously considering switching from a balance-of-payments cash transfer approach to a sectoral strategy, with probable emphasis on the health, natural resources or housing sectors. The Mission's ability to encourage positive macro-economic policy formulation with very modest balance of payment support is severely hindered. Greater impact is likely from a sector approach which reinforces the major project initiatives already underway or in the planning stages.

GOAL # 2: Basic Structural Reforms Leading to Rapid and Sustained Economic Growth

OBJECTIVE # 1: Increase Agricultural Production

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 Actual	1986 Actual	1987 Proj. (b)	1987 Actual (c)	1988 Proj. (a)	1989 Proj. (a)	1990 Proj. (a)
A. Real Growth of Value Added (GDP) in Agriculture (millions of Sucres in 1975 constant prices) (a)	24,045	25,924	26,650	26,961	27,470	28,277	29,108
B. % Change from Previous Year	9.3	7.8	2.8	4.0	2.9	2.9	2.9

(a) Indicators for 1989-90 are USAID projections. Growth in agriculture during 1984-86 reflected a recovery from relatively low levels following the 1983 El Niño phenomenon and a positive macro-economic and sectoral policy environment. Unfortunately consumer price controls were re-introduced in late February 1988, as were fixed exchange rates in early March 1988. Moreover, the Sierra has experienced drought during late 1987 which has continued into 1988. The Mission does not expect the rapid rate of growth for 1984-87 to be maintained. Consequently, we have projected growth in GDP in agriculture at 2.94 percent per year, which is the average rate of growth for 1960-82, when a similar policy matrix prevailed.

(b) Last year's Action Plan projected a rate of growth in "output" of 2.8 %. "Output" was used synonomously with GDP, but the level of GDP was not projected. Using this rate the projected GDP in 1987 would have been 26,650.

(c) Preliminary data estimated by CONAPE, Ecuador's planning agency, in February 1988.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

- Productivity Indicators for Selected Crops (being impacted directly by AID's program) (a)

YIELD

	1988 Proj.		1989 Proj.		1990 Proj.	
	Yield	Share (b) %	Yield	Share %	Yield	Share %
Coffee (Kg/Ha)	250	0.6	400	1.2	682	2.0
Hard Corn (Kg/Ha)	900	-	1,000	-	1,300	-
Cassava (Kg/Ha)	8,500	5.0	8,500	10.0	10,000	13.0
Milk (Sierra) (liters/cow/day)	8	1.0	8.4	5.0	10	10.0
Sheep meat (Kg/head)	11.4	15.0	15.9	24.0	20.5	40.0

(a) Performance indicators were not presented in last year's Action Plan. Consequently projected and actual levels are not presented for 1987 or prior years.

(b) Share of total producers being impacted by USAID programs.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988 AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- Completion of transition to market-oriented agricultural price policy	2/88	4/87	- Basically completed by 4/87 with free market prices for consumers and producers except for price supports for a few products (rice, corn, soybeans), then partially reversed in 2/88 (see Narrative).
- Divestiture/privatization of state enterprise/activities in marketing agricultural products/inputs	3/88	-	-Restrictions on imports of agricultural inputs removed and GOE fertilizer monopoly forced to compete with private sector. A few ENAC (public sector) storage facilities sold with strong public opposition, slowing progress in this area.

Target	Planned	Actual	Discussion
- Consolidation of the private sector role in the development and transfer of agricultural technology through the Agricultural Development Foundation, FUNDAGRO, including establishment of an adequate endowment.	1/88	2/88	The FUNDAGRO project, including the Foundations endowment (to be funded out of PL-480 local currency generations) has been approved by the Mission. Research and extension activities in several priority commodity areas (cassava,. dairy, coffee) has already begun.
- Establishment of positive real interest rates and increased private sector lending for agriculture.	2/88	-	Interest rates increased to 28 percent but are still below market.
- Establishment of formal private sector capacity to analyze and influence agricultural policy.	3/88	2/88	The Instituto Nacional de Estrategias Agropecuapecuarias (IDEA, or National Institute for Agricultural Strategies) was established. 14 policy studies and seminars have been completed, and another 3 are in process.
Block No. 6			
- Development of fully operational Policy Analysis Unit in MAG.	1/88	1/88	Unit has been organized. Some training of Ecuadorian staff remains to be completed. Further institutional integration of the Policy Analysis Unit into MAG is required.
- Completion of 12-15 priority analyses in various policy areas and implementation of many recommendations from analyses and subsequent dialogue.	2/88	1/88	Forty-four analyses and studies completed and subsequent discussions held with GOE. Recommendations implemented include: maximum prices for consumers eliminated; exchange rate floated; import controls for agricultural inputs removed; interest rates increased; commodities with support prices reduced in number.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
-Discussion of the benefits and maintaining and refining a set of macroeconomic and agricultural sector policy reforms initiated in mid-1982 by the Roldós-Hurtado government, and broadened and refined by the Febres Cordero government. (The two presidential run-off candidates have both stated their opposition to these policy reforms and the Febres Cordero government has recently reinstated controls on prices of some primary commodities, and a government administered exchange rate for private exporters and importers in response to a highly speculative fall of the value of the Sucre). Dialogue will focus on: --Establishment of a market determined exchange rate --Movement toward positive real interest rates (i.e. rate above the inflation rate), and eventually to market-determined interest rates --Establishment of market prices for producers and consumers, with poor consumers' needs being addressed by welfare instruments --Development of a market economy and a strong private agricultural sector	continuous
-Develop and strengthen the capacity to generate, adapt and diffuse modern agricultural technologies in both the public and private sectors. Specifically: --Enact necessary policies and develop mechanisms to pay salaries at levels sufficient to attract and retain the most highly-qualified agricultural scientists and technicians in INIAP and other public sector institutions involved in the process of technology transfer in agriculture --Provide more resources to link private associations of producers to the international science network in order to import and adapt "shelf" technologies at the lowest posible cost on a continuing (long-term) basis	2/90
-Coordinate the diverse elements involved in developing and managing the irrigation and water resources of Ecuador. Specifically: --Coordinate the management of natural resources and watersheds with the overall management of irrigation resources --Discuss with GOE priorities for continuing with proposed irrigation projects and the need to focus scarce resources on projects with the highest pay-off --Discuss mechanisms and procedures for improving irrigation systems and on farm water management, and for pricing water at its full cost including capitatization of irrigation structures	continuous

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Implementation of four (4) priority operational research programs and the integration of these research programs with extension programs to assure development and transfer of improved technology for priority commodities: coffee, cassava, dairy, etc.	2/89
- Twenty five (25) farm organizations/agro-industries are carrying out technology transfer and development activities in livestock (beef, dairy, sheep) and crop (corn, soybeans, cassava, rice, etc.) production.	3/89
- Establishment of a profitable calf milk replacer manufacturing program.	4/89
- Legalization of 25,000 farms with land tenure problems.	4/89
- Installation of computer center in the Ministry of Agriculture in Quito for data processing and analyses including one mini-computer, 12 micro-computers and associated software, training, and technical assistance; and further development and refinement of a national agricultural data system.	3/89
- Provision of one mini-computer to the National Meteorological Institute (INAMHI), 6 micro-computers to the National Institute for Statistics and Census (INEC), and integration of INAMHI and INEC into the internal data system for agriculture.	3/89
- Completion of six (6) policy studies in the Policy Analysis Unit of the Ministry of Agriculture, and 3 policy studies/seminars under the auspices of the National Institute for Agricultural Strategies (I.D.E.A.).	3/89
- One hundred and fifty (150) agriculturalists trained.	4/89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N)* Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum.thru FY-87	FY 1988	FY 1989	FY 1990
Rural Technology Transfer System	518-0032	0	DA	3,350	L	2,600	750	-	-
	518-0032	0	DA	6,500	G	5,300	1,200	-	-
	518-LC-03	0	PL-480	(3,440)	LC	(2,111)	(953)	(190)	(185)
Agricultural Sector Reorientation Project	518-0051	0	DA	1,400	L	1,400	-	-	-
	518-0051	0	DA	7,100	G	7,100	-	-	-
	518-LC-02	0	PL-480	(5,598)	LC	(3,265)	(1,807)	(275)	(251)
Small Farmer Support OPG	518-0057	0	DA	811	G	811	-	-	-
Land Titling	518-0059	0	DA	7,000	L	3,500	-	1,000	1,500
	518-0059	0	DA	3,300	G	2,000	-	800	500
	518-LC-04	0	PL-480	(2,796)	LC	(4,469)	-	(313)	(514)
Support of Agricutural Activities	518-LC-01	N/88	Sec.416	(2,582)	LC	-	(1,817)	(394)	(371)
	518-LC-01	0	PL-480	(7,906)	LC	(7,906)	-	-	-
Calf Milk Replacer	518-LC-07	0	PL-480/I	(87)	LC	(87)	-	-	-
Calf Milk Replacer	518-LC-07	N/88	PL-480/II	(800)	LC	-	(600)	(200)	-
Agricultural Education OPG	518-0062	0	DA	680	G	680	-	-	-
Agricultural Research, Extension and Education	518-0068	N/88	DA	5,000	G				
Fundagro Endowment	518-LC-06	0	Sec.416	(6,571)	LC	(1,844)	(3,782)	(545)	(400)

7. NARRATIVE

A major portion of the projects in the Mission's Agriculture and Rural Development Portfolio are designed to remove constraints to increased agricultural productivity. Major constraints have been identified in four areas: price and marketing policies, credit, technology development and transfer and human resources development.

Policy constraints are being addressed through a policy dialogue process that is supported by the Agricultural Sector Reorientation project (ASRP). ASRP is providing assistance to develop analysis capabilities in the public sector through the development of a Policy Analysis Unit within the Ministry of Agriculture, as well as in the private sector through the support of IDEA, a private sector agricultural policy institute. The ASRP is also providing assistance to improve agricultural data and market news so that policy analysis and dialogue are more meaningful. ASRP activities have been instrumental in achieving policy reforms. However, the Mission's current focus is on maintaining progress already made. As explained in Part I above, Ecuador's worsened economic situation has recently faced the government to reinstate price controls for primary commodities and to fix the exchange rate for foreign trade. There is also uncertainty as to whether the new government that will come to power in August 1988 will support previous reforms. The ASRP project will assist the Mission in its policy discussions with the new government.

Credit constraints are also being addressed by the ASRP through the provision of technical assistance to the National Development Bank (BNF) aimed at reducing and eventually eliminating credit subsidies and promoting market interest rates. The Land Titling project will also assist farmers to obtain credit by providing land titles, which are required to obtain credit through the BNF as well as other financial institutions.

The Rural Technology Transfer System (RTTS) and Agricultural Research, Extension and Education (REE) projects are designed to address constraints to technology development and transfer. Despite initial implementation problems, the RTTS project has made good progress over the past year in improving the capabilities of private sector producer organizations to develop, validate and transfer new agricultural technologies. An extension of this project is planned in FY 88 to help ensure the self-sustainability of activities supported by this project. The recently approved REE project will assist a private sector research foundation to prioritize, fund and integrate research, extension and education activities.

In the area of human resources development, both training for advanced degrees as well as on-the-job training is being provided under both the ASRP and RTTS projects. In addition, 50-60 scholarships for Ecuadorian students at the Panamerican Agricultural School in Honduras are funded each year under the Agricultural Education project.

Local currencies generated by food assistance are also assisting the Mission in its policy dialogue and in addressing the constraints to increased agricultural productivity by providing counterpart funds for the Missions major agricultural projects.

In addition to implementing the above mentioned projects, the Mission also plans to initiate new policy dialogue with the GOE in the areas of water resources management.

The Mission undertook an evaluation of the RTTS project's impact on the small farmer in November-December 1987 and is currently assessing the financial sustainability of each of the project-supported producer associations in preparation for a two-year project extension. Mid-term evaluations of the ASRP and the Land Titling project are planned for the second and third quarters of 1989, respectively, to measure progress towards the end-of-project status and to identify problems and constraints.

The mortgage for projects supporting this objective is currently $7 million and the pipeline is $13 million. A large portion of the mortgage is attributable to the Land Titling project. No additional funds will be obligated for this project this fiscal year since expenditures have been low due to implementation problems. Most of the pipeline under this objective is attributable to the ASRP and Land Titling Project.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0032 Rural Tech. Transfer Sys.	G	6,500	5,300	1,200	1,200	0	0	0	0	0
518-0032 Rural Tech. Transfer Sys.	L	3,350	2,600	750	750	0	0	0	0	0
518-0059 Land Titling	G	3,300	2,000	1,300	0	1,300	800	500	500	0
518-0059 Land Titling	L	7,000	3,500	3,500	0	3,500	1,000	2,500	1,500	1,000
518-0068 Ag. Research, Extension and Education	G	7,000	0	0	2,767	4,233	1,650	2,583	1,307	1,276
518-0074 Small Farm Irrigation OPG	G	600	300	300	300	0	0	0	0	0
TOTALS		27,750	13,700	7,050	5,017	9,033	3,450	5,583	3,307	2,276

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0032 Rural Tech. Transfer System	2,600	5,300	7,900	2,413	4,150	6,563	187	1,150	1,337
518-0051 Agricultural Sector Reorientation	1,400	7,100	8,500	390	1,636	2,026	1,010	5,464	6,474
518-0057 Small Farmer Services OPG	0	811	811	0	270	270	0	541	541
518-0059 Land Titling	3,500	2,000	5,500	785	777	1,562	2,715	1,223	3,938
518-0062 Agricultural Education OPG	0	680	680	0	223	223	0	457	457

OBJECTIVE # 2: Strengthen the Private Sector

1. COUNTRY DEVELOPMENT TRENDS INDICATORS*

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Private Investment as % OF GDP	9.3	9.0	11.0	8.2	7.8	10.0	11.0
B. Banking System Credit to the Private Sector ($ millions)	2,790.0	1,733.3	3,520.0	927.8	750.0	625.0	800.0

Data Source: Central Bank of Ecuador

2. AID PROGRAM INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. 1. AID-supported small and micro-enterprise credit programs:							
(i) Number of loans	6,525	7,179	-	7,323	9,583	13,414	14,149
(ii) Value ($000)**	1,569.8	1,249.4	-	1,025.0	1,374.5	1,014.5	1,400
2. AID-supported small and micro-enterprise credit programs tied to technical assistance/training:							
(i) Number of loans	-	-	-	-	260	500	625
(ii) Value (000)**	-	-	-	-	520	359.4	377.1
B. Direct employment created in small enterprise sector under A.I.D.-supported programs	504	424	1,500	482	712	1,096	1,152
C. Annual number of new trainees under A.I.D.-supported programs***							
(i) technical skills	592	1,405	2,000	2,976	2,366	1,678	480
(ii) financial sector	599	841	500	504	250	210	N/A
(iii) business administration	-	-	100	80	309	475	480
(iv) mid-management	-	-	-	-	425	2,010	2,456

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
D. No. of A.I.D.-supported facilities providing Training in the sector							
(i) Courses and seminars	43	71	116	136	265	830	873
(ii)Technical assistance	0	0	0	0	20	23	0

* Mission Action Plan for last year included export promotion activites as non-add items to objective 2; this year the Mission has included export promotion only under Objective No. 5

** While the sucre value of loans has increased over the year the dollar value of these loans has declined as the value of sucre has decreased against the dollar.

*** Data from the previous Action Plan have been substantially revised given availability of new data. Figures are aggregated for all training by functional area rather than by length of training, i.e., long and shor-term. Significant increases are evident for those years when major training projects are operating at full capacity.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 87 AND EARLY FY 88, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEARS'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
-GOE action completed to privatize first company	4/87	4/87	Financiera Manabí privatized.
-Open market or auction bidding for debt-equity swaps.	2/88		Discussions have been held and while the GOE has expressed interest in debty equity swaps as a means for privatization, exact mechanisms have not been worked out and there are serious questions as to whether the new government will continue this initiative.

Target	Planned	Actual	Discussion
-Revised tax treatment of dividend income to bring it to no higher than the tax on interest income.	2/88		AID-financed study recommended such action but no action has been taken on this recomendation as yet.
-Discussions/actions to maintain interest rates on loans to private borrowers in line with AID guidance on positive, real rates.	as necessary	2/88	AID-supported credit programs to the small enterprise sector did apply positive real rates. However, recent increases in the rate of inflation resulted in less than positive rates and discussions are underway to regain the previous position.
Block No. 6			
-Second major privatization completed.	3/88	1/88	Financiera Guayaquil privatization completed. Other small privatizations have occurred as well.

One project accomplishment included in last year's Action Plan under Block 6 has been omitted because it is duplicated under Block 5.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
-Seek GOE concurrence and action to:	continuous
- Maintain and broaden the scope of A.I.D.'s private sector activities	
- Implement monetary and fiscal policies to ensure adequate credit availability to the private sector, particularly to the small business subsector	
- Introduce legislation to address tax and disclosure requirement constraints affecting stock market operations	
- Establish uniform credit and technical assistance policies for application by the National Micro-enterprise program of the Ministry of Labor	

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
-IDEPRO's private commercial skills program operating on a self-supporting basis	3/88
-Not less than three private commercial banks operating credit lines for the small enterprise sector	4/88
-Provide technical training to labor force of small enterprises in Guayaquil through INCAPI based on a needs assessment survey	4/90
-Train over 2,000 persons in the financial sector	4/89
-Establish 5 training centers for training in marketing, finance, and administration to the small enterprise sector in 5 secondary cities	4/90
-Accreditation of the Graduate Management School (GMS) Program	1/89
-Move GMS to permanent site	4/90
-Grant master's degree to students who have sucessfully completed first master's program	2/89
-Begin second class of Graduate Management School for master's degree	1/89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G/LC	Obligations Cum. thru FY 87	FY 1988	FY 1989	FY 1990
Graduate Management Program	518-0035	O	DA	10,000	G	4,200	-	1,350	2,400
Technical Training OPG	518-0044	O	DA	821	G	821	-	-	-
Technical Training for Financial Sector OPG	518-0048	O	DA	437	G	437	-	-	-
Private Sector Development OPG	518-0047	O	DA	350	G	350	-	-	-
Small Enterprise Development	518-0056	O	DA	4,500	G	2,160	1,100	616	-
Technical Skills Development OPG	518-0055	O	DA	597	G	140	457	-	-
Professional Development Institute OPG	518-0041	O	DA	388	G	388	-	-	-
Binational Foundation	518-0066	N/89	DA	4,000	G	-	-	763	1,300
National Micro-Enterprise Program	ESR-58-016	N/88	ESF	550	LC	-	550	-	-
Small Enterprise Credit	ESR-58-15	N/88	ESF	275	LC	-	275	-	-

7. NARRATIVE

The Mission's private sector efforts have focused on the provision of training at various levels, firm-level technical assistance, credit and training, with a special focus on small and micro-enterprise development.

The Mission has played a leading role in encouraging realistic interest rates for private sector credit directed to the small and micro-enterprise sectors through the design of ESF local-currency funded credit programs and the funding of key GOE officials' participation at international symposia on issues affecting these sectors.

At the project level, actions are focused on the expansion of non-traditional exports (discussed under objective 5, Promote Exports) and on the upgrading of skills and systems in the private sector and the small enterprise area, particularly small-scale manufacturing, which is the largest segment of the private sector in terms of employment.

A.I.D. assistance is strengthening the private sector human resource base by financing training at the professional level in banking and at the semi-professional level in accounting, marketing, finance, etc. The first class of students in graduate business education began coursework in December 1987 and is expected to provide Ecuador with highly-trained business executives. While establishing the post-graduate school of business education is on target, the raising of a $2.5 million endowment by a group of prominent businessmen is considerably behind schedule. The Mission is preparing an evaluation plan which will develop indicators for the productivity/employment impact of these training projects as well as the means to measure these indicators.

The bankruptcy of a U.S. contractor delayed, until recently, the full implementation of A.I.D.-financed technical assistance, training and credit to the small enterprise sector for the purpose of strengthening the sector through the generation of increased income and employment. As a result, the PACD of the Small Enterprise Development project has been extended. The project component to assist national and provincial representational organizations to more effectively represent the sector to appropriate GOE and private sector institutions has been suspended until the credit, technical assistance and training components are fully operational.

Another activity to strengthen the private sector, while contributing to enhanced productivity, was the centrally-funded technical assistance to effect the privatization of selected state enterprises, including

hotels, cement factories, agricultural storage facilities, etc. An assessment of privatization options within the National Finance Corporation (CFN) was conducted and several divestiture actions were successfully completed. Nevertheless, a clear policy has not been adopted by the GOE in order to facilitate further progress. The option of utilizing the debt-equity swap mechanism has been explored. However, no procedures have been established and possible inflationary and political consequences in an election year have hindered progress. Policy dialogue in this area is expected to be renewed when the new government takes office in August 1988.

Following is mortgage and pipeline information for this objective:

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0035 Graduate Management Program	G	10,000	4,700	5,300	0	5,300	1,350	3,950	2,400	1,550
518-0055 Technical Skills Development OPG	G	597	140	457	457	0	0	0	0	0
518-0056 Small Enterprise Development	G	5,000	2,160	2,840	1,124	1,176	1,100	616	616	0
518-0066 Binational Foundation	G	4,000	0	0	0	0	763	3,237	1,300	1,937
TOTALS		19,579	7,000	8,597	1,581	7,016	3,213	7,803	4,316	3,487

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0035 Graduate Management Program	0	4,700	4,700	0	936	936	0	3,764	3,764

Project No. and Title	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0041 Professional Development Institute OPG	0	388	388	0	140	140	0	248	248
518-0044 Technical Training OPG	0	821	821	0	318	318	0	503	503
518-0047 Private Sector Development OPG	0	350	350	0	133	133	0	217	217
518-0048 Tech. Training for the Financial Sector OPG	0	437	437	0	212	212	0	225	225
518-0055 Technical Skills Dev. OPG	0	140	140	0	2	2	0	138	138
518-0056 Small Enterprise Development	0	2,160	2,160	0	272	272	0	1,888	1,888
TOTALS	0	8,996	8,996	0	2,013	2,013	0	6,983	6,983

OBJECTIVE # 5: Promote Exports

1. COUNTRY DEVELOPMENT TREND INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Value of total commodity exports ($ billion)	2.9	2.2	-	2.0	2.2	2.5	3.0
B. Value of non-traditional exports ($ million)	28.6	45.2	-	85.6	103.4	127.56	168.0
1. Non-manufactured	8.8	10.5	-	36.0	50.4	70.56	98.0
2. Manufactured	19.8	34.7	-	49.6	53.0	57.0	70.0
C. Foreign exchange earnings from tourism ($ million)	142	166	-	130	130	170	190

Source: Central Bank of Ecuador

2. A.I.D. PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Annual value of selected non-traditional exports resulting from A.I.D.-supported programs ($million)*	0.6	2.4	20.9	3.4***	10.0	15.0	23.0
B. Increase in project-related investment in the non-traditional agricultural sector (millions LC)	-	1,058.6	-	397.8**	1,000.0	1,300	1,690.0

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
C. Increase employment in project-related sub-projects (No. of jobs)	-	415	-	297	300	350	400

* Indicators in last year's Action Plan were provided as new export sales.

** Disbursements from the Central Bank credit facility were suspended due to compliance and interpretational problems.

*** A review of Central Bank statistics indicates that A.I.D.'s project in non-traditional agricultural exports has contributed only 4 percent of total exports in this sector. An evaluation currently underway is examining project impact among other factors and will reconcile discrepancies with other data sources (which show considerably greater impact) prior to determining the advisability of a two-year project extension.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988 AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- Discussions/actions to maintain interest rates on loans to private borrowers in line with A.I.D. guidance on positive real rates	as necessary		- While commercial interest rates had approached positive real rates, the gap between real and project-related interest rates has recently increased due to GOE monetary policies.
- Discussions/actions to maintain realistic exchange rate policies	as necessary		- Realistic exchange rates were obtained but recent GOE policy pronouncements place serious constraints on progress in this area.

Target	Planned	Actual	Discussion
Block No. 6			
- Commercial trading companies dealing in non-traditional Ecuadorian exports to the U.S. established, largely replacing role of A.I.D.-contracted assistance.	2/88	2/88	Efforts have been directed to strengthen FEDEXPOR's institutional capacity to provide expanded services to small and medium-size firms with little or no exporting experience. New trading companies have been formed and existing ones have also expanded into the field of non-traditional exports.
- First International Ecuadorian Exports Convention held in Ecuador.	2/88	-	While local conventions have been held in Ecuador by FEDEXPOR, the first International Ecuadorian Exports Convention has been postponed until a later date.
- Tourism promotion campaign completed with funding provided by U.S. and Ecuadorian private sectors and GOE.	1/88	1/88	Campaign completed by FEPROTUR. Additional ESF LC financing has recently been approved to continue and expand upon FEPROTUR activities.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Continue discussions with GOE for maintenance of real interest rates.	continuous
- Continue discussions with GOE to maintain (or avoid reversal on) realistic exchange rates.	continuous
- Elicit GOE commitment to export promotion of non-traditional agricultural products including the following:	continuous
-Support for improved transport facilities and services.	

	Quarter/Year
-Improvement in government practices for certifying quality of imported agriculture inputs.	
-Incentives for production and importation of agricultural inputs.	
- Continue to promote tourism as a significant foreign exchange earner	continuous

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
-Increase number of priority commodities covered under the project from 15 to 33	3/88
-Increase number of ICI's involved in the sector from 4 to 9	3/88
-Non-traditional export project ends with 37 companies having entered new markets with new products through credit assistance. $20 million annual foreign exchange earnings generated from these companies	3/89
-Expand tourism campaign to encompass publication and circulation of brochures, broadcast of videos and other promotional activities	3/89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations FY 87 ($000)	1988 ($000)	FY 1989	FY 1990
Non-Traditional Agricultural Exports	518-0019	O	DA	8,000	L	7,500	500	-	-
			DA	2,400	G	2,400	500*	500*	500*
Central Bank Investment Credit Line	ESR-58-007	O	ESF	(1,111.1)	LC	(1,1111.1)	(650)*	-	-
Tourism Promotion	ESR-58**	N88	ESF	(334)	LC	-	(334)	-	-

* Only if project is extended and LOP increased.
** Activity number to be assigned.

7. NARRATIVE

Technical assistance, training and credit have contributed to an increase in non-traditional agricultural products which have generated increased income, employment and foreign exchange. To date, 28 companies have entered new markets with new products through credit assistance. The financing of feasibility studies for selected non-traditional exports has provided the necessary information for two private sector institutions, ANDE and FEDEXPOR, to create an awareness within appropriate GOE institutions of the importance of such exports and their potential for significantly increasing foreign exchange earnings. Disbursements under the credit facility established through the Central Bank of Ecuador have been halted temporarily until a new mechanism is implemented but discussions held with the Central Bank and the Ministry of Finance have made great progress towards re-establishing disbursements of the credit line. Disbursements are expected to be reinitiated by mid FY 88, thereby reducing the pipeline which has resulted from the suspension of credit line disbursements. An external evaluation is underway to assess project progress and to determine if the activity should be extended. Current LOP levels may be increased depending on evaluation findings.

While recent measures adopted by the Febres Cordero administration regarding foreign exchange regulations may impact negatively on export-oriented activities, it is very possible that these measures might reduce pressures for a complete reversion to centralized control of all foreign exchange, a stance advocated by both presidential candidates involved in the May runoff elections. The Mission's intention in an extended project is to work with key private sector institutions in the export sector to address these and other policy constraints.

The Mission is also supporting efforts directed at tourism promotion. The initial campaign funded by the GOE, A.I.D. and private sector (U.S. and Ecuadorian) sources was successfully completed and LC funds are now being provided to support the newly-established Tourism Foundation, FEPROTUR.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0019 Non-Traditional Agricultural Exports	G	2,898	2,398	500	500	0	0	0	0	0

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0019 Non-Traditional Agricultural Exports	L	8,000	7,500	500	500	0	0	0	0	0
TOTALS		10,898	9,898	1,000	1,000	0	0	0	0	0

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0019 Non-Traditional Ag. Exports	7,500	2,400	9,900	4,755	1,983	6,738	2,745	417	3,162

OBJECTIVE # 6: Manage and Preserve Natural Resources

1. COUNTRY DEVELOPMENT TRENDS INDICATORS:

	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
Area reforested (ha.)*	20,000	10,000	10,000	10,000

*GOE's reforestation effort (Plan Bosque) is financed by oil revenues. A decrease in revenues may limit the number of hectares of land reforested each year.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Hectares of agricultural land managed in a sustainable manner under A.I.D.-supported program	200	400	600	800	1,000	2,000
B. Hectares of forestry land managed or protected under A.I.D.-supported programs	1,500	1,500	2,000	10,000	10,000	10,000
C. Hectares reforested under A.I.D.-supported programs**	1,000	1,000	100	100	100	100
D. Number of farmers using soil conservation practices under A.I.D.-supported programs	100	200	500	1,000	2,000	5,000

**Reflects A.I.D.'s current emphasis on agroforestry rather than strict reforestation activities

3. ACTUAL VS PLANNED ACCOMPLISHMENTS IN FY-87 AND EARLY 1988 AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- Promote administrative autonomy of National Forestry Directorate	2/88	-	The Executive Branch of the GOE presented such a proposal to the National Congress. However, Congress never considered the proposal.
Block No. 6			
- Increase rate of reforestation to 6,000 ha. a year	4/89	4/87	The GOE Plan Bosque reforestation scheme actually planted 20,000 ha. in 1987.
- Increase the rate of use of improved agroforestry management practices	4/89	4/87	Between 1985 and 1987, 200 agroforestry demonstrations were established on farms in northeast Ecuador.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Develop an understanding of the importance of preserving and managing the country's natural resources. Encourage GOE policy makers to take renewable natural resources considerations into account in all policy decisions	2/90
- Promote the establishment of a system for inter-institutional coordination on coastal resources in order to obtain maximum sustainable use of these resources	3/90
- Promote the conservation of natural resources within the private forestry industry	3/90

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Establishment of 3,500 has. of agroforestry demonstrations in the Amazon, highlands, and coast	3/89
- Design and approval of the new Sustainable Uses for Fragile Lands project, which will combine, expand, and coordinate activities of existing natural resource projects	1/89
- Establishment of a national system for protecting Ecuador's forests from diseases, pests and fire	1/89
- Delimitation and initial management of five national parks	2/89
- A pilot management program in four mangrove forest areas underway	1/89
- The National Forestry Directorate with a financial and planning system adequate for carrying out of its responsibilites	2/89
- A system of water quality monitoring for Ecuador's coast established	4/89
- Sprinkler irrigation system installed on 1,000 has. and technical assistance in soil conservation techniques provided to 1,000 small farmers	4/89
- Establishment of coastal resources management plans for four (4) specific areas on Ecuador's coast	2/90
- The botanical survey in northeast lowland Amazon region completed	3/90

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N)* Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum.thru FY-87	FY 1988	FY 1989	FY 1990
Forestry Sector Development	518-0023	0	DA	6,500	L	6,500	-	-	-
	518-0023	0	DA	1,600	G	1,600	-	-	-
Coastal Resources Manangement		0	(Central)	(1,000)	G	(1,000)	-	-	-
International Forest Resources Development		0	(Central)	(400)	G	(400)	-	-	-
Sustainable Uses for Fragile Lands	518-0069	N/89	DA	7,000	L	-	-	1,640	2,160
Small Farmer Irrigation OPG	518-0074	0	DA	600	L	300	300	-	-
Counterpart	518-LC-008	N/88	PL-480	(300)	G	-	(91)	(78)	(71)

7. NARRATIVE

The Mission's ongoing Forestry Sector Development project will assist the GOE to manage and preserve its natural resources by improving the overall administrative capacity of the National Forestry Directorate, establishing a national system for the protection of forests from fire, insects and diseases; supporting agroforestry demonstrations in three areas of the country; and funding a pilot mangrove management work plan as well the delimitation and development of management plans for national parks. The CARE Small Farmer Irrigation project will also contribute to this natural resources management objective by promoting soil conservation and sprinkler irrigation on 1,700 has. of land in Quimiag. Finally, the AID/W funded Coastal Resources Management Project will assist the GOE in the development of a coastal resources strategy and management plan.

All the above natural resources management projects will be completed by the end of FY 90. The Mission is currently considering a proposal from Fundación Natura, a private Ecuadorean environmental organization, to fund this FY the continuation of its environmental education efforts. This project should assist the Mission in its policy dialogue with the new government on environmental and natural resources management issues. In addition, the Mission is currently designing a new natural resources project entitled "Sustainable Uses for Fragile Lands" proposed for funding in early FY 89.

This project will serve as the Mission's main vehicle for achieving its natural resources management objectives. It will build on past experiences and successes of various existing natural resources projects in Ecuador funded by A.I.D., other donors, or GOE institutions. Project components will support and provide linkages among the four interrelated thrusts of the Mission's Natural Resources Strategy, namely, 1) Field demonstrations; 2) Research; 3) Policy Dialogue, and 4) Public Education.

An end-of-project evaluation of the Forestry Sector Development project is planned for the second quarter of FY90.

The current mortgage for the two existing projects under this objective is $300,000 (for the CARE Small Farmer Irrigation OPG). These funds will be obligated this fiscal year. The current pipeline for these two projects is $4.8 million. The Mission expects that a major portion of this pipeline will be expended by the end of FY89.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0071 Sustainable Uses for Fragile Lands	G	7,000	0	0	0	0	1,640	5,360	2,160	3,200
518-0079 Environmental Ed.	G	1,172	0	1,172	1,172	0	0	0	0	0
TOTALS		8,172	0	1,172	1,172	0	1,640	5,360	2,160	3,200

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0023 Forestry & Natural Resources Conservation	6,500	1,487	7,987	2,459	950	3,409	4,041	537	4,578
518-0074 Small Farm Irrigation OPG	0	300	300	0	0	0	0	300	300
TOTALS	6,500	1,787	8,287	2,459	950	3,409	4,041	837	4,878

OBJECTIVE # 15: Fiscal Reform

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Total public sector budget deficit (consolidated non-financial deficit plus Central Bank losses) as a % of GDP	1.9	-5.1	-	-10.5	-1.3	-1.5	-1.2

2. AID PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
Increase in annual revenues from income and sales taxes (% increase from previous year)	49.3	69.7	25.0	31.9	25.0	40.0	40.0

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
None			
Block No. 6			
- Institutional (Ministry of Finance) improvements for better income tax collections.	2/88	-	184 managerial, supervisory and technical staff have been trained in management, tax administration and computer techniques.

Target	Planned	Actual	Discussion
- Reorganization of the National Directorate of Revenues (DGR) completed	all/88	-	DGR has been reorganized in accordance with reorganization plan approved by MOF. Several technical positions remain to be filled. Training is being provided to advise personnel of the new organization and to train them in their new functions.
- Nominal increases in tax collections	all/89	1/88	Percentage increases in tax revenue during 1987 exceeded the target by 6.9%.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Elicit commitment of new GOE to improve the tax administration system	4/88
- Urge tax legislation to simplify filing procedures and to establish more equitable tax rates and service changes	continuous

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- 360 staff members trained in management, tax administration and computer techniques	1/89
- Computer system fully operational in Quito (expansion nation-wide dependent upon continuation of A.I.D. resources)	3/89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G/LC	Obligations Cum. Thru FY 87	Obligations FY 1988	Obligations FY 1989	Obligations FY 1990
Fiscal Administration Development	518-0042	O	DA	2,250	L	2,250	-	-	-
			DA	4,800	G	4,800	-	-	-
Fiscal Administration	ESR-58-012	O	ESF	(200)	LC		(200)	-	-

7. NARRATIVE

A.I.D.-financed studies provided data to the Ministry of Finance to initiate policy dialogue with the Ecuadorian Congress and the Executive Branch to lower marginal income tax rates and to rationalize the system of providing subsidies to local governments. However, because of a change in the Minister of Finance, this activity has been temporarily suspended. Mission expects to renew policy dialogue in this area with the new GOE administration which will take office in August 1988.

An external evaluation of A.I.D.'s assistance in increasing domestic revenues from income and sales taxes to help minimize fiscal deficits was conducted in July 1987. It concluded that while revenue collection targets were being met ahead of schedule, structural and administrative reforms to effect increased revenues were behind schedule. The evaluation also raised the issue of whether project objectives, as well as the procurement of automation equipment, could be accomplished within the original project timeframe.

The Fiscal Administration project is fully-funded. Approximately half of the pipeline (shown below) relates to commodity procurements which have been temporarily suspended pending resolution of customs clearance issues affecting the importation of A.I.D.-financed commodities.

Pipeline

	Obligations to date			Expenditures to date			Pipeline to date		
Project No. and Title	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0042 Fiscal Administration Development	2,550	4,800	7,050	381	2,368	2,749	1,867	2,432	4,301

GOAL # 3: Wider Sharing of the Benefits of Growth

OBJECTIVE # 8: Increase Access to Voluntary Family Planning Services

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Annual rate of population growth (%)	2.87	2.85	2.83	2.83	2.81	2.78	2.75
	(Average rate of growth 85-90: 2.79)						
B. Percentage of couples using contraception (MWRA)*	42.5	43.3	44.5	44.2	45.1	46.1	47.1

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Number of women receiving family planning services under A.I.D. supported programs (000)*	101.6	109.1	235.0	127.9	169.8**	206.1	236.2
1. Under private sector programs	74.2	84.0	180.0	98.7	128.4	158.7	181.9
2. Under public sector programs	27.4	25.1***	55.0	29.2	41.4	47.4	54.3
B. As a percentage of all women of reproductive age	4.5	4.7	10.2	5.6	7.2	8.3	9.2

---

* Figures have been re-estimated from last year's Action Plan based on findings from the April 1987 National Contraceptive Prevalence Survey. Previously the Mission used clinic service statistics which have over-estimated contraceptive use due to outdated estimates of continuation rates. Mission plans to finance a study to reconcile differences.

** The projected increase here is based on the effects of initiating the contraceptive social marketing project.

*** The decline in use was due to the temporary suspension of the Campesino Social Security Program.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- IESS reinitiates support to its FP Program	2/87	3/87	A four-year extension of the IESS program was approved by Mission and IESS which initiated Family Planning services in 480 clinics.
- MOH placing emphasis in MCH and FP requesting A.I.D. assistance	3/87	-	MOH is preparing a request for A.I.D. assistance in MCH and FP.
- APROFE and CEMOPLAF develop a long term strategic plan to become self-sufficient	4/87	-	Family Planning Management Training project is assisting organizations with plans which should be completed in 3/88.
- APROFE and CEMOPLAF increase their community based distribution (CBD)	1/88	-	Planning meeting was held in October 1987. However, the organizations have not yet presented proposals to A.I.D.
- GOE will agree to private-for-profit sector marketing of contraceptives at reduced prices	4/87	-	Different strategy designed for contraceptive social marketing project. It is not necessary to reduce prices to successfully market oral contraceptives to lower socio-economic classes. Existing brand can be marketed at current prices.
- CEMOPLAF and APROFE will support a private physicians FP program	4/87	-	Plans in preparation. Mission is waiting for organizations to submit proposals.
- GOE will adopt National Population policy	1/88	1/88	CONADE established population policy.

Block No. 6

Target	Planned	Actual	Discussion
- MOH providing FP services in five other provinces: Pichincha, El Oro, Esmeraldas, Azuay, Los Rios	2/88	-	Mission/MOH planning pilot project in six provinces. Birth spacing assistance for MOH is major component of new Mission Child Survival Strategy.
- Private commercial sector providing FP services	2/88	-	SOMARC-supported contraceptive social marketing program will begin in 4/88. Preparation for program began in October, 1987.
- More publicity in print, radio and television to increase awareness of the problem of population growth	4/87	-	This is planned to be strengthened with social marketing project beginning in 4/88.

Four project accomplishments planned in last year's Action Plan under Block 6 have been omitted because they duplicate items already included in this section.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Seek support of new Government for continuation of favorable implementation of national population policy. Meet with new Minister of Health to discuss importance of strong population programs	1/89
- Share Mission Child Survival Strategy with MOH and seek MOH agreement to include major birth spacing component in new Child Survival/MOH project	4/88
- Seek Social Security Institute (SSI) support for family planning as part of ongoing project	3/88
- Seek GOE agreement to method-specific contraceptive advertising through gradual implementation of the contraceptive Social Marketing promotion scheme and continued discussions with MOH	2/88

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- A.I.D.-assisted birth spacing program with MOH initiated in five provinces	2/89
- Private sector commercial contraceptive marketing campaigns initiated and maintained in 1,800 outlets	4/88
- Community-based distribution expanded from 700 to 1,000 distributors	4/89
- 50 private health practitioners providing family planning services	3/88
- Communications campaign functioning with 20,400 radio spots, 4,000 television spots and 800 newspaper and journal articles annually (including method-specific advertising)	2/89
- Phase-out of direct assistance to Ministry of Defense (MOD) and establishment of alternative arrangements to maintain services for key 22 MOD family planning clinics	4/88

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum. thru FY 87	FY 1988	FY 1989	FY 1990
Population and Family Planning	518-0026	O	DA	14,000	G	7,579	1,250	1,116	1,116
Family Plan. Clinics Extension	ESR-58-*	N/88	ESF	(500)	LC	-	(500)	-	-
Child Survival/MCH	518-0071	N/88	DA	(13,000)	G	-	(1,750)	1,550	1,600

* Activity number to be assigned when approved.

7. NARRATIVE

The Family Planning Program is providing additional resources to increase access to family planning services by initiating new programs (1) with the private sector - contraceptive social marketing (CSM) and capitalization of new private health practitioners (PHP), (2) with the public sector - Ministry of Health and Social Security for campesinos program, and (3) by expanding assistance for community-based distribution (CBD) programs. These programs are designed to increase access to services, especially in the rural areas where they are most needed. Additional assistance is being provided to establish long-term self-sufficiency of the non-profit organizations. The additional emphasis on these initiatives arises from the recommendations of the project evaluation completed in mid-1986. The Mission will seek the support of the new government for the population policy that was recently formulated by the Febres Cordero administration.

The project has progressed as planned and overall contraceptive prevalence continues to increase at an acceptable rate. Planning for the new and expanded CSM, PHP and CBD programs is in process and implementation should begin this fiscal year. Both the Ministry of Health and Social Security Institute have requested additional assistance from A.I.D. A major step forward was taken in October 1987 when the GOE adopted a National Population policy. Furthermore, UNFPA entered into a new $3 million agreement with the Ministry of Health which expands upon their existing assistance for Family Planning/MCH programs.

Activities under this objective are disbursing at an adequate pace. It has no serious mortgage problems. Project will end in the fourth quarter of FY 91. USAID will provide an additional amount of $3,482,000 in FYs 88-89 to fund the Family Planning project. Mortgage and pipeline figures are shown below.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0026 Population and FP	G	14,000	7,619	6,381	1,250	5,131	1,116	4,015	1,116	2,899

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0026 Population and Family Planning	0	7,579	7,759	0	5,454	5,454	0	2,125	2,125

OBJECTIVE # 9: Improve Health and Health Services*

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Percentage of rural population with access to clean water	16.8	18	19.5	25	29	33	37
B. Percentage of rural population with access to sanitation facilities	16	17	19.5	19	21	23	25
C. Annual incidence of malaria parasite (Cases/1,000 population)	12.7	9.3	6.8	11.8**	14.9**	11.9	8.9

* Mission Action Plan for last year included all Child Survival activities as non-add items to objective 9; this year the Mission has included Child Survival only under Objective No. 10.

** Actuals exceeded projected rates significantly due to malaria epidemic with spraying targets not being met at present. Given labor difficulties in the sector, the incidence is expected to worsen.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Number of persons served by new potable water systems under A.I.D.-assisted programs	18,000	21,000	23,000	24,000	30,000	30,000	-
B. Number of persons served by new sanitation services under A.I.D.-supported programs	11,000	16,500	20,000	20,000	25,000	25,000	-
C. Percentage of P. Falciparum Malaria (as % of all Malaria)	20.9	22.9	14.6	27.9	24.0	21.0	18.0

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
D. Technical assistance provided to institutions in drug prevention/-education and public awareness	-	-	-		6	-	-
E. Specific interventions identified in drug prevention/education and public awareness	-	-	-	2	10	10	-

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- Achievement of a decentralized implementation authority for the provincial offices of the Ecuadorian Sanitary Works Institute (IEOS)	1/87	1/87	IEOS is using decentralized authorities of provincial offices in some projects and in all A.I.D.-financed programs.
- Increase budget allocation to IEOS by 10 percent	1/88	2/87	IEOS used FONASA funds (approximately US$30 million over 3 years) for the first time in 1987. These funds were at least a 20 fold increase in annual GOE expenditures for rural water supply and sanitation.
- Increase budget allocations to the National Malaria Era ication Service (SNEM) by 10 percent	1/88	-	No increase in SNEM budget.
- Decentralized implementation authority for provincial offices of SNEM	1/87	-	This target was not pursued and instead the central office of SNEM is being strengthened. SNEM still does not have a provincial focus.

Target	Planned	Actual	Discussion
Block No. 6			
- Serve an additional 70 rural villages with water supply and excreta disposal	1/88	-	Because of LC funding delays, only 45 RWS/S systems were financed.
- Spray 400,000 homes with insecticide per year	1/88	-	Only 150,000 homes sprayed due to problems with sprayers and GOE failure to purchase DDT.
- Conduct 35 insecticide resistance tests per year	4/87	-	21 tests were conducted.
- Conduct 3 malaria drug resistance tests per year	2/87	-	2 malaria drug resistance tests were conducted in 1987
- Put into full operation 6 new diagnostic malaria field laboratories	3/87	3/87	12 new laboratories were established and are in operation.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Urge new GOE administration to continue giving high priority to water supply and sanitation in rural areas and use of the decentralization model	4/88
- Discuss with MOH and MOF need to continue providing resources through the National Fund for Environmental Sanitation (FONASA) to finance building of 800 additional RWS/S systems over the next two years	4/88
- Request that IEOS fill all important vacancies to ensure availability of sufficient human resources to implement programs	4/88
- Seek new GOE commitment to existing malaria project through provision of adequate human and financial resources for SNEM program, including purchase of 300 tons of DDT and other equipment and filling key vacant positions	continuous

	Quarter/Year
- Request that GOE/SNEM establish policy to work with labor unions to maintain spraying schedules	2/88
- Reach agreement with MOH to implement AIDS Control Program in cost-effective and focused fashion	4/88
- Continue discussions with GOE to highlight importance of drug awareness and education programs	continuous

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Construction of 70 RWS/S systems with ESF local currency funds	1/89
- Train 200 IEOS personnel and 2,450 persons from community water boards to construct, operate and monitor RWS/S systems	2/89
- Implement social promotion and communications program to improve hygiene behavior reaching over 1,500,000 persons	2/89
- Spray 700,000 homes with insecticides	1/89
- Spray at least 8 cities with ultra low volume urban insecticides to control mosquito population	1/89
- Train 775 malaria field workers	1/89
- Implement improved national malaria control information system at provincial level in malaria areas	1/89
- Establish high risk behavior reduction program for AIDS, including identification, research, and design of special education and service programs for high risk groups	2/89

	Quarter/Year
- Increase capability for AIDS laboratory testing of blood donors to ensure secure blood bank system	3/89
- Establish a national communications campaign to educate public about AIDS	2/89
- Provide 27,250 recipients with food supplements through CRS/SENAPS Title II Supplementary Feeding Program	2/89
- Medical assistance program under OPG establishes two self-paying clinics, one in Quito and one in a rural area	2/89
- Conduct drug use epidemiological survey	4/88
- Establish two information centers and seven provincial chapters to disseminate drug abuse and prevention information	4/88
- Develop plan for dissemination nationally of drug abuse/prevention information	3/88
- Initiate national information dissemination campaigns on drug use/education	4/89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum. thru FY 87	FY 1988	FY 1989	FY 1990
Rural Potable Water	ESR-58-*	N/88	ESF	(2,000)	LC	-	(2,000)	-	-
Rural Water Supply FONASA support	ESR-58-012	N/88	ESF	(200)	LC	-	(200)	-	-
Integrated Rural Health Delivery (IRHDS) System	518-0015	O	DA	1,991	G	1,991	-	-	-
		O	DA	7,235	L	7,235	-	-	-
Strengthening Community Organization OPG	518-0033	O	DA	451	G	451	-	-	-
Malaria Control Project	518-0049	O	DA	3,500	G	3,500	-	-	-
		O	DA	6,000	L	6,000	-	-	-
Malaria Control (counterpart funding)	ESR-58-12	N/88	ESF	(67)	LC	-	67	-	-
Rural Potable Water Supply	PL-480-10	O	PL-480	(700)	LC	(700)	-	-	-
Private Sector Health OPG	518-0060	O	DA	645	G	645	-	-	-
Narcotics Awareness and Education	518-0064	O	DA	1,600	G	300	600	700	-
AIDS Control	ESR-58-14	N/88	ESF	(670)	LC	-	(670)	-	-
Regionalization	ESR-58-13	N/88	ESF	(115)	LC	-	(115)	-	-
PL-480 Title II [illegible]ed)	-	O	PL-480	-	Food	-	(416)	(510)	(510)

*Activity No. to be assigned

7. NARRATIVE

Overview

The Mission does not have a specific project designed to generally address the objective of improved health and health services. USAID does, however, provide assistance to improve service delivery for three large scale programs that address major public health problems: (1) construction of rural water supply and sanitation (RWS/S) systems; (2) the National Malaria Control Program (SNEM) and (3) the National AIDS Control Program. USAID assistance over the last six years for RWS/S has successfully led to the establishment of a decentralized model for construction and maintenance of RWS/S systems. Current support is to ensure that this model is institutionalized in the GOE and to increase the likelihood of obtaining other large-scale resources (GOE and other donors) to substantially increase rural access to RWS/S systems. Mission assistance for malaria control and AIDS has been in response to high-level GOE requests for assistance. In the case of malaria, support was needed to control an epidemic in the aftermath of heavy rains in 1984-1985. Support for control of AIDS is to prevent the spread of AIDS before it becomes a more serious public health problem. The Mission also provides relatively small amounts of assistance to the MOH program for decentralization and PVO projects in drug prevention/education programs. A more detailed explanation follows.

Rural Water and Sanitation:

Since 1982, A.I.D. has assisted the Ministry of Health to improve the National Sanitary Works Institute's (IEOS) capacity to carry out the construction and maintenance of rural water supply and sanitation (RWS/S) services and to develop low cost technology appropriate to field conditions. A.I.D. assistance, provided through IEOS, PVOs and the rural communities, has supported the construction of 170 water systems and more than 11,000 latrines. This effort has directly increased the availabilty of environmental health services in rural areas to more than 150,000 persons previously not served.

As a result of the A.I.D. institutional building support to IEOS and a new national law assigning a certain percentage of the petroleum revenues (FONASA) to construct new rural water systems, IEOS has been able to construct during 1987 approximately 400 water systems serving over 250,000 people. This exceeds IEOS' performance during its entire prior institutional life and accounts for the substantial increase in coverage in access to water between 1986 and 1987.

A.I.D. will continue to assist IEOS with training and technology development to ensure that the appropriate model for building RWS/S systems is further institutionalized. In addition, assistance is being provided to initiate a major social promotion campaign to improve hygiene behavior. A.I.D. will also continue local currency support for construction of 100 new RWS/S systems to complement GOE/FONASA financial efforts.

A.I.D. must maintain its policy dialogue to encourage the new government to continue using FONASA resources for the construction of RWS/S systems and to ensure that IEOS has adequate human resources to implement the program. In addition, A.I.D. intends to encourage the World Bank team to follow through with initial analyses of IEOS' administrative capabilities and to support IEOS' program in RWS/S.

All RWS/S projects are fully-funded. However, none of the $861,000 obligated under Amendment 9 to project 518-0015 has been expended due to recent staff changes at USAID and IEOS.

Malaria:

After an initial successful period of implementation, the A.I.D.-assisted national GOE program to control malaria (SNEM) has become less effective and the incidence of malaria and the percentage of p.falciparium malaria both rose in 1987. This increase has been directly related to the program's failure to meet spraying targets, which is mostly due to two factors: (1) the inability of SNEM and the labor union to reach agreement, thus resulting in frequent workers' strikes, and (2) the lack of DDT due to the failure of the GOE to make the necessary purchases. SNEM also has a weak technical and administrative central staff and the GOE has not fully met its human resource and financial commitments to the project.

Several of these problems were highlighted in a project evaluation conducted in June 1987. Since then, A.I.D. has been working with the GOE to resolve the commitment problems, placing priority on essential actions such as spraying. The progress of this project will be greatly affected by the priority attached to malaria control by the new GOE administration.

All $9.5 million of malaria project funds have been obligated. The 5-year project is at its half-way point and has a pipeline of $6.5 million (not including $1.9 million worth of commodities A.I.D. is currently in the process of procuring). After a slow start, project expenditures are now moving at an acceptable rate.

AIDS:

A.I.D. is providing ESF local currency funds and centrally-funded short-term technical assistance to the GOE for its newly-established national program to control AIDS. Assistance includes support for epidemiological surveillance and behavior research, laboratory improvement to secure the blood supply, a national communications campaign, establishment of a high risk behavior reduction program, and support for private sector initiatives. Efforts and assistance agreements have been closely coordinated with PAHO. Success of the program will be dependent on GOE human resource commitment.

PL-480 Title II Feeding Program:

The A.I.D.-assisted PL-480 Title II Feeding Program is currently in the fourth year of a five-year (1985-89) phase-out. CRS is developing a proposal to extend the phase-out an additional three years in order to develop Diocesan capability to plan and implement food production and nutrition activities to substitute for food distribution for the 25,000 beneficiaries receiving food. CRS is expected to submit the extension proposal to A.I.D. in April 1988.

Other Activities:

A.I.D. assistance is being provided to strengthen private sector delivery institutions in drug awareness which supports the objective of improving health and health services. ESF local currencies are being used to finance studies which National Institute for the Child and Family (INNFA) will use as a basis for policy dialogue with the Ecuadorian Congress and the GOE Ministry of Social Welfare to introduce legislation and policies relating to children at risk and to improve the legislative environment. Technical assistance has been provided to INNFA to strengthen its internal planning, budgeting and administrative systems as well as its capability to provide technical assistance and training to other private child care institutions. A recent external evaluation concluded that the project is on schedule. However, the inauguration of a new government in August 1988 raises the issue of project sustainability.

The increasing usage of illicit drugs in Ecuador is adversely affecting the health and social structure of Ecuadorian society. A.I.D. assistance to the Fundación Nuestros Jóvenes (FNJ) will produce the necessary information to serve as a basis for policy dialogue by the FNJ with the Ecuadorian Congress and appropriate GOE institutions for the purpose of strengthening narcotics legislation as well as drug control and prevention programs. Technical assistance is being provided to the FNJ to strengthen its internal administrative systems to provide improved drug prevention and awareness services. The institutional development of the FNJ from a voluntary non-salaried organization to a technical professional organization is problematic and will be examined in an evaluation planned for the second quarter of FY 89.

The Mission also supports two PVOs with OPGs: a health financing project with Medical Assistance Program (MAP) and a child survival/maternal and child health project with Save the Children Foundation. The MAP project is designed to establish two financially self sufficient clinics, one in Quito and one in a rural area. This pilot project could have greater implications for health financing issues in Ecuador. The Mission also has a small ESF local currency agreement to support the Ministry of Health's decentralization plan to strengthen provincial and local management responsibilities and capabilites. This is a follow-on to the work initiated under the Integrated Health Services Delivery project. Decentralization will improve the potential for success of A.I.D.-assisted activities with MOH.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0064 Narcotics Education OPG	G	1,600	300	1,300	600	700	700	0	0	0

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0015 Integrated Rural Health Delivery System	7,235	1,991	9,226	6,373	1,600	7,973	862	391	1,253
518-033 Strengthening Community Organizations OPG	0	451	451	0	376	376	0	75	75
518-0045 Special Education Resources Center OPG	0	100	100	0	48	48	0	52	52
518-0049 Malaria Control Program	6,500	3,000	9,500	2,024	941	2,965	4,476	2,059	6,535
518-0060 Private Sector Health Delivery Model OPG	0	645	645	0	284	284	0	361	361
518-0064 Narcotics Education	0	300	300	0	68	68	0	232	232
TOTAL	13,735	6,487	20,222	8,397	3,307	11,714	5,338	3,170	8,508

OBJECTIVE # 10: Reduce Infant and Child Mortality

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Infant Mortality (0-1)*	56	53	52.3	51	49.7	48.5	47
B. Child Mortality (deaths for children under age 5 per 1,000 live births)	79	78	76	73	72	70	69

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Percentage of cases of diarrhea in children under 5, occurring in past two weeks, treated with ORS.**	16	20	-	18	22	24	26
B. Average level of coverage of complete immunization for children aged 13 to 24 months.***	40	60	-	70	73	76	80
C. Increase in number of representative organizations in child care	-	5	10	8	4	3	-
D. Technical assistance provided to institutions in child care	-	20	16	15	7	-	-
E. Specific areas of intervention in child care	-	-	6	6	8	12	-

---

* Infant mortality rate estimates have been revised downward substantially based on recent mortality analysis (Rutstein and Fermo, November 1987).

** 50% of diarrheal cases of all children under age 5 are treated with ORT (ORS and/or other solutions). ORS use estimates above are very conservative, given the choice of denominator.
*** Mission estimates of yearly average taken from KAP data and interpolated based on various assumptions.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
- Priority budget allocation for vaccines and vaccination supplies in MOH budget each year	3/87	3/87	Five Year EPI Plan and budget has been agreed upon and MOH commitment established for vaccines and vaccination supplies. Joint Donor Committee for EPI has been formed and has met 3 times. Problems include (1) diversion of MOH budget funds for vaccination supplies to other operating expenses, and (2) lack of foreign exchange to pay for vaccines from PAHO Rotating Fund which jeopardizes other vaccine purchases.
- Obtain permission for permanent exoneration of taxes for vaccines supplies	3/87	2/87	Accomplished.
- Obtain MOH financial commitment in real terms for improving delivery services, including MOH support for PREMI	2/87	-	MOH requested PL-480 local currency for counterpart to PREMI in February 1988.
Block No. 6			
- Initiate mass media program on regular service delivery reaching 6 million persons	3/87	-	75% accomplished with audience of 4.5 million persons. "Well Baby" campaign initiated 4/87 with reminders to mothers broadcast monthly.

Target	Planned	Actual	Discussion
- MOH personnel trained in:			
--Child Survival strategies (1,600 persons)	2/88	1/88	Exceeded goal with 2,005 trained
--Supervisory techniques (140 persons)	2/88	1/88	Exceeded goal with 150 trained
--Cold chain maintenance (20 persons)	2/88	-	PAHO delayed training and technical assistance.
--Information system (100 persons)	2/88	-	MOH and USAID technical advisors agreed to strategy for Health Information System in January 1988.
- Expand ORT/EPI/nutrition service delivery outside MOH primary care system	1/88	4/87	5 international PVOs as well as Social Security, the Farm Workers' Social Security, and the Armed Forces are currently providing ORT/EPI and/or nutrition services. Over 60 mothers' clubs are monitoring infant growth and promoting ORS. Drugstores are selling increased quantities of ORS.
- Oral rehydration teaching/service units established	1/88	2/87	Accomplished. Also 15 oral rehydration units currently functioning throughout the country. Approximately 100 medical residents have already rotated through the Quito teaching unit.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Discuss child mortality analysis with present and new GOE to focus on child survival issues, including birth spacing.	4/88
- Negotiate counterpart commitment to current and new Child Survival projects.	1/89
- Hold talks with new First Lady to urge INNFA's continuation as a development agency as opposed to as a direct service/charity organization	4/88

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Improvements in cold chain --Availability of equipment, including refrigerators, freezers, and thermoses	3/88
- Availability of maintenance system	3/88
- Hold national vaccination days (May and October)	1/89
- Construct National Vaccine Bank	3/88
- Design Child Survival project and obligate funds	4/88
- Complete mortality survey	2/89
- Train 1,400 mothers through second radio course	3/88
- Develop and implement transition of communications program from INNFA to other organization	2/89
- Initiate implementation of regionalization and supervision plans	2/89
- Complete internal reorganization of INNFA	1/89
- Complete establishment of INNFA's Guayaquil branch office	4/88

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum. thru FY 87	FY 1988	FY 1989	FY 1990
Integrated Rural Health Delivery Systems (IRHDS) (Child Survival)	518-0015	O	DA	4,960	G	4,960	-	-	-
Child Survival	518-0071	N/88	DA	13,000	G	-	1,750	1,550	1,600
Child Mortality Reduction Program	PL-480-06	O	PL-480	(969)	LC	(969)	-	-	-
Child Mortality Reduction Program	ESR-58-04	O	ESF	(1,800)	LC	(1,800)	-	-	-
Child Survival	ESR-58-*	N/88	ESF	(350)	LC-		(350)-	-	-
Child, Family and Community Development OPG	518-0061	O	DA	1,414	G	1,414	-	-	-
Child, Family and Community Development	ESR-58-12	O	ESF	(260)	LC	-	(260)	-	-
Improved Life of Ecuadorian Children	ESP-58-09	O	ESF	(900)	LC	(900)	-	-	-

7. NARRATIVE

The PREMI Child Survival project continues to be successful in contributing to increasing the coverage of immunization and maintaining the high level of use of ORS, thus supporting the continuing decline in infant and child mortality. The strong communications program and national campaign days have been the major factors affecting the success of the Program. The project component for development of capabilities within the Ministry of Health (MOH) to deliver child survival services on a sustained basis has been much less successful. The Ministry has recently accepted a plan to decentralize authority which should help create infrastructure for long-term sustainability. However, most of the project elements with the MOH have moved slowly, such as development of a management information system and improvement of the cold chain. The supervision and training plan developed in early 1987 has never been officially approved and the MOH has not been able to provide sufficient human or financial resources to maintain the national Child Survival Program.

The Mission plans to negotiate a new Child Survival/MCH project with the new government later this year that will expand upon current efforts, include new child survival interventions, and explore private sector options. The Mission has prepared a Child Survival Strategy and is planning a mid-term evaluation (3/88) of the present project. Government commitment to child survival will be a central issue for policy discussions as the new project is developed with the incoming government.

Current child survival project is fully-funded. A.I.D. assistance is also provided to strengthen private sector delivery institutions in child care. Rate of expenditure is sufficient to use these funds by the PACD of December 1989 and no additional resources are required. The Child Survival Strategy identified additional local currency needs and possible requirements for the private sector.

To achieve the goals of the recently completed Child Survival Strategy with an expanded effort in the private sector and the introduction of new interventions, the new Child Survival/new project will require a LOP of $13 million not $10 million as requested in last year's Congressional Presentation. In order to avoid having an excessive mortgage, more funds will be needed up front in FY 89 and FY 90.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0071 Child Survival	G	13,000	0	0	1,750	11,250	2,550	8,700	2,600	6,100

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0015 Integrated Health (Child Survival)	0	4,960	4,960	0	1,420	1,420	0	3,540	3,540
518-0061 Child, Family and Community Development OPG	0	1,414	1,414	0	543	543	0	871	871
TOTALS	0	6,374	6,374	0	1,963	1,963	0	4,411	4,411

OBJECTIVE # 11: Improve Housing

1. COUNTRY DEVELOPMENT TRENDS INDICATORS:

--- N/A ---

Urban Shelter deficit as percentage of urban households

Note: Mission expects to have procedures in place to measure this indicator as well as other indicators that measure the living conditions of low-income urban families by 1989.

2. AID PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. Families receiving new shelter units under A.I.D.-supported programs	-0-(a)	3,304	4,800	2,900(b)	5,300(b)	6,000	1,000(c)
B. Families whose shelters are improved under A.I.D.-supported programs	-0-(a)	2,040	4,000	2,900	3,000	3,000	5,000(c)
C. Families receiving improved infrastructure services under A.I.D.-supported Programs	-0-[a]	-0-	-0-	-0-	-0-	5,000	10,000(c)

(a) Construction under the HG-005 program began in December 1982. The first houses were delivered in March, 1986. Under the HG-006 program the first deliveries were in February 1986.

(b) The adjudication of a large section of units under HG-005 expected for late CY 87 slipped into early CY 88.

(c) In future years, the Mission expects to move away from financing new houses in favor of relatively more efficient loans for home improvements and upgrading activities.

3. ACTUAL VS PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988 AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Target	Planned	Actual	Discussion
Block No. 5			
-Additional progress towards market interest rates on low-income shelter credit.	2/88	-	Interest rates on shelter loans under the most recent A.I.D.-supported program are now 2% to 3% above the passbook savings rates paid on deposits of the Savings and Loans. The Ecuadorian Housing Bank loan rates are scheduled to increase in November 1988 to 1.5% over the Bank's passbook savings rate.
-Greater utilization of local private sector capital resources in the production and financing of low-income shelter.	3/88	1/88	Developers building for the Central Bank/ HG-007 program now put up 30% of the investment costs. Private IFEs finance with their own resources approximately 15% of the long-term loans to beneficiary families.
-Increased participation of the private sector in the production and financing of low-income housing (at least 10 private institutions building for, or lending to, low-income families for the first time).	3/88	2/88	At present, 11 private IFEs are providing financing to 13 private developers building low-income shelter projects within the HG-007 Program parameters. Nearly all are new to programs like this.
Block No. 6			
-GOE approval and use by private sector of a graduated loan payment mechanism to make shelter solutions more affordable to families at lower income levels.	1/88	1/88	The GOE has approved and private sector financial institutions now offer housing and home improvement loans which use graduated payment mechanisms.
-Active participation of at least 5 private Intermediary Finance Entities (IFEs) in discounting eligible low-income mortgages with the Financial Fund for Housing (FFH).	3/88	-	Two private IFEs have discounted eligible mortgages with the FFH. Two other IFEs are now processing eligible loans for discounting. Others will soon complete project construction and begin to prepare for FFH discount.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Increase resources available for shelter activities through: --Further reduction in subsidies on low-income shelter. --Wide use of more appropriate financial mechanisms.	4/88
- Increase the active participation of the private sector in the low-income shelter delivery process.	1/89
- Increase the affordability of shelter solutions through: --The adoption of more suitable technologies and standards. --The provision of a wider range of shelter solutions. --The better use of beneficiaries' capacities to contribute through self and mutual aid.	1/89
- Initiate discussions with the new government on urban improvement issues such as: --Expansion of infrastructure networks into marginal neighborhoods. --Upgrading basic services to existing low-income neighborhoods. --Promoting of residential land development in a manner that will rationalize existing spontaneous land settlement.	4/88

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Carry out a study to identify the characteristics of shelter provision and improvement by the informal sector.	3/88
- Achieve application by IFEs of an indexed loan payment mechanism which will make shelter credit both more abundant and more affordable to lower-income families.	4/88
- Identify and initiate a pilot low-income shelter program implemented through the Ecuadorian credit union system.	4/88
- Conduct Shelter Finance Strategy exercise as part of development of Project Paper Summary Supplement.	3/88
- Secure authorization of additional $10-20 million for 518-HG-007.	4/88
- Building on research done for Shelter Finance Strategy, complete an abbreviated "Urban Development Assessment" to identify broad urban growth trends, municipal policies affecting efficiency of service delivery, and provision of land, urban infrastructure and low-cost shelter for the poor. Propose actions for consideration by Mission and GOE.	4/88
- Further narrow the interest rate gap between GOE-supported shelter credit and private resource lending for shelter.	2/89
- Further increase the active participation of private financial institutions (by 5) and developers (by 5) in the production and financing of A.I.D-.supported low-income shelter.	3/89
- Achieve additional progress towards adoption by municipalities of urbanization standards appropriate for low-income shelter.	4/89
- Lower by 30% the average real cost per family served under A.I.D.-supported programs.	4/89

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ogoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum. thru FY 1988	FY 1988	FY 1989	FY 1990
Integrated Shelter and Urban Development Project	518-HG-005	0	HG	(20,000)	L	(20,000)	0	0	0
Ecuador Low-Income Housing Project	518-HG-006	C	HG	(25,000)	L	(25,000)	0	0	0
National Shelter Delivery System Project	518-HG-007	0	HG	(30,000)	L	0	(15,000)	(15,000)	0
Shelter Sector TA	518-0076	0	DA	1,500	G	226	337	437	500
National Shelter Delivery System Project (Phase 2)	518-HG-007A	N/88	HG	(20,000)	L	0	0	0	(10,000)

7. NARRATIVE

This year the Mission and the GOE will conclude two major Housing Guaranty loans (HG-005 and HG-006). These programs, which have been carried out by the Ecuadorian Housing Bank, are providing new homes to more than 9,500 low-income Ecuadorian families and credit for home improvements to another 6,500 families. In addition, these HG programs and their companion grants have assisted the GOE to improve institutional efficiency, financial policies and program design in the shelter sector.

Both the Mission and the GOE realized that the public sector could not by itself solve all the problems of insufficient and inadequate housing. Thus the Mission designed and approved the $30 million HG-007 program which has established a Financial Fund for Housing (FFH) within the Central Bank of Ecuador, designed to actively incorporate the private sector into the low-income shelter delivery process. Several shelter projects within the parameters of the FFH are now under construction and many are near completion. These are being financed by commercial banks, savings and loans, credit unions and the Ecuadorian Housing Bank. Should all these projects be completed as planned, they will represent more than $54 million in new and improved stock affordable to low-income families. All conditions precedent to contracting a loan under the HG-007 program have now been met and we expect the GOE to contract the first $15 million tranche under this program prior to June 30, 1988. Current expectations are that projects now under development will exhaust that credit by mid-1989.

The Mission is currently designing a $10-$20 million add-on to the HG-007 this fiscal year. This amendment will place more emphasis in home improvements and possibly other urban upgrading activities that will reach larger numbers of low-income Ecuadorian families. The companion grant to the HG 007 program (Project 518-0076) will provide funds to assist the Mission in this design effort and to initiate its policy dialogue with the new government on shelter/urban development issues.

An in-house evaluation of HG-005 is planned this year to assess project success and replicability and a shelter and urban development sector assessment is contemplated for the second quarter of FY 89.

Mortgage

Project No. and Title	G / L	L.O.P. Funding	Oblig through FY 87	Mortgage at end FY 87	Plan FY 88 Oblig	Mortgage at end FY 88	Plan FY 89 Oblig	Mortgage at end FY 89	Plan FY 90 Oblig	Mortgage at end FY 90
518-0076 Shelter Sector T.A.	G	1,500	226	1,274	337	937	437	500	500	0

Pipeline

Project No. and Title	Obligations to date			Expenditures to date			Pipeline to date		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
518-0076 Shelter Sector Technical Assistance	0	226	226	0	20	20	0	206	206

OBJECTIVE # 13: Increase Numbers and Improve Effectiveness of Participant Training.

1. COUNTRY DEVELOPMENT TRENDS INDICATORS

None.

2. A.I.D. PROGRAM PERFORMANCE INDICATORS

	1985 Actual	1986 Actual	1987 Proj.	1987 Actual	1988 Proj.	1989 Proj.	1990 Proj.
A. CLASP training (APSP/LAC II)							
(i) Technical (short-term)	32	30	98	44	118	153	109
a. Male	31	27	68	33	73	93	67
b. Female	1	3	30	11	45	60	42
(ii) Academic (long-term)	9	15	24	5	8	27	22
a. Male	8	11	15	3	4	20	13
b. Female	1	4	9	2	4	7	9
B. Non-CLASP training (Bilateral)							
(i) Technical (short-term U.S.)	60	65	65	65	70	50	50
a. Male	50	49	49	49	48	31	31
b. Female	10	16	16	16	22	19	19
(ii) Academic (long-term U.S.)	9	9	5	5	4	4	4
a. Male	8	5	3	3	2	2	2
b. Female	1	4	2	2	2	2	2
(iii) Third country training	15	19	23	23	24	23	23

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS IN FY 1987 AND EARLY 1988, AS IDENTIFIED IN BLOCKS 5 AND 6 OF LAST YEAR'S ACTION PLAN

Last year's Action Plan did not include planned policy or program accomplishments for FY 87 and early 1988. Progress toward meeting planned accomplishments is discussed in paragraph No. 7 below, Narrative.

4. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITIES PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
-Create awareness among counterparts of the need to adequately train women who are actively and potentially involved in the development process.	continuous
-Convince authorities to use less expensive U.S. institutions to include HBCUs which provide high quality instruction.	continuous

5. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR BALANCE OF CURRENT FY AND ACTION PLAN PERIOD

	Quarter/Year
- Sign contract for in-country support for Andean Peace Scholarship project	3/88
- APSP, LAC II, and project-related training in accordance with CTP (Annex 12)	4/90

6. PROJECTS SUPPORTING OBJECTIVE

Title	Number	New (N) or Ongoing (O)	Type of Funding	LOP ($000)	L/G LC	Obligations Cum. Thru FY 1987	FY 1988	FY 1989	FY 1990
Andean Peace Scholarship Program	518-0067	O	DA	6,300	G	1,050	1,950	2,100	1,200
			ESF	334	G	334	--	--	--
Participant Training	ESR-58-012	N	ESF	(65)	LC	--	(65)	--	--
LAC Training Initiatives II	598-0640 Regional	O	DA	(1,450)	G	(1,450)	(65)	--	--

7. NARRATIVE

The Mission has recently significantly revised the LAC/II targets provided in previous Country Training Plans to reflect current funding levels under the LAC/II project. Given the limited availability of LAC/II funds to finance additional training, USAID/Ecuador is providing assistance through the Andean Peace Scholarship program as a means to improve U.S.-Ecuadorian relations as well as to strengthen democratic institutions in Ecuador. The Program had a slow start as administrative arrangements had to be defined. A contract for the administration of long-term training for the program regionally was signed in September 1987 but the Mission's inability to obligate funds because of 620Q provisions of the FAA has delayed execution of a contract for in-country support. The absence of such a contract has in turn delayed the identification and processing of candidates, especially long-term scholars. While delays by the intermediary institution and the nomination of candidates who did not fit program criteria necessitated rescheduling the first group of trainees, 12 journalists did receive short-term training in February 1988 in which they were involved in covering the U.S. election process in the New Hampshire primaries.

Evaluations of all participants under the Andean Peace Scholarship project, training experiences and attitudes toward the U.S. will be conducted both pre-departure and at their return. Yearly project evaluations will be conducted on a regional basis by AID/Washington.

B. Program Summary

1. SUMMARY PROGRAM FUNDING TABLE

Dollar Program by Functional Account

($ 000)

PROJECT TITLE AND NUMBER	G / L	FY 88	FY 89	FY 90
AGRICULTURE, RURAL DEV. & NUTRITION				
PD & S - 518-0000.01	G	471	454	427
NON TRADITIONAL AG. EXPORTS - 518-0019	G	500	0	0
RURAL TECHNOLOGY TRANSFER SYSTEM - 518-0032	G	1,200	0	0
LAND TITLING - 518-0059	G	0	800	500
LAND TITLING - 518-0059	L	0	1,000	1,500
ANDEAN PEACE SCHOLARSHIP PROGRAM - 518-0067	G	762	700	200
AGRICULTURAL RESEARCH AND EXTENSION - 518-0068	G	2,767	1,650	1,307
SUSTAINABLE USES FOR FRAGILE LANDS - 518-0069	G	0	1,640	2,160
SMALL FARM IRRIGATION OPG - 518-0074	G	300	0	0
SUBTOTAL		6,000	6,244	6,094
(Loan)		0	1,000	1,500
(Grant)		6,000	5,244	4,594
POPULATION PLANNING				
PD & S - 518-0000.03	G	50	40	40
POPULATION AND FAMILY PLANNING - 518-0026	G	1,250	1,116	1,116
SUBTOTAL		1,300	1,156	1,156
(Loan)		0	0	0
(Grant)		1,300	1,156	1,156
HEALTH				
PD & S - 518-0000.02	G	300	73	100
ANDEAN PEACE SCHOLARSHIP PROGRAM - 518-0067	G	567	250	200
CHILD SURVIVAL - 518-0071	G	0	1,000	1,000
SUBTOTAL		867	1,323	1,300
(Loan)		0	0	0
(Grant)		867	1,323	1,300

PROJECT TITLE AND NUMBER	G/L	FY 88	FY 89	FY 90
CHILD SURVIVAL				
PD & S - 518-0000.06	G	200	100	50
CHILD SURVIVAL - 518-0071	G	1,750	1,550	1,600
SUBTOTAL		1,950	1,650	1,650
(Loan)		0	0	0
(Grant)		1,950	1,650	1,650
EDUCATION AND HUMAN RESOURCES				
PD & S - 518-0000.04	G	250	148	200
GRADUATE MANAGEMENT PROGRAM - 518-0035	G	0	1,350	2,400
TECHNICAL SKILLS DEVELOPMENT OPG - 518-0055	G	457	0	0
NARCOTICS EDUCATION OPG - 518-0064	G	600	700	0
ANDEAN PEACE SCHOLARSHIP PROGRAM - 518-0067	G	621	1,150	800
ENVIRONMENTAL EDUCATION III OPG - 518-0079	G	1,172	0	0
SUBTOTAL		3,100	3,348	3,400
(Loan)		0	0	0
(Grant)		3,100	3,348	3,400
SELECTED DEVELOPMENT ACTIVITIES				
PD & S - 518-0000.05	G	500	499	404
SPECIAL DEVELOPMENT ACTIVITIES - 518-0004	G	200	200	300
SMALL ENTERPRISE DEVELOPMENT - 518-0056	G	1,124	1,100	616
POLICY ANALYSIS AND TRANSITION SUPPORT - 518-0065	G	300	0	0
BINATIONAL FOUNDATION - 518-0066	G	0	763	1,300
SHELTER SECTOR TECHNICAL ASSISTANCE - 518-0074	G	337	437	500
SUBTOTAL		2,461	2,999	3,120
(Loan)		0	0	0
(Grant)		2,461	2,999	3,120
TOTAL D.A.		15,678	16,720	16,720
(Loan)		0	1,000	1,500
(Grant)		15,678	15,720	15,220
ECONOMIC SUPPORT FUND		0	9,000	9,000
(Loan)		0	0	0
(Grant)		0	9,000	9,000
PROGRAM TOTAL		15,678	25,720	25,720

2. Summary Project List by Objectives

PROJECT TITLE AND NUMBER	OBJECTIVES 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
SPECIAL DEVELOPMENT ACTIVITIES - 518-0004		P							S						
INTEGRATED RURAL HEALTH DELIVERY SYSTEM - 518-0015									P	P					
NON-TRADITIONAL AG. EXPORTS - 518-0019					P										
FORESTRY & NATURAL RESOURCES CONSERVATION - 518-0023						P									
POPULATION & FAMILY PLANNING - 518-0026								P							
RURAL TECNOLOGY TRANSFER SYSTEM - 518-0032	P														
STRENGTHENING COMMUNITY ORGANIZATIONS OPG - 518-0033									P						
GRADUATE MANAGEMENT PROGRAM - 518-0035		P													
PROFESSIONAL DEVELOPMENT INSTITUTE OPG - 518-0041		P													
FISCAL ADMINISTRATION DEVELOPMENT - 518-0042															P
TECHNICAL TRAINING OPG - 518-0044		P													
SPECIAL EDUCATION RESOURCES CENTER OPG - 518-0045									9						
PRIVATE SECTOR DEVELOPMENT OPG - 518-0047		P													
TECHNICAL TRG. FOR THE FINANCIAL SECTOR OPG - 518-0048		P													
MALARIA CONTROL PROGRAM - 518-0049									P						
AGRICULTURAL SECTOR REORIENTATION - 518-0051	P														
TECHNICAL SKILLS DEV. OPG - 518-0055		P													
SMALL ENTERPRISE DEVELOPMENT - 518-0056		P													
SMALL FARMER SUPPORT SERVICES OPG - 518-0057	P														
ECONOMIC STABILIZATION PROGRAM - 518-0058			P												
LAND TITLING - 518-0059	P														
PRIVATE SECTOR HEALTH DELIVERY MODEL OPG - 518-0060									P						
CHILD, FAMILY & COMMUNITY DEVELOPMENT OPG - 518-0061										P					
AGRICULTURAL EDUCATION OPG - 518-0062	P														
NARCOTICS EDUCATION OPG - 518-0064									P						
POLICY ANALYSIS AND TRANSITION SUPPORT - 518-0065			P												
BINATIONAL FOUNDATION - 519-0066		P													
ANDEAN PEACE SCHOLARSHIP PROGRAM - 518-0067													P		
AGRICULTURAL RESEARCH AND EXTENSION - 518-0068	P														
SUSTAINABLE USES FOR FRAGILE LANDS - 518-0069						P									
CHILD SURVIVAL - 518-0071										P					
SMALL FARM IRRIGATION OPG - 518-0074						P									
SHELTER SECTOR TECHNICAL ASSISTANCE - 518-0076											P				
ECONOMIC STABILIZATION PROGRAM II - 518-0078			P												
ENVORONMENTAL EDUCATION III OPG - 518-0079						P									

C. Special Program Analyses

1. New Project and Amendment Descriptions

FY 89 Project

Goal: Promotion of Structural Reforms Conducive to Economic Growth

Objective: Strengthen the Private Sector

Project Title: Binational Foundation for Cooperation and Development

Project Number: 518-0066

Project Funding: ($000) FY 89: DA (G) $763 LOP $4,000
ESF (G) local currency $1,000
LOP $2,000

Functional Account: Selected Development Activities (SDA)
Economic Support Fund (ESF)

A. Relationship to A.I.D. Country Strategy/Objectives: The Binational Foundation will be a private Ecuadorian entity. As a PVO, the Foundation will assist A.I.D. to design, fund, implement, and/or monitor the implementation of selected social and economic development activities in small and micro-enterprise development, agro-industrial development, health, rural potable water and technical skills training that are consistent with A.I.D.'s development strategy for Ecuador.

The project will address one of the three major programmatic goals of the USAID/Ecuador strategy, that of contributing to economic growth. Within this goal, a key objective is the strengthening of the private sector as a vehicle to consolidate a free enterprise, free market economic system.

B. Relationship to Host Country and Other Donors: It is expected that A.I.D. will provide no more than 75% of the Foundation's initial costs. The Government of Ecuador will make in-kind and cash contributions to this effort, including ESF local currency. Local and U.S. PVOs and Ecuador's private sector will also contribute to the Foundation's activities.

C. Conformance with Agency and Bureau Policies: The project is in conformity with policies on private sector utilization. Gray Amendment considerations will be analyzed at the PID and PP levels.

D. Project Description: The purpose of the project is to establish a Binational Foundation for Cooperation and Development that will foster technical, educational, economic and social development cooperation through activities with U.S. and Ecuadorian PVOs.

Ecuador has a large number of private voluntary organizations with a tremendous potential for implementing development activities. However, this system lacks a sense of common purpose or a legal structure of its own, does not have specialized financing mechanisms, and needs institutional strengthening. The Foundation will attempt to cover these gaps and will work towards the establishment of a more cohesive PVO movement that is better equipped to serve the social and economic development needs of the country. The Foundation will also serve as a mechanism for providing A.I.D. assistance to the PVO community in a variety of areas, thus diminishing the burden on A.I.D.'s staff for numerous administrative and monitoring responsibilities. Through the financing of individual PVO projects, the Foundation will foster the strengthening of local voluntary organizations, individually and collectively, and promote greater interaction with the U.S. PVO community. The following is an illustrative list of activities that will be undertaken by the Binational Foundation in order to meet its objectives:

-- Assist local PVOs and low income communities throughout the country in financing discrete social and economic development projects;

-- provide technical assistance to local PVOs in areas such as organizational development, financial management and administrative procedures, project design and evaluation;

-- promote the creation of a National PVO Association;

-- promote the development of "joint ventures" between U.S. and local PVOs to consolidate the process of technology transfer and "know-how" and to promote the useful exchange of experiences.

The implementing agency will be the Binational Foundation itself in close collaboration with U.S. and local PVOs.

The obligation will be incurred through a cooperative agreement in accordance with procedures outlined in Handbook 13.

E. Mission Management: A USDH employee in the Program and Project Development Office will assume overall responsibility for project monitoring. This officer will supervise 1 FSN PSC and one institutional contract.

F. PID and PP Approval: USAID/Ecuador requests Bureau concurrence and delegation of authority to the Mission Director to approve the PID and PP.

G. Potential Issues: Availability of ESF local currency for counterpart funding.

H. A.I.D./W TDY Support for Project Development: None needed.

I. Estimated PID Approval: January 31, 1989
PP Approval: June 30, 1989

FY 89 Project

Goal: Promotion of Structural Reforms Conducive to Economic Growth

Objective: Preserve and Manage Natural Resources

Project Title: Sustainable Uses for Fragile Lands

Project Number: 518-0069

Project Funding: ($000) FY 89 DA (G) $1,650 LOP $8,000

Functional Account: Agriculture, Rural Development and Nutrition (ARDN)

A. Relationship to A.I.D. Country Strategy/Objectives: One of the objectives of USAID/Ecuador is to improve the management and preservation of natural resources. The project will be the centerpiece of the effort to reach that objective.

B. Relationship to Host Country and Other Donors: The Council for National Development (CONADE) includes the problems of fragile lands as a constraint to national economic development. The project will support the intent of laws passed by the National Congress governing the use of water and forests. The German, Dutch, Japanese and United Nations technical missions all are active in various natural resource-related projects.

C. Conformance with Agency and Bureau Policies: A.I.D.'s strategic plan, Blueprint for Development, states that the Agency is "concerned about assuring that development occurs in a way that respects the long-term importance of land resources." Policy Determination Nos. 7 and 8, regarding forestry policy and programs and environmental and natural resource aspects of development assistance, reinforce the Agency's commitment to working toward the management and preservation of natural resources. The project will be implemented through private sector institutions.

D. Project Description: The project purpose is to improve the ability of Ecuadorian private and public institutions to reverse the trend toward degradation of Ecuador's fragile lands. The project will include four components:

(i) Policy Analysis and Development - to improve the understanding of decision makers and the Ecuadorian public regarding the interrelationships of policy decisions, and in particular the effect of national policy decisions, on fragile lands.

(ii) Research - to improve the capacity of the Ecuadorian research system to undertake relevant research on problems of fragile lands.

(iii) Public Education - to improve the understanding of fragile lands problems and solutions among key components of the Ecuadorian public.

(iv) Field Demonstrations - to provide a base of reliable, field-tested information about problems and solutions for fragile lands.

Activities	Output
Policy studies	10
Policy seminars	10
New laws drafted	1
Research projects	30
Newspaper articles	200
Television shows	10
Books	4
Lowland Amazon on-farm demonstrations	1,000
Highland on-farm field demonstrations	1,000
Arid coast on-farm field demonstrations	1,000
National parks with adequate protection and public education systems	3

Implementing Agencies: The lead implementing agency will be a competitively selected international or national organization involved in natural resources management. Implementing agencies for various subprojects will be private national organizations that have already proven themselves successful in implementing various natural resource management activities. It is proposed that the project build on existing successful experiences to avoid implementation problems and to more easily achieve the aim of establishing interconnections that are necessary to solve the problems of fragile lands on a significant scale.

Method of Obligation: A cooperative agreement with an appropriate international or national institution.

E. Mission Management: A USDH employee in the Agriculture and Rural Development Office will assume overall responsibility for project monitoring. This officer will supervise the execution of the single cooperative agreement which will provide the funds and administration to implement the project in collaboration with several Ecuadorian institutions.

F. PID and PP Approval: The PID will be approved by AID/W. USAID/Ecuador will request Bureau concurrence and delegation of authority to the Mission Director to approve the PP.

G. Potential Issues:

-Appropriateness of the mechanism of a cooperative agreement for project management.

-Sustainability of project given private sector focus.

H. A.I.D./W TDY Support for Project Development: 1 month-Ecologist.

I. Estimated PID Approval: May 1988
PP Approval: January 1989

FY 90 Project Amendment

Goal: Wider Sharing of the Benefits of Growth

Objective: Improve Housing

Project Title: National Shelter Delivery Systems - Grant Component

Project Number: 518-0076

Project Funding: ($000) FY 90 DA (G) $500 LOP $1,500

Functional Account: Selected Development Activities (SDA)

A. Relationship to A.I.D. Country Strategy/Objectives: The current Country Development Strategy Statement states that the Mission's housing sector strategy is to expand the supply of low cost shelter solutions in both urban and rural areas through policy dialogue, technological innovations and research, and institutional development activities. This project, and the proposed amendment, support this strategy by providing funds for studies that will stimulate policy dialogue on financial policies, such as interest rate structures, municipal norms and standards and broader urban development issues. In addition, it will promote institutional development in the housing sector by providing training to managers and staff of financial institutions in areas such as portfolio management and collections.

B. Relationship to Host Country and Other Donors: The Government of Ecuador is providing at least $17.5 million in counterpart financing to the HG-007 Program. Other donors in the housing/urban sector include the World Bank, which has just approved a large loan for low-income urban housing, and the IDB which is considering a large loan for neighborhood infrastructure.

C. Conformance with Agency and Bureau Policies: The project seeks to stimulate private sector involvement in shelter and service delivery for low-income families.

D. Project Description: Both the existing grant and the proposed amendment will provide technical assistance and training for institutions participating in the National Shelter and Delivery System project (No. 518-HG-007). The objectives of this

companion grant for technical assistance and training include increased private sector participation in shelter and service delivery for low-income families; more effective mechanisms for financing shelter improvements; and improved inter-institutional coordination in shelter and urban development.

The major components of this program are:

- Long-term technical assistance for program coordination;
- Short-term technical assistance for:
  --the development of strategies that will better target the use of GOE funds and increase private sector capital mobilization for shelter and services for low income families,

  --the formulation of urban development policies, with particular emphasis on increasing the availability of land and services to low income groups,

  --the improvement of coordination among institutions that are directly responsible for the provision of urban services to low income families,

  --training and seminars for managers and technical staff of participating institutions in areas such as portfolio management, collections, the effects of subsidies, and other fundamental shelter and urban development sector concerns, and

  --studies in such areas as finance, production inefficiencies and urban development.

Implementing Agency: The Central Bank of Ecuador

Method of Obligation: Bilateral grant agreement in accordance with procedures outlined in Handbook 3.

E. Mission Management: The project will require 1/4 time management by a USDH in the Mission's Urban Development and Housing (U/H) Office.

F. PID and PP approval: USAID/Ecuador requests Bureau concurrence and delegation of authority to the Mission Director to approve PP amendment

G. Potential Issues: None

H. A.I.D./W TDY Support for Project Development: None

I. Estimated PP Amendment Approval: March, 1990

2. Food AID

Although there are no food aid proposals presently under consideration beyond the FY 88 Food For Progress program, expenditures of local currencies generated in FYs 85-88 will extend into FY 90. Under Section 416 and Title II programs approved for FYs 86-87, wheat and non-fat dry milk (NFDM) have been monetized and the resulting local currencies (LC) earmarked for uses related to agricultural and dairy development activities and policy reform. The Food For Progress Program for FY 88 has been approved and will provide approximately US$5.34 million in LC to support private sector reforms begun under the current government. Upon GOE request, new food aid proposals may be considered. An average of $7.0 million in LC will be disbursed annually through FY 90 in support of the agriculture and rural development portfolio.

A. Relationship to Overall Country Strategy: The LC program is an integral part of the Mission's development strategy. Although the LC program contributes to other areas, it has been especially critical to activities supporting the objectives of increased and sustained agricultural productivity, promotion of agro-industries and access to improved technology among the rural poor. At a time of reduced A.I.D budgets and fiscal constraints on the GOE due to low oil prices and high debt payments, these funds have become essential for an effective A.I.D. program in Ecuador.

B. Country Food Situation: Ecuador is a net exporter of agricultural and food products. The vast majority of its exports, such as bananas, cacao, coffee, and shrimp, do not compete with U.S. agriculture. Ecuador is a deficit producer of a few major products, of which wheat is the most important in terms of volume and value. The country produces only about 5 percent of its wheat needs and imports the remainder from the U.S. A few other products, such as barley and NFDM, have been imported fairly regularly, although the country is becoming self-sufficient in these products. Other products are exported some years and/or imported in others depending on such factors as the weather. Ecuador has generally depended on commercial imports; however, an increased dependence on commercial food imports would, without the support of food aid, limit the availability of foreign exchange for other essential imports.

Wheat is the main commodity imported under Section 416 and Sugar Quota Compensation programs. The wheat is milled into flour for production of bread, noodles and similar products. The wheat is sold directly to the millers, who handle all in-country transportation, storage and processing. Imported NFDM is used for reconstitution into liquid milk and for use in food manufacturing processes. The reconstituted milk is sold to dairy processing plants. The NFDM portion used in manufacturing food products is sold directly to the manufacturers who then transport, store and process the product.

C. Proposed Food Assistance Levels: A funding level of US$5.34 million (60,000 MTs of sorghum) has been approved for FY 88 under the Food for Progress Act, which uses food aid as a reward and incentive for countries that have undertaken significant agricultural policy reforms to enhance market operations and the role of the private sector. Specifically, the LC generations will be used to support an agricultural policy and institutional framework which provides the environment for the private sector to increase productivity, production and incomes.

An important justification for a food aid program is the need to alleviate pressure on foreign exchange through the importation of donated wheat, NFDM, soybean oil and sorghum.

Substantially larger quantities of local currency could be used effectively for agricultural and other development efforts. Food aid proposals need be structured -- as in the past -- to ensure that no disincentives to local production occur.

D. Potential Disincentive Effects on Local Production: Food aid shipments do not create a significant disincentive to local production. Ecuador's wheat production meets only about five percent of domestic consumption needs, and that production is protected by a series of government administrative actions.

Milk shipments could cause disincentives to dairy production if they are distributed in such a way as to compete directly with domestically produced milk. However, the quantities and proposed uses of these shipments will minimize such effects.

E. Current Host Country Food Policies/Reforms: The GOE has carried out a number of significant reforms in both agricultural and non-agricultural sectors of the economy. These reforms have been designed to enhance the role of a

market-oriented economy. Most price supports for important farm products were maintained at 1984-85 levels during the transition period to a free-market economy. Import restrictions were relaxed to permit the importation of farm inputs and capital items such as seeds, chemicals, fertilizers and farm equipment. The National Development Bank (BNF) credit system has been expanded and improved. The marketing system for agricultural products is being modernized to encourage the private sector to play a greater role in the economy. An agricultural commodities exchange was established in April 1986 to allow market forces to operate in the establishment of agricultural prices. At the same time, a market news system has been developed to provide private sector sellers and buyers with information. Finally, agricultural research, education and extension systems are being improved to support the strengthening of a systematic process of research (development/adaptation of appropriate technologies), dissemination of information, and training of agricultural technicians in support of small and medium-sized farmers.

The Mission will further analyze the impact of more recent (February/March 1988) economic measures, particularly in the area of foreign exchange, as discussed in Part I above, in order to assess their impact in the agricultural sector.

F. PL-480 Title II and Section 416 Program Assistance

(1) PL-480 Title II - Monetized Program: Under the FY 86 PL-480 Title II program, the equivalent of approximately US$800,000 in local currency will be received in FYs 88-89 from monetization of 2,500 MTs of standard grade NFDM for development of an internally produced, high quality calf milk replacer. This program will increase dairy producers' incomes by allowing them to sell commercially fresh milk currently fed to calves. It will also benefit consumers by increasing the amount of fresh milk available in the market place for human consumption.

Five hundred MTs of the NFDM will be sold and donated to COORSA, an agricultural services cooperative, which will use the proceeds from the sales to finance institutional development. The remaining 2,000 MTs will be sold by COORSA and the proceeds deposited in the general PL-480 food aid program account to fund agricultural and dairy production and development programs. These activities will include dairy production and marketing improvements to

enhance milk quality, dairy technology development, adaptation and transfer. A line of credit to low-income dairy farmers may also be established. Since the PL-480 Title II program is in its formative stage, it is still too early to estimate the number of beneficiaries to be served by this program.

(2) Section 416 Program: Under the FY 87 Section 416 Program, the equivalent of approximately $6.885 million in LC will be received in FY 88. The LC proceeds from the sale of the 1,088 MTs of NFDM will be utilized to improve milk delivery systems for low-income groups. The funds generated from the sale of the 28,200 MTs of wheat will be employed in A.I.D. agricultural development projects, including land titling, crop diversification and agricultural research, extension and education.

G. Special Programs

(1) Emergency Food Program: A PL-480 Title II, Section 202 Emergency Food Program was signed on June 18, 1987. Funds generated from the sale of the 8,500 MTs of soybean oil (approximately US$4.5 million) are being used to support development activities in the eastern lowland area affected by the March 5, 1987 earthquake. Earthquake reconstruction projects include cattle repopulation and improvement, construction of agricultural storage facilities, and low cost housing.

(2) Food For Progress Program: A donation of 60,000 MTs of sorghum (valued at approximately US$5.340 million) has been approved under the FY 88 Food for Progress program. The most important activities to be undertaken with Food for Progress local currency generations will be those aimed at institutionalizing the reforms begun under the current government. These reforms include freer importation of agricultural inputs and strengthening the agricultural commodity exchange system.

H. Mission Management Arrangements for Food Assistance: The USAID continued to manage on an interim basis the day-to-day operation of the PL-480 Program through an Implementation Secretariat, due to GOE's reluctance to take on the administrative responsibilities of the program. However, negotiations with the GOE to transfer the Implementation Secretariat to the National Development Bank (a government institution) were concluded in March 1988. Once the transfer is completed by April, AID's management role vis-a-vis the food aid program will become more supervisory and coordinative in nature.

I. PL-480 Title II Food for Peace

The current PL-480 Title II program, which is implemented through Catholic Relief Services (CRS) and the National Secretariat of Social Promotion of the Catholic Church (SENAPS), is in the fourth year of a five-year (FYs85-89) phase-out. The purpose of the program is to provide free food supplements to improve the nutritional status of lower-income children and mothers and to increase the capacity of the communities to obtain and provide adequate food supplies on an ongoing basis. The program reaches approximately 27,250 beneficiaries as follows: school feeding, 10,000; other child, 10,000; maternal/child health, 4,000; and food for work, 3,250. The program provides food commodities with an estimated value of $416,000 in FY 88 and planned value of $468,000 in FY 89. There is no monetary component.

In the next several months, CRS will propose a three-year extension of the phase-out to provide a transition period in which CRS can work with the beneficiaries so they can become more self-sufficient food providers. CRS feels that the economic situation of the beneficiaries has not yet improved adequately and that further assistance is necessary. It is not yet known what levels of food assistance will be requested by CRS for the extension of the phase-out.

CRS and SENAPS appear to have adequate resources to administer the program. However, in FY 87, an AID-supported audit of the program found numerous problems with program implementation and monitoring. In response to the audit recommendations, CRS has developed an overall plan and taken necessary actions to improve program administration.

The economic and political setting plays an important role in the consideration of any extension of the current program. The overall economic situation in Ecuador is not promising. Furthermore, it is unlikely, in the short-term, that those who benefit from the feeding program will have access to resources that would provide a means to acquire alternative sources of food. Thus, program termination could cause extra hardship on those currently benefitting from the program. It is also likely that the new government will give higher priority to nutrition feeding programs, especially given the results of the recent National Nutrition Survey which indicates higher than expected levels of infant and child malnutrition.

In its review of the phase-out extension, the Mission will consider the following factors:

(1) Are there alternative food supplies for the 25,000 beneficiaries who will be receiving Title II foods at the end of FY 89 when the program is currently scheduled to end?

(2) Are the intended beneficiaries being reached by the program? Do the food supplements make a difference in the nutrition and health of the targeted beneficiaries?

(3) Do CRS and SENAPS have the capacity to establish greater self-sufficiency among the beneficiaries if the phase-out were extended?

(4) Does AID have sufficient human resources to adequately monitor the program?

(5) Does the proposed extension fit into the Mission's Child Survival Strategy?

3. Local Currency

The Mission has carefully reviewed recent worldwide guidance on local currency management and has determined that it is in full compliance with Agency guidance.

Specifically, documentation for both ESF and PL-480 programs makes it clear that (a) ownership of local currencies lies with the GOE and not AID; (b) all uses of host country-owned local currency are jointly programmed, with decisions on the use of funds made in writing between A.I.D. and the GOE; (c) funds made available to A.I.D. through a trust fund agreement are limited to operating expenses (except for a limited scope PL-480 trust fund to cover contract personnel and audit review costs of the Program's Implementation Secretariat, which is currently being phased out); and (d) appropriate financial accounting and reporting requirements have been established.

Local currency management under both the ESF and Food Aid programs continues to consume considerable Mission management time. This situation is expected to improve now that the Food Aid Implementation Secretariat is being transferred from A.I.D. to the National Development Bank. A.I.D.'s role will then be supervisory in nature. Under the ESF program, a similar transfer of responsibilities from a semi-independent implementation unit to the Ministry of Finance's Public Credit Subsecretariat in mid-1987 has significantly reduced the role of A.I.D. in programming and management of local currencies. Delays in adequately staffing the Ministry of Finance section responsible for the program, however, have resulted in a more intensive oversight role for A.I.D. than planned. It is expected that A.I.D.'s role will diminish further over the coming year.

LOCAL CURRENCY UTILIZATION
($ 000) *

A. USES	SOURCES: ESF	PL-480 I	PL-480 II	PL-480 III	SEC 416	OTHER	TOTAL
HG BUDGET GENERAL							
HG BUDGET ATTRIBUTED							
HG CONTRIBUTION TO AID PROJECTS	1.775	3.735					5.510
HG CONTRIBUTION TO OTHER DONOR PROJ.	447						447
HG MANAGED L/C PROJ (GOVT OR PRIVATE)	4.254	4.640					8.894
AID MANAGED L/C PROJ							
AID OE TRUST FUND	1.167	.053					1.220
AID PROJ TRUST FUND							
SECTION 108							
OTHER							
TOTAL	7.643	8.428					16.071
B. CHANNEL FOR ASISTANCE							
PUBLIC SECTOR	5.029	3.656					8.685
PRIVATE SECTOR	1.447	4.772					6.219
TOTAL	6.476	8.428					14.904

(* US$ 1=S/.180)

LOCAL CURRENCY UTILIZATION
($ 000) *

A. USES	SOURCES: ESF	PL-480 I	PL-480 II	PL-480 III	SEC 416	FOOD FOR PROGRESS	EMERGENCY FOOD AID (SEC.215)	TOTAL
HG BUDGET GENERAL								
HG BUDGET ATTRIBUTED								
HG CONTRIBUTION TO AID PROJECTS	2.427	2.670			2.930			8.027
HG CONTRIBUTION TO OTHER DONOR PROJ.	3.808							3.808
HG MANAGED L/C PROJ (GOVT OR PRIVATE)	3.662		600		1.827		2.235	8.324
AID MANAGED L/C PROJ								
AID OR TRUST FUND	1.086							1.806
AID PROJ TRUST FUND								
SECTION 108								
OTHER								
TOTAL	10.983	2.670	600		4.757		2.235	21.965
B. CHANNEL FOR ASISTANCE								
PUBLIC SECTOR	8.174	670	0		965		2.235	12.044
PRIVATE SECTOR	1.723	2.000	600		3.792		0	8.115
TOTAL	9.897	2.670	600		4.757		2.235	20.159

(* US$ 1 = S/.275)

LOCAL CURRENCY UTILIZATION
($ 000) *

A. USES	SOURCES: ESF	PL-480 I	PL-480 II	PL-480 III	SEC 416	FOOD FOR PROGRESS	EMERGENCY FOOD AID (SEC 215)	TOTAL
HG BUDGET GENERAL								
HG BUDGET ATTRIBUTED								
HG CONTRIBUTION TO AID PROJECTS	2.000				2.044			4.044
HG CONTRIBUTION TO OTHER DONOR PROJ.	2.050							2.050
HG MANAGED L/C PROJ (GOVT OR PRIVATE)	6.456		188		97	1.309	2.235	10.285
AID MANAGED L/C PROJ								
AID OF TRUST FUND								
AID PROJ TRUST FUND								
SECTION 108								
OTHER								
TOTAL	10.506		188		2.141	1.309	2.235	16.379
B. CHANNEL FOR ASISTANCE								
PUBLIC SECTOR	6.058		0		560	309	2.235	9.162
PRIVATE SECTOR	4.448		188		1.581	1.000	0	7.217
TOTAL	10.506		188		2.141	1.309	2.235	16.379

(* US$ 1=S/.320)

LOCAL CURRENCY UTILIZATION
($ 000) *

FY 90

A. USES	SOURCES: ESF	PL-480 I	PL-480 II	PL-480III	SEC 416	FOOD FOR PROGRESS	OTHER	TOTAL
HG BUDGET GENERAL								
HG BUDGET ATTRIBUTED								
HG CONTRIBUTION TO AID PROJECTS	2.250					1.772		4.022
HG CONTRIBUTION TO OTHER DONOR PROJ.	3.000							3.000
HG MANAGED L/C PROJ (GOVT OR PRIVATE)	4.850		22			1.306		6.178
AID MANAGED L/C PROJ								
AID OE TRUST FUND								
AID PROJ TRUST FUND								
SECTION 108								
OTHER								
TOTAL	10.100		22			3.078		13.200
B. CHANNEL FOR ASISTANCE								
PUBLIC SECTOR	6.860		0			1.500		8.360
PRIVATE SECTOR	3.240		22			1.578		4.840
TOTAL	10.100		22			3.078		13.200

(* US$ 1= S/.350)
(0744M)

4. Women in Development (WID)

In Ecuador's marginal rural and urban areas, women continue to confront social and economic constraints that severely limit their ability to participate in and benefit from the fruits of development. Such constraints, among others are:
--Lack of education
--Malnutrition, particularly maternal malnutrition
--Lack of adequate health services
--Poor access to guidance regarding birth spacing and other family planning techniques
--Lack of adequately remunerated employment opportunities

USAID/Ecuador's strategy to address the problems confronting women and attempts to bring them into the mainstream of social and economic development is to integrate women's concerns into overall program/project objectives, rather than approach such concerns separately segregating women from the social, cultural and economic context in which they live.

In this context, the Mission will continue to seek improvement and expansion of social services, information and training to better equip women to obtain employment. To do so, the Mission is investigating gender factors under several projects including Housing, Small Enterprise Development, Land Titling, Child Survival, and Family Planning. For example, under the Population and Family Planning Project (518-0026), a local family planning PVO has produced two excellent reports on the situation of women in Ecuador entitled "Ecuador: Statistical Compendium on Women" and "Women, Employment and Fertility in Ecuador." These reports are providing the necessary programming tools to strengthen our WID strategy and thus improve the actual social and economic development impact on women under our specific program interventions.

The overall Mission strategy includes project level activities, such as those mentioned above, in areas where women have traditionally demonstrated the greatest potential to improve their well-being. For example, our Family Planning, Child Survival, and Integrated Health Delivery projects are providing women with social services and information to improve their nutrition, sanitation and family planning practices to better prepare them to gain employment. The Housing and Urban Development program has made significant progress in providing shelter and related infrastructure to women.

Projects on Small Enterprise Development, Child Survival, and Microenterprise Development are contributing to the training of women in different skills and providing them with employment opportunities and with credit to carry out productive activities.

Some of the specific results can be summarized as follows:

-- Under the Population and Family Planning project, more than 180,000 women have gained reproductive choice, receiving contraceptives from public and private family planning clinics supported by the project. More than half of the service providers are women who have been trained by the project.

-- Under the Rural Water Supply component of the Integrated Rural Health project, the installation of 25,000 water taps on rural people's property next to their homes has freed women from the traditional burden of fetching water so their time can be used more productively.

-- Through the Child Survival project, 4,000 nurses, nurse midwives, and nurses' aides are receiving training. Furthermore, 1.5 million women are being educated through mass media programs about (1) how to improve care for their infants and children, (2) the importance of breastfeeding and immunization, and (3) how to treat diarrhea and rehydration through the use of oral rehydration salts.

-- Under the Housing and Urban Development Programs, the following are the number of mortgages and home improvement loans the Housing Bank has issued directly to women under HG-005 and HG-006:

	MORTGAGES TO WOMEN	TOTAL MORTGAGES	HOME IMPROVEMENT LOANS TO WOMEN	TOTAL HOME IMPROVEMENT LOANS
HG-005	347	1,214	0	0
HG-006	1,219	2,874	602	2,040
	1,566	4,088	602	2,040

Mortgages to women represent 38.3% of all mortgage loans. Loans to women for home improvement represent 29.5% of all loans of this type. As for beneficiaries in general, under these two HG programs women represent 35.4% of the total.

-- In three years of operations under two Microenterprise Development OPGs, 7,000 loans have been made to micro-enterpreneurs, of which more than one third are women.

The Mission will continue to seek opportunities to expand on the impact of its program on women. The agriculture, housing, small enterprise and microenterprise sectors continue to be particularly propitious for the successful implementation of the Mission's WID strategy. The Andean Peace Scholarship Program (APSP) also represents both a challenge and an opportunity to expand the participation of women in the development process. It is anticipated that at least 40% of the beneficiaries under the APSP will be women.

MISSION ACTION PLAN
FYs 89 and 90

518 - ECUADOR

PART III - MANAGEMENT

PART III. MANAGEMENT

A. Management Strategy

Summary. The Mission has made significant progress in addressing the serious management problems that confronted us at this time last year. Major improvements in our financial management procedures have been made, our internal organization and operating style have been modified to better reflect our capabilities and a proper relationship with our Ecuadorian counterparts, and staff training has received priority attention. The Inspector General has closed almost all of the recommendations contained in the five audit reports issued in July 1987 on various program and financial management deficiencies. At the same time, the Mission has completed action on all of the 44 management problems identified between mid-1986 and April 1987. Additional USDH positions have been established and all should be filled by May. Our staffing has been stabilized at a level below that projected in last year's Action Plan.

The most critical management issue facing the Mission is our Operating Expense (OE) situation for FY 89 and beyond. In FYs 87 and 88, approximately 35% of our operating budget was covered with local currency trust funds generated by our ESF program. The elimination of ESF in FY 88, and the proposed levels for FY 1989, mean that we can no longer count on the availability of trust funds for our operating budget. Consequently, we project that we will need an FY 89 dollar OE Budget Allowance of $1,115,300 higher than our FY 88 level.

Financial Management Improvements. A complete overhaul of the Mission's financial management procedures and capabilities has taken place over the past 18 months. All of the severe deficiencies described in the various audit reports and management assessments conducted during the past two years have been resolved. We are now able to focus increased attention on improving the efficiency of our financial operations. For example, a computerized tracking system for vouchers and other documents has been installed and efforts are being directed to reduce our voucher processing time. Our financial analysis section has been strengthened and the Controller's Office is more directly involved in project design, implementation monitoring, and the analysis of counterpart organizations' financial management capabilities. Financial reporting is vastly improved, all our OE and project accounts are on MACS, and quarterly meetings take place between the Controller's Office and each project officer to review accrued expenditures and other project financial management issues. A comprehensive

vulnerability assessment was completed with assistance from Price Waterhouse in December 1987 and we have developed a time-phased plan for addressing the internal control weaknesses identified. Most corrective actions are scheduled to be completed by March 31; all will be addressed by June 30, 1988.

Internal Mission Organization and Operating Style. Six new USDH positions have been created during the past year: Deputy Controller, Regional Legal Advisor, Regional Contracting Officer, Private Sector Officer, Deputy Health Officer and Deputy General Development Officer. One USDH position (Program Economist) will be eliminated with the departure of the incumbent, who will be replaced by an Ecuadorian professional. All of these positions will be filled by May 1988.

The Mission implemented an internal reorganization, combining the Program and Development Resources offices into a new Program and Project Development (PPD) Office and combining the General Development and Private Sector offices. This reorganization has improved integration of staff functions and of our private enterprise promotion and management and technical skills training programs. In addition, based on a thorough review of staffing requirements in each division, we have limited the establishment of new positions and reduced the total number of staff in USAID/Ecuador from 151 projected in last year's Action Plan to 142 at the end of FY 1988. (The decrease is greater than indicated by these numbers, since last year's Action Plan included only our OE-funded workforce, while this year's levels include PD&S and project-funded staff. Using comparable figures, our reduction has been from 151 to 133.). We have committed ourselves to not exceed this staffing level. (These figures do not include RHUDO/SA, which was recently transferred to Quito from Panama, which is managed as a separate entity)

While remaining responsive to Ecuadorian initiatives, we have gradually modified our operating style more realistically to reflect our capabilities and the proper relationship that should exist between a donor agency and its counterparts. For example, primary management responsibility for ESF and food aid local currencies has been shifted to the GOE, while we have maintained our involvement in programming decisions and oversight.

We have greatly reduced the number of projects in our portfolio, particularly small letter grant agreements funded with PD&S funds, and limited new project starts. From late 1986 to the present,
active DA and ESF projects were reduced from 40 to 34; PD&S "projects" have been slashed from 51 to 6. We expect this trend to continue as many current projects close out over the next year. Only 4 new projects were started in FY 1987; 4 will begin

in FY 1988, 2 are planned for FY 1989 and none are being proposed at this time for 1990. New project designs will place emphasis on implementation arrangements that minimize the Mission's management responsibilities. We also are exploring ways to use buy-ins to centrally-funded projects and PVO matching grants to fund priority activities in Ecuador with less day-to-day involvement of our technical and financial management staff.

Staff Training and Integration. Our primary focus to date has been on training the Controller's staff in improved financial management procedures. In May 1988, we will host a Project Implementation Course for our staff. We plan to use this course to strengthen further the collaborative working relationships between various Mission offices. We have requested that the regional Management Skills course be held in Quito in early FY 1989, allowing us to place ten of our staff in that course. In addition, we are considering local training opportunities, primarily for Ecuadorian support staff. We have kept staff training a priority in our operating budgets. As a further attempt to foster Mission cohesiveness and participation, we have organized two staff retreats - the first in December 1987 in preparation for this Action Plan, and the second in March 1988 to prepare for the CDSS. Staff meetings are regularly scheduled and broad participation encouraged.

Critical Management Issues. The absence of Trust Funds to support our operating budgets beyond FY 1988 is a serious threat to our ability to carry out our programs in the future. Although we are projecting only a 14% increase in overall OE requirements from FY 1988 to FY 1989 (from $2,629,800 to $3,015,300), our FY 1989 budget represents a U. S. dollar increase of $1,115,300 over our FY 1988 U. S. dollar budget allowance of $1,750,000 (our FY 1990 budget of $3,418,200 represents a U. S. dollar budget allowance increase of $1,668,200 over our FY 1988 level).

The Mission has made a concerted effort to budget for minimal expenditures in the out years, which is reflected in our FYs 1989 and 1990 budgets. The overall Mission OE requirements as budgeted indicate an increase of $385,500 (14%) from FY 1988 to FY 1989. On the surface this appears to be a substantial increase, but in reality, this entire increase can be attributed to local personnel and the exchange rate applied to the related costs.

In FY 1988 the Mission was able to obligate personal services contracts and our manpower contract (which provides for the majority of our local employees) at an extremely favorable, and possibly unrealistic, exchange rate of sucres 370 to one U. S. dollar. For fiscal years 1989 and 1990 we have applied the

November 2, 1987 exchange rate of sucres 240 to one U. S. dollar to our current sucre personnel costs, plus a 10% estimated wage increase. Although the exchange rate may be more favorable in FYs 1989 and 1990 than the November 2, 1987 rate, it is highly likely that we will not be able to take advantage of an exchange rate windfall such as the one we experienced in early FY 1988. Our FY 1987 actual costs, which included $667,800 for local personnel, is a strong indicator that our budgeted increases for FYs 89 and 90 are realistic.

We have projected an overall Mission OE requirement increase of $402,900 from FY 89 to FY 90. This increase is primarily attributed to a 10% projected cost increase for local personnel (approximately $100,000), post assignments budgeted at $99,500 while none were budgeted in FY 1989, home leave costs budgeted at $53,600 over the FY 1989 requirements, and a $54,500 (10%) fixed increase in the cost of office rental.

Currently, we are pacing our expenditures in an attempt to preserve some our our current trust funds for FY 89 use. Assuming we get $650,000 in ESF local currency Trust Funds during the third quarter of FY 88 (from a $6.5 million ESF obligation in late FY 87), we plan to carry over in trust funds into our FY 89 budget. However, this will depend on the continued favorable devaluation of the sucre to the dollar when compared to local inflation. (As of this writing, the $6.5 million in FY 87 ESF had not been disbursed to the GOE for a variety of technical and programmative issues unless these are quickly resolved the Mission faces an FY 88 OE short fall of $500,000.

Given the substantial increase in U. S. dollar funding which the Mission will require in FY 1989, we would appreciate consideration for any fall-out money which might become available later in this fiscal year. Additional funding over our current $1,750,000 FY 1988 level would allow us to accelerate the essential NXP procurement currently planned for FY 1989, and could reduce our FY 1989 requirements by as much as $203,600.

Policy, Procedural, and Administrative Improvements from AID/W. The Mission supports the LAC guidelines on PD&S use and expects no problems implementing them. In other areas, we think the following improvements would greatly facilitate the efficiency of our operations:

-- Guidelines for the management of local currency resources, currently under consideration in LAC, should not treat these resources as if they were appropriated funds. Such treatment is inappropriate, since these currencies are legally owned by

the host country. In addition, would result in the practical impossibility of implementing effective local currency programs with current AID staff resources, creating the potential for a new wave of critical audit findings as Missions find themselves unable to live up to these requirements. We believe that A.I.D.'s management responsibilities over local currencies can be satisfactorily met by direct involvement in the programming and ex-post monitoring and auditing of local currency activities only, with maximum reliance on host country regulations and management for day-to-day implementation.

-- LAC should re-examine the amount of Washington and Mission time that annually is devoted to internal documents, especially the Congressional Presentation/Notification and Action Plan processes. While we recognize that some changes have been made in the CN process this year for most countries, USAID/Ecuador's workload has actually increased as a result of the restrictions in the FY 1988 legislation. Further liberalization of CP/CN requirements should be sought. The feasibility of preparing Action Plans only every two years for most countries should be seriously considered. In these times of tight operating budgets and scarce human resources, the Bureau should consider further ways to reduce the workload involved in Action Plan preparation.

-- The Mission is exploring ways to buy in more regularly to centrally-funded projects and PVO matching grants. This will allow us to economize on project design, contracting, and processing of payments, as well as to link Ecuador with similar activities carried out in other parts of the world. We believe it would be beneficial to examine at the LAC and S&T/FVA level whether there are alternatives to PD&S and on-going project funding for such buy-ins, e.g., including line-items in our OYB for these projects without the requirement for other project documentation (PPs, CNs, etc.). The recent experience with A.I.D. programs in advanced developing countries could provide some useful approaches on this issue.

-- An LAC requirement that has consistently delayed the implementation of our programs is the need for Bureau management approval of cooperative agreements or grants awarded on the basis of other than full competition. One case last year required three months for Bureau approval; another recent request required almost two months. We believe the present requirement is out of line with other delegations of authority to Missions, and strongly recommend that this responsibility be redelegated to Mission Directors.

B. Staffing

Page 1 of 8
FY 87

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

	USDH	FNDH <7	FNDH >6	IDI	Res. H	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE												
DIR	2		1		1							4
EXO	1	1	4			2			2	19	20	49
CONT	2		3			2			3	14		24
RLA	1											1
RCO	1		1					1		2		5
PPD	3		3					1	4	5		16
RDO	3		2					2		5		12
GDO	2					1			3	4		
FHD	2		2						1	3		8
U&H	1									2		3
OPE										1		1
TOTAL	18	1	16	0	1	5	0	4	13	55	20	133

FY 87

PD&S
STAFFING LEVEL

	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE										
GDO				2						2
RDO				1						1
U&H				1						1
TOTAL	0	0	0	4	0	0	0	0	0	4

FY 87

PROGRAM/PROJECT
STAFFING LEVEL

	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE										
RDO				3*	1					4
GDO						1				1
FHD				1		1	**			2
TOTAL	0	0	0	4	1	2	0	0	0	7

* Includes 1 PACA and 1 JCC employee
** TCN Employee

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

	USDH	FNDH <7	FNDH >6	IDI	Res.H	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE												
DIR	2		1		1							4
EXO	1	1	4						2	19	20	47
CONT	2		3			2			2	15		24
RLA	1									1		2
RCO	1		1					1		2		5
PPD	3		3	1				2	4	5		18
RDO	3		2					2		5		12
GDO	3								3	4		10
FHD	2		2						1	3		8
U&H	1									2		3
TOTAL	19	1	16	1	1	2	0	5	12	56	20	133

FY 88

PD&S
STAFFING LEVEL

	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE										
RDO				1						1
TOTAL	0	0	0	1	0	0	0	0	0	1

FY 88

PROGRAM/PROJECT
STAFFING LEVEL

	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE										
RDO				3*		1				4
GDO				1		1				2
FHD						1	**			1
U&H				1						1
TOTAL	0	0	0	5	0	3	0	0	0	8

*Includes 1 PASA and 1 JCC employee

** TCN Employee

Page 5 of 8
FY 89

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

	USDH	FNDH <7	FNDH >6	IDI	Res.H	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE												
DIR	2		1		1							4
EXO	1	1	4						2	19	20	47
CONT	2		3			2			2	15		24
RLA	1									1		2
RCO	1		1					1		2		5
PPD	3		3					2	4	5		17
RDO	3		2					2		5		12
GDO	3							1	3	4		11
FHD	2		2						2	3		9
U&H	1							1		2		4
TOTAL	19	1	16	0	1	2	0	7	13	56	20	135

Page 6 of 8
FY 89

PD&S
STAFFING LEVEL

	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE										
NONE										
TOTAL										

FY 89

PROGRAM/PROJECT
STAFFING LEVEL

	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE										
RDO				3 *		1				4
GDO				1						1
U&H				1						1
TOTAL	0	0	0	5	0	1	0	0	0	6

* Includes 1 PASA and 1 JCC Employee

Page 7 of 8
FY 90

OPERATING EXPENSE
DOLLAR AND TRUST FUND
STAFFING LEVEL

	USDH	FNDH <7	FNDH >6	IDI	Res.H	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
OFFICE												
DIR	2		1		1							4
EXO	1	1	4						2	19	20	47
CONT	2		3			2			2	15		24
RLA	1									1		2
RCO	1		1					1		2		5
PPD	3		3					2	4	5		17
RDO	3		2					2		5		12
GDO	3							1	3	4		11
FHD	2		2						2	3		9
U&H	1							1		2		4
TOTAL	19	1	16	0	1	2	0	7	13	56	20	135

PD&S
STAFFING LEVEL

OFFICE	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
NONE										
TOTAL										

FY 90

PROGRAM/PROJECT
STAFFING LEVEL

OFFICE	FNDH <7	FNDH >6	RES HIRE	USPSC	FNPSC <7	FNPSC >6	MANPOWER PROF.	MANPOWER CLER.	CONT. D/C	TOTAL
RDO				2 *						2
GDO				1						1
U&H				1						1
TOTAL	0	0	0	4	0		0	0	0	4

* Includes 1 PASA employee

C. Operating Expenses

FY 1987-1990 ACTION PLAN ECUADOR (255181) / EXPENSE CATEGORY	FUNCTION	OBJ CLASS	FY 1987 ACT. ($ 000) DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	FY 1988 EST. ($ 000) DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	FY 1989 REQUEST ($ 000) DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST	FY 1990 REQUEST ($ 000) DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST
OFFICE OPERATIONS	U500		813.5	395.3	1,208.8			907.3	420.3	1,327.6	0.0		1,376.7	0.0	1,376.7			1,488.6	0.0	1,488.6		
OFFICE RENT	U501	234	222.0	169.9	390.9			119.2	405.3	524.5	0.0		544.6	0.0	544.6	0.0		599.1	0.0	599.1	0.0	
OFFICE UTILITIES	U502	234	11.0	1.0	12.0			18.0	0.0	18.0	0.0		18.6	0.0	18.6	0.0		20.0	0.0	20.0	0.0	
BUILDING MAINT./RENOVATION	U503	257	25.3	7.5	32.8			14.0	0.0	14.0	0.0		16.0	0.0	16.0	0.0		17.5	0.0	17.5	0.0	
OFFICE FURNITURE/EQUIPMENT	U504	310	22.3	0.3	22.6			5.0	0.0	5.0	0.0		20.9	0.0	20.9	0.0		22.0	0.0	22.0	0.0	
VEHICLES	U505	312	26.7	0.0	26.7			13.0	0.0	13.0	1.0	13.0	30.5	0.0	30.5	2.0	15.3	17.6	0.0	17.6	0.0	
OTHER EQUIPMENT	U506	319	112.3	0.0	112.3			67.0	0.0	67.0	0.0		64.1	0.0	64.1	0.0		44.1	0.0	44.1	0.0	
TRANSPORTATION / FREIGHT	U507	220	37.0	1.4	38.4			11.8	0.0	11.8	0.0		11.6	0.0	11.6	0.0		8.7	0.0	8.7	0.0	
FURN/EQUIP/VEH REPAIR/MAINT.	U508	257	15.0	10.5	25.5			146.2	0.0	146.2	0.0		102.0	0.0	102.0	0.0		128.5	0.0	128.5	0.0	
COMMUNICATIONS	U509	230	67.5	45.5	113.0			107.8	0.0	107.8	0.0		115.8	0.0	115.8	0.0		128.1	0.0	128.1	0.0	
SECURITY GUARD SERVICES	U510	257	0.0	61.7	61.7			44.2	0.0	44.2	0.0		46.4	0.0	46.4	0.0		53.5	0.0	53.5	0.0	
PRINTING	U511	240	49.8	15.9	65.7			29.0	0.0	29.0	0.0		32.2	0.0	32.2	0.0		34.0	0.0	34.0	0.0	
SITE VISIT-MISSION PERSONNEL	U513	210	38.1	8.4	46.5	243.0	0.2	20.7	15.0	35.7	120.0	0.3	45.0	0.0	45.0	125.0	0.4	49.5	0.0	49.5	140.0	0.4
SITE VISIT-AID PERSONNEL	U514	210	15.4	0.0	15.4	10.0	1.5	16.8	0.0	16.8	7.0	2.4	18.5	0.0	18.5	7.0	2.6	20.3	0.0	20.3	7.0	2.9
INFORMATION MEETINGS	U515	210	0.0	0.0	0.0			0.0	0.0	0.0			2.0	0.0	2.0	0.0		2.2	0.0	2.2	1.0	
TRAINING ATTENDANCE	U516	210	10.5	0.0	10.5	2.0	5.3	18.9	0.0	18.9	12.0	1.6	20.0	0.0	20.0	10.0	2.0	22.0	0.0	22.0	10.0	2.2
CONFERENCE ATTENDANCE	U517	210	5.7	0.0	5.7	1.0	5.7	16.6	0.0	16.6	8.0	2.1	18.5	0.0	18.5	8.0	2.3	20.3	0.0	20.3	8.0	2.5
OTHER OPERATIONAL TRAVEL	U518	210	2.1	0.0	2.1	2.0	1.1	2.0	0.0	2.0	2.0	1.0	2.2	0.0	2.2	2.0	1.1	2.4	0.0	2.4	2.0	1.2
SUPPLIES AND MATERIALS	U519	259	103.3	6.1	109.4			127.7	0.0	127.7	0.0		140.5	0.0	140.5	0.0		160.3	0.0	160.3	0.0	
FAAS	U520*	257	0.0	49.2 **	49.2			56.0	0.0	56.0	0.0		65.0	0.0	65.0	0.0		68.3	0.0	68.3	0.0	
CONSULTING SVCS. - CONTRACTS	U521	259	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
MGT./PROF. SVCS. - CONTRACTS	U522	259	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
SPEC SERVICES/PURCHASES - CONT.	U523	259	0.0	0.0	0.0			29.0	0.0	29.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
ALL OTHER CODE 25	U524	259	47.5	20.7	68.2			73.4	0.0	73.4	0.0		62.0	0.0	62.0	0.0		70.2	0.0	70.2	0.0	
TOTAL O.E. EXPENSE BUDGET			2,919.5	985.9	3,904.4			3,024.0	879.8	3,903.8			4,386.4	150.0	4,536.4			4,911.2	0.0	4,911.2		
RECONCILIATION *			1,042.9	0.0	1,042.9			1,274.0	0.0	1,274.0			1,521.1	0.0	1,521.1			1,493.0	0.0	1,493.0		
SECTION 636(c) (Non-add)	U699	320	0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0			0.0	0.0	0.0		
OPERATING EXPENSE REQUIREMENTS	U900		1,875.6	985.9	2,861.5			1,750.0	879.8	2,629.8			2,865.3	150.0	3,015.3			3,418.2	0.0	3,418.2		
			TOTAL NO. P NONP STATIONS				22	TOTAL NO. ADP WORK STATIONS				26	TOTAL NO. ADP NONP STATIONS				26	TOTAL NO. ADP NONP STATIONS				26
			TOTAL NUMBER OF FC'S				14	TOTAL NUMBER OF FC'S				18	TOTAL NUMBER OF FC'S				20	TOTAL NUMBER OF FC'S				24
OBJECT CLASS 210 TRAVEL			71.8	8.4	80.2			75.0	15.0	90.0			106.2	0.0	106.2			116.7	0.0	116.7		
Dollars Required for Local Currency Expenses			0.0					614.0					1,859.0					2,140.0		1,805.0		
Exchange Rate Used (November 2, 1987)			S/.240.0 = US$1					S/. 240 equals $1.00					S/.240 equals $ 1.00					S/. 240 equals $ 1.				

* * 49.2 FAAS Cost is not reflected as a reconciling item in FY 87, as it was payed directly by the Mission from Trust Funds.

NOTE: Trust fund figures as they appear in the FY 1987 actuals reflect the exchange rate in effect at the end of the Fiscal Year, Sucre 213 to US$1. This applies to all trust fund obligations, regardless of the exchange rate in effect when the individual obligations were recorded. As the real value of the trust funds (in US$ equivalence) at the time obligations were recorded is understated in the FY 1987 actuals, this explains what appears to be a dramatic increase in the cost of some line items, such as office rent, from FY 1987 to FY 1988.

FY 1989-1990 ACTION PLAN
ECUADOR (25510)

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	FY 1987 ACT. ($ 000) DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	FY 1988 EST. ($ 000) DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST	FY 1989 REQUEST ($ 000) DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST	FY 1990 REQUEST ($ 000) DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST
U.S. DIRECT HIRE	U100		1,434.9	0.0	1,434.9			1,604.7	0.0	1,604.7			1,669.7	0.0	1,669.7			1,823.3	0.0	1,823.3		
U.S. CITIZENS BASIC PAY	U101*	110	832.2	0.0	832.2	14.6	57.0	956.4	0.0	956.4	17.3	55.3	1,143.0	0.0	1,143.0	20.0	57.2	1,117.3	0.0	1,117.3	19.0	58.8
PT/TEMP U.S. BASIC PAY	U102*	112	13.8	0.0	13.8	0.7	19.7	18.8	0.0	18.8	1.0	18.8	19.7	0.0	19.7	1.0	19.7	19.7	0.0	19.7	1.0	19.7
DIFFERENTIAL PAY	U103*	116	84.8	0.0	84.8			143.5	0.0	143.5	0.0	0.0	171.5	0.0	171.5	0.0		167.6	0.0	167.6	0.0	
OTHER AID/W FUNDED CODE 11	U104*	119	9.7	0.0	9.7			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
OTHER MISSION FUNDED CODE 11	U105	119	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
EDUCATION ALLOWANCES	U106	126	120.3	0.0	120.3	23.0	5.2	96.5	0.0	96.5	25.0	3.9	105.0	0.0	105.0	25.0	4.2	110.3	0.0	110.3	25.0	4.4
RETIREMENT-U.S. DIRECT HIRE	U107*	120	69.2	0.0	69.2			66.9	0.0	66.9	0.0		85.7	0.0	85.7	0.0		83.8	0.0	83.8	0.0	
LIVING ALLOWANCES	U108	128	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
OTHER AID/W FUNDED CODE 12	U109*	129	33.2	0.0	33.2			32.4	0.0	32.4	0.0		36.2	0.0	36.2	0.0		36.3	0.0	36.3	0.0	
OTHER MISSION FUNDED CODE 12	U110	129	48.4	0.0	48.4			40.6	0.0	40.6	0.0		0.0	0.0	0.0	0.0		27.9	0.0	27.9	0.0	
POST ASSIGNMENT - TRAVEL	U111	212	20.7	0.0	20.7	10.0	2.1	32.1	0.0	32.1	12.0	2.7	0.0	0.0	0.0	0.0		17.5	0.0	17.5	5.0	3.5
POST ASSIGNMENT - FREIGHT	U112	220	140.3	0.0	140.3	10.0	14.0	131.6	0.0	131.6	12.0	11.0	0.0	0.0	0.0	0.0		82.0	0.0	82.0	5.0	16.4
HOME LEAVE - TRAVEL	U113	212	24.9	0.0	24.9	13.0	1.9	21.2	0.0	21.2	3.0	7.1	34.9	0.0	34.9	6.0	5.8	63.2	0.0	63.2	10.0	6.3
HOME LEAVE - FREIGHT	U114	220	8.3	0.0	8.3	13.0	0.6	7.8	0.0	7.8	3.0	2.6	13.2	0.0	13.2	6.0	2.2	38.5	0.0	38.5	10.0	3.9
EDUCATION TRAVEL	U115	215	0.0	0.0	0.0			6.0	0.0	6.0	4.0	1.5	6.6	0.0	6.6	3.0	2.2	7.1	0.0	7.1	3.0	2.4
R AND R TRAVEL	U116	215	11.8	0.0	11.8	6.0	2.0	30.9	0.0	30.9	30.0	1.0	31.9	0.0	31.9	32.0	1.0	27.1	0.0	27.1	22.0	1.2
OTHER CODE 215 TRAVEL	U117	215	17.3	0.0	17.3	5.0	3.5	20.0	0.0	20.0	4.5	4.4	22.0	0.0	22.0	4.5	4.9	25.0	0.0	25.0	4.5	5.6
F. N. DIRECT HIRE	U200		135.1	51.7	186.8			0.0	171.3	171.3			187.6	0.0	187.6			206.4	0.0	206.4		
BASIC PAY	U201	114	98.9	35.6	134.5	16.0	8.4	0.0	122.5	122.5	17.0	7.2	134.8	0.0	134.8	17.0	0.0	148.4	0.0	148.3	17.0	8.7
OVERTIME, HOLIDAY PAY	U202	115	3.9	1.5	5.4	0.8	6.8	0.0	5.6	5.6	0.5	11.2	6.2	0.0	6.2	0.5	12.4	6.8	0.0	6.8	0.5	13.6
ALL OTHER CODE 11 - FN	U203	119	20.5	10.1	30.6			0.0	20.0	20.0	0.0		22.0	0.0	22.0	0.0		24.2	0.0	24.2	0.0	
ALL OTHER CODE 12 - FN	U204	129	11.8	4.5	16.3			0.0	22.4	22.4	0.0		24.6	0.0	24.6	0.0		27.1	0.0	27.1	0.0	
BENEFITS FORMER FN PERSONNEL	U205	130	0.0	0.0	0.0			0.0	0.8	0.8	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
CONTRACT PERSONNEL	U300		386.1	477.7	863.8			287.1	276.9	564.0			792.4	150.0	942.4			1,025.6	0.0	1,025.6		
PASA TECHNICIANS	U301	258	33.5	0.0	33.5	0.5	67.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
U.S. PSC - SALARY/BENEFITS	U302	113	184.5	0.0	184.5	3.4	54.3	118.4	0.0	118.4	2.2	53.8	97.7	0.0	97.7	2.0	48.9	101.2	0.0	101.2	2.0	50.6
ALL OTHER U.S. PSC COSTS	U303	255	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
F.N. PSC - SALARY/BENEFITS	U304	113	73.5	26.5	100.0	2.6	38.5	30.0	88.1	118.1	5.0	23.6	225.4	0.0	225.4	7.0	32.2	243.2	0.0	243.2	7.0	34.7
ALL OTHER F.N. PSC COSTS	U305	255	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
MANPOWER CONTRACTS	U306	259	94.6	473.2	567.8			138.7	188.8	327.5	0.0		469.3	150.0	619.3	0.0		681.2	0.0	681.2	0.0	
JCC COSTS PAID BY AID/W	U307*	113	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
HOUSING	U400		148.9	39.2	188.1			224.9	11.3	236.2			360.0	0.0	360.0			367.3	0.0	367.3		
RESIDENTIAL RENT	U401	235	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
RESIDENTIAL UTILITIES	U402	235	1.2	0.3	1.5			2.2	0.0	2.2	0.0		2.3	0.0	2.3	0.0		2.4	0.0	2.4	0.0	
MAINTENANCE AND PRESERVATION	U403	257	2.1	0.5	2.6			3.0	0.0	3.0	0.0		3.2	0.0	3.2	0.0		4.0	0.0	4.0	0.0	
QUARTERS ALLOWANCE	U404	127	141.9	27.4	169.3			202.4	11.3	213.7	16.5	13.0	264.9	0.0	264.9	18.0	14.7	266.0	0.0	266.0	18.0	14.8
RESIDENTIAL FURNITURE/EQUIP	U405	311	0.9	0.1	1.0			0.0	0.0	0.0	0.0		52.4	0.0	52.4	0.0		55.1	0.0	55.1	0.0	
TRANS./FREIGHT - CODE 311	U406	220	0.0	0.0	0.0			6.0	0.0	6.0	0.0		24.1	0.0	24.1	0.0		25.3	0.0	25.3	0.0	
SECURITY GUARD SERVICES	U407	257	0.0	10.9	10.9			8.7	0.0	8.7	0.0		9.6	0.0	9.6	0.0		10.6	0.0	10.6	0.0	
OFFICIAL RESIDENCE ALLOWANCE	U408	254	1.4	0.0	1.4			1.0	0.0	1.0	0.0		1.5	0.0	1.5	0.0		1.7	0.0	1.7	0.0	
REPRESENTATION ALLOWANCES	U409	252	1.4	0.0	1.4			1.6	0.0	1.6	0.0		2.0	0.0	2.0	0.0		2.2	0.0	2.2	0.0	

D. Evaluation Plan

The Mission will carry out during FYs 89-90 a total of five evaluations and two sector assessments.

The main objective of the formative, mid-term evaluations will be the identification of progress made toward achieving program objectives, particularly in the areas of health and child survival, agricultural development, export promotion and family planning. More specifically, these evaluations will identify progress in institution building, policy dialogue, technology transfer and private sector participation. The Evaluation Plan reflects the Mission's strategy of examining project-level activities in relation to the long-term program goals and objectives established in Parts I and II of the Action Plan. Projects will be evaluated in relation to their success in reaching target performance indicators included in each objective description form.

The final impact evaluation will examine: 1) the achievement of institution building objectives; and 2) the achievement of project purpose.

The two sector assessments will look into multi-project impact aspects of interventions in housing and urban development and in technical skills training. Lessons learned will be utilized in improving ongoing projects and in planning for future activities. Also, Ecuador has been selected as a target country for an AID/W sponsored cross-cutting evaluation of non-traditional agricultural exports projects.

In October 1987, a Regional Evaluation Workshop was held in Quito and ten members of the Mission staff were in attendance. This core group of participants has held follow-up meetings which led to a set of recommendations to Mission management on how the evaluation process could be improved. As a result, an Evaluation Task Force has been formed and a Mission Order on evaluation guidelines is being developed. The Evaluation Plan, described on the following pages reflects certain initial improvements, namely the reduction in the overall number of evaluations to be conducted, a greater focus on cross-cutting evaluations and scopes of work which center around key management decisions which must be made.

EVALUATION PLAN

Project No. & Title		Date Last Evaluation Completed	FY 89 Start (Qtr.)	FY 89 TO AID/W (Qtr.)	FY 90 Start (Qtr.)	FY 90 To AID/W (Qtr.)	Reasons/Issues
518							
0023	Forestry Sector Development	11/86	2QFY89	3QFY89			Final evaluation to determine project impact on low income groups.
0051	Agricultural Sector Reorientation	NA	2QFY89	3QFY89			This is a mid-term evaluation, designed to: a) determine progress in the establishment of a policy analysis and formulation capability in the Ministry of Agriculture; and, b) measure the impact of agricultural sector policies on overall agricultural production.
0064	Drug Information and Public Awareness	NA	2QFY89	3QFY89			Final evaluation to assess achievement of project purpose and to identify possible follow-on activities.
0015	Integrated Rural Health-Child Survival	6/84	4QFY89	NA	NA	1QFY90	Final evaluation to measure impact of project on infant and child mortality.

EVALUATION PLAN

Project No. & Title		Date Last Evaluation Completed	FY 89 Start (Qtr.)	FY 89 TO AID/W (Qtr.)	FY 90 Start (Qtr.)	FY 90 To AID/W (Qtr.)	Reasons/Issues
518							
0026	Population and Family Planning	4/86	4QFY89	NA	NA	1QFY90	The formative evaluation will focus on how effective the project has been in providing basic human needs through improved family planning services. The evaluation will look into progress toward increasing contraceptive use.
	Technical Skills Training Sector Assessment	NA	2QFY89	3QFY89			The objective of the assessment is to establish the impact of the various USAID OPG's in technical skills training on: a) the ability of low-income youths to access better remunerated employment; and, b) the quality of technical skills educational technology.
	Housing and Urban Development Sector Assessment	NA	2QFY89	3QFY89			This housing sector assessment will help the Mission: a) measure the effectiveness of its involvement in the sector; and, b) obtain feedback which will enhance and refine its planning for further participatic and involvement in low-income housing and urban development activities.

EVALUATION REPORT

Project No. and Title	Planned FY86 Start (Qtr.)	Planned FY86 TO AID/W (QRT.)	Actual FY87 Start (Qtr.)	Actual FY87 To AID/W (Qtr.)	Update FY88 Start (Qtr.)	Update FY88 To AID/W (Qtr.)	Reason/Issues
518							
0019 Non-Traditional Agricultural Exports					2QFY88	3QFY88	The evaluation will identity factors which lead to developing productive investments, measure impact of the project and help the Mission formulate plans for a major project extension.
0023 Forestry and Natural Resources	4QFY86	1QFY87					Mid-term evaluation transmitted to AID/W on 11/19/86 (O/DP 86-374)

EVALUATION REPORT

Project No. and Title		Planned FY86 Start (Qtr.)	Planned FY86 TO AID/W (QRT.)	Actual FY87 Start (Qtr.)	Actual FY87 To AID/W (Qtr.)	Update FY88 Start (Qtr.)	Update FY88 To AID/W (Qtr.)	Reason/Issues
518								
0026	Population and Family Planning	2QFY86	1QFY87					Evaluation of four sub-projects transmitted to AID/W on 10/15/86 (O/DP 86-316)
0032	Rural Technology Transfer System					1QFY88	2QFY88	Mid-term evaluation took place in December 1987. The evaluation assessed the effectiveness of utilizing producer associations as a way to transfer technology and increase agricultural production.

EVALUATION REPORT

Project No. and Title	Planned FY86 Start (Qtr.)	Planned FY86 TO AID/W (QRT.)	Actual FY87 Start (Qtr.)	Actual FY87 To AID/W (Qtr.)	Update FY88 Start (Qtr.)	Update FY88 To AID/W (Qtr.)	Reason/Issues
518							
0042 Fiscal Administration Development			4QFY87	NA	NA	3QFY88	Mid-term evaluation was conducted to measure progress toward project purpose and to assess effectiveness of the technical assistance and training.
0049 Malaria Control					3QFY88	4QFY88	This formative evaluation will focus on how effective the project has been in achieving reduction of malaria incidence and in the implementation of recommended actions to SNEM

E. COUNTRY TRAINING PLAN UPDATE

1. FOR PARTICIPANT TRAINING IN GENERAL AND ANDEAN PEACE SCHOLARSHIP PROGRAM:

In August 1987, the Country Training Plan (CTP) was developed for bilateral project activities and the Regionally-funded LAC Training Initiaves Project. When the Mission training portfolio was expanded to include the ambitious Andean Peace Scholarship Program (APSP), an update was later submitted in January 1988 outlining the activities to be implemented under this program. The following summary of the overall training effort ratifies the goals, procedures and targets with only slight modification in the numbers of trainees under the LAC-Training Initiatives program.

Within the above context, the Mission continues to envision a three-pronged training program to contribute to the country's economic stabilization and to restructure its economic and basic human needs delivery systems through carefully selected training activities directed to providing an adequate human resource base. This program involves: 1) support to bilateral projects in the more traditional areas of agriculture, health and public administration; 2) training in fields not contemplated under bilateral projects, such as the upgrading of educational institutions, and special education, and other activities that contribute to the improvement of the social and economic conditions of the disadvantaged segments of the Ecuadorian population; and 3) those activities launched under the Andean Peace Scholarship Program (APSP) which foster the flow of technology and seeks to build bonds between U.S. and Ecuadorian institutions and people.

2. SUMMARY OF TRAINING PROGRAM UNDER THE ANDEAN PEACE SCHOLARSHIP PROGRAM:

The Mission training objective for the APSP is a dual one: 1) to contribute to the formation of effective manpower resources through training in skills essential for political, social, cultural and economic development and 2) to strengthen the ties of friendship and understanding between Ecuador and the United States. It is expected that the accomplishment of these objectives will promote democratic values and assist in combating negative ideological influences being felt in Ecuador.

The APSP in Ecuador will target leaders and potential leaders from both the public and private sectors who are likely to influence opinions and policies. Short-term training will be provided for rural and urban youth groups, journalists, mayors,

labor union and cooperative leaders, artisans, health professionals (nurses/health promoters/public health technicians and administrators), agricultural trainees (farmers and natural resource managers, among others), theater groups and writers, small entrepreneurs, community action leaders, school administrators, English teachers, and secondary teachers of other subjects, among others. Long-term training will consist of one and two-year scholarships (junior year abroad, masters degree, or other training lasting more than nine months) for the following categories of trainees: planners/development specialists in public and private institutions, public health technicians and administrators, agriculturalists, musicians, secondary/university English teachers, special education, students of indigenous education/folklore, university professors, university students with leadership potential, athletic trainers and athletes, and young professionals with leadership potential.

Of a total of approximately 433 scholarships, 303 (70%) will be short-term (1-9 months, average 6 weeks) and 130 (30%) will be long-term (over 9 months). The following criteria will be used to select Peace scholars: 100% will be current or potential leaders, 70% will be socially and economically disadvantaged, 40% women, and as wide a geographic distribution as possible. A minimum of 10% of trainees will attend Historically Black Colleges and Universities (HBCUs). All training will take place in the United States or its territories and shall include an "Experience America" cultural component, to consist of social contacts and living situations arranged for the participants, as well as participation in civic, social, or recreational events. It is intended that all trainees should acquire a better understanding of the U.S. as a result of their exposure to its culture, citizens, values, and institutions. The technical component of each program will vary from observational tours, meetings and visits, seminars, short courses, workshops, and hands-on technical training to formal academic training. Training will be offered in Spanish, in English with Spanish interpreters, or in English without interpreters.

3. GROUPS TO BE TARGETED IN THE ANDEAN PEACE SCHOLARSHIP PROJECT AND TYPES OF TRAINING TO BE OFFERED:

-- Youth: seventeen rural and urban youth, possibly from 4F groups, will live with American families for 2-6 months while attending U.S. high schools.

-- Eight small scale entrepreneurs will attend a 4-8 week program focusing on services provided by chambers of commerce and including observational visits and meetings.

-- Eleven mayors will participate in a 4-week observational tour which will allow them to meet with mayors in the U.S. and may include attendance at a Mayors' Association conference and instruction in urban planning.

-- Ten school administrators will attend an 8-12 week course on administrative methods, to include tours of high schools and/or universities and meetings with American colleagues.

-- Eleven agricultural trainees (specific area still to be determined but possibly leaders of agricultural cooperatives) will attend an 8-week course on cooperative management.

-- Nine health promoters will attend a 2-3 month course on health education, basic maternal child care and preventive health care.

-- Ten government officials from the various ministries (Health, Agriculture, etc.) will participate in 4-week observational tours.

-- Twenty six one-year programs for disadvantaged rural and urban youth at any U.S. high school.

-- Seventeen two-year long-term technical program for English and university teachers.

Mission policy is to select APSP scholars based first on leadership qualities and second on their proposed field of study. While the Mission cannot yet specify which areas of study the long-term trainees will specialize, the Mission intends to provide long-term training in the areas listed in Section B; the order in which subject areas are targetted will depend on which candidates are selected.

4. PROGRESS TO DATE UNDER THE ANDEAN PEACE SCHOLARSHIP PROGRAM:

The first group of trainees under the APSP, twelve print jounalists principally involved in political and economic reporting, attended a highly successful program at Northeastern University in Boston in February 1988. The program, which focused on the presidential elections, allowed the journalists to cover the New Hampshire primaries. Arrangements were made to send their articles

back to Ecuador for publication by their local papers. These and other articles on the program itself have given USAID/Ecuador excellent media coverage. Subject to delays related to 620 (Q) restrictions, the Mission intends to sign a contract with the Fulbright Commission to provide in-country services related to the management of the program for the remainder of the first FY of the project while simultaneously issuing an RFP for services to cover the final three years of the project. Tentative training proposals have been developed for ten women in community development, ten natural resources (watershed management) trainees, and ten provincial public health administrators, and have been approved by the Mission's technical divisions. The Mission is now ready to initiate contact with intermediary organizations. Second stage interviews and final selection of long-term candidates for FY 88 are progressing well and final list of participants is expected to be ready early April. The selection process will continue throughout the life of the project.

(a) 40% target for women: Of the 12 journalists in the first group, 3 (25%) are women. Since the second short-term group will be comprised entirely of women, the 40% target should be met by the end of FY-1988 even if only one third of the remaining FY 1988 short-term trainees are women. The mission expects to recruit at least 40% women for the other groups--both long and short-term (and possibly more among the teachers)--so the percentage of women for FY 1988 should be over 40%.

(b) 10% placement in HBCUs: No trainees have yet been placed in HBCUs.

(c) 30% long-term training: The 13 long-term scholarships targeted for FY 88 make up only 12.7% - 18.8% of the 82-102 scholarships planned for the first fiscal year. The Mission has purposedly kept this number low in view of the time required to launch the program as well as of the unavoidable delay (due to the 620 Q restriction) in contracting with the Fulbright Commission for the provision of in-country support services, including recruitment and selection. 84% of all long-term scholars will be sent during the second and third years of the program. The target for long-term training for life-of-project is set at 30% of all training.

(d) 70% target for disadvantaged: Of the first and only group of trainees to date, the 12 journalists, only the three women qualified as disadvantaged, though it should be noted that none of the trainees were much above the

cut-off income level. It is expected that 70% of the remaining FY 88 scholars will be disadvantaged. Approximately 85% of the pre-selected long-term candidates currently under consideration qualify as disadvantaged.

(e) Experience America: The "Experience America" component was interwoven with the technical training and observational visits programmed for the 12 journalists. Their program's focus on the presidential elections not only allowed them to experience democracy in action but also involved a high level of contact with American citizens, from a weekend home-stay and dinners with American families to a stay in a traditional bed-and-breakfast establishment and interviews with at least 60 New Hampshire voters. The journalists' contacts with professional colleagues and local officials, and in particular with presidential candidate Michael Dukakis, who invited them to his victory celebration, have made a lasting impression on the group.

(f) Follow-up activities: The journalists' names have already been placed on USIS's mailing list and rolls as possible speakers and panel members. The journalists prepared articles on the New Hampshire primaries which were wired to Ecuador for publication by their local papers. They will be invited to a luncheon which will provide the opportunity for an informal debriefing. USIS may also sponsor a seminar on the U.S. electoral process and 1988 presidential elections in particular, to be led by the returnee scholars. Future training programs are being designed with follow-up plans in mind. The decision to target provincial public health administrators and urban water systems officials, among others, in FY 88, was based on the feasibility of tying their training, to a health regionalization project organized by the Ecuadorian government and, a possible sustainable uses of fragile lands project, respectively. Training for 10 women in community development will probably focus on project design and administrative skills necessary for the establishment of cooperative food stores. The mission envisions assisting these women, through Special Development Activity Authority (SDAA) grants or other sources, to establish food cooperatives upon their return.

(g) Steps Taken to Contain Training Costs: To manage better the bulk of training activities contemplated under the APSP and make this effort meaningful and cost-effective, the Mission has contracted a U.S. citizen residing in

Ecuador to act as Project Manager. This Project Manager will work closely with the Regional Contractor for the program, Development Associates, to identify ways to cut costs to obtain the best possible training at reasonable costs. For instance, three proposals were evaluated for the journalism program and the least expensive of the two highest quality training programs was selected.

Since a regional contract has been entered into by the Bureau, the Mission's ability to directly negotiate cost-containment measures with U.S. training institutions is limited to our selection of the least expensive best quality proposal of those presented to us. However, the following measures are in effect or under consideration: 1) organization of short-term programs in groups of 10 to 20 participants in order to cut training and contractor costs; 2) the possibility of coordinating programs to serve more than one CLASP country, thus accommodating smaller numbers of Ecuadorian participants; 3) the possibility of buying into USIS's and other US government agencies' regional programs, perhaps similar to the cost-sharing arrangements so effectively used in the past with the Fulbright Commission; 4) the possibility of coordinating "Experience America" activities at low or no cost with such organizations as Partners of the Americas, the 4-H Council, American Field Service, etc.; 5) the use of local intermediary organizations to identify and pre-screen candidates; and 6) the arrangement of special rates through American carriers serving Ecuador.

It should noted that although the benefits of an A.I.D/Fulbright Commission Cooperative Agreement cannot be applied across the board to all grants (i.e, training grants under bilateral agreements still have to be processed through the regular procedures using Washington-based contractors) the training costs for the regional LAC Training Initiatives project have been brought down to an average cost to A.I.D. of $900 per participant/month thus extending the impact of the resources available for training in Ecuador.

Several attempts have been made to have the Ministry of Finance agree to pay for international travel using ESF funds, with negative results to-date.

(h) Other Accomplishments to Date: The APSP Steering Committee, the role of which is to provide general oversight for the program, met on February 11, 1988 and

approved the Mission implementation strategy, procedures, and selection criteria as well as the breakdown of target groups for life-of-project and for FY-88 as presented in the FY 88 CTP Update for the APSP (see Quito 00280). The Steering Committee is made up of the Deputy Director and the General Development Officer of USAID; the Consul General in Guayaquil, the Director of the Peace Corps, the Cultural Affairs Officer (USIS), the Political Officer of the U.S. Embassy and the APSP Project Manager.

5. MAJOR CHANGES IN TRAINING PLAN FROM APPROVED CTP:

(a) The only changes in the training plan from the FY 88 CTP update are 1) the addition of approximately 10 government officials each year to the short-term scholars targeted for FY 88 and FY 89 and 2) the reduction in the number of youth trainees for FY 89 to 17. A new Ecuadorian administration will take office in August. The Mission believes that is an opportune time to include new government officals and staffers from the various ministries. The number of youth for FY 89 was over 50% of the total for life-of-project and has been reduced to distribute youth more evenly over the four-year life-of-project period as well as to make the number of trainees more manageable.

TABLE 1

XXXXXX TRAINING (APSP)

FY 1989 COUNTRY TRAINING PLAN

NUMBER OF NEW STARTS

PROGRAM: 1/

COUNTRY OF ORIGIN: ECUADOR

FY 1989 OYB ($000):

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
TECHNICAL - 30 days or less						
Female	0	0	0	3	0	0
Male	0	0	0	9	0	0
TECHNICAL - 31-180 days						
Female	0	0	0	23	35	22
Male	0	0	0	34	52	34
TECHNICAL - 6-8+ months						
Female	0	0	0	0	0	0
Male	0	0	0	0	0	0
TECHNICAL-9 months or more						
Female	0	0	0	4	10	18
Male	0	0	0	5	16	26
TOTAL TECHNICAL	0	0	0	78	113	100

1/ Please make separate tables, where relevant for LAC II/PTIIC, LAC II/APSP

TABLE 1

(Continued) (APSP)

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90*
ACADEMIC-Undergraduate-1 year						
Female	0	0	0	0	0	0
Male	0	0	0	0	0	0
ACADEMIC-Undergraduate-2 years						
Female	0	0	0	0	0	0
Male	0	0	0	0	0	0
ACADEMIC-Undergraduate-3 yrs or more						
Female	0	0	0	0	0	0
Male	0	0	0	0	0	0
ACADEMIC - Graduate level- 1 year						
Female	0	0	0	0	0	0
Male	0	0	0	0	0	0
ACADEMIC-Graduate level- 2 years						
Female	0	0	0	2	7	9
Male	0	0	0	2	10	13

TABLE 1
(Continued) (APSP)

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
SUMMARY						
TOTAL TRAINEES				82	130	122
ACADEMIC						
Female	0	0	0	2	7	9
Male	0	0	0	2	20	13
TECHNICAL						
Female	0	0	0	30	45	40
Male	0	0	0	48	68	60
LONG-TERM						
Female	0	0	0	6	17	27
Male	0	0	0	7	26	39
SHORT-TERM						
Female	0	0	0	26	35	22
Male	0	0	0	43	52	34
HBCU PLACEMENTS	0	0	0	8	13	12

NOTE: THE NUMBER OF PROJECTED MEN AND WOMEN TRAINEES IN ALL CATEGORIES IS CALCULATED BASED ON THE CRITERIA OF 40 PERCENT WOMEN. LIKEWISE, HBCU PLACEMENT FIGURES ARE BASED ON THE 10 PERCENT REQUIREMENT. THE MISSION WILL STRIVE TO ATTAIN THESE GOALS FOR TOTAL LIFE-OF-PROJECT; HOWEVER, IT IS UNLIKELY THAT EXACTLY THESE PERCENTAGES WILL BE SENT EACH YEAR. ALSO NOTE THAT 2 YEAR PROGRAMS HAVE BEEN CLASSIFIED AS ACADEMIC GRADUATE LEVEL PROGRAMS (MOST LIKELY MASTERS), BUT COULD CONSIST OF ADVANCED TRAINING WHICH DOES NOT CULMINATE IN A DEGREE.

TABLE 1-A
CLASP TRAINING (LAC - TI)

FY 1989 COUNTRY TRAINING PLAN
NUMBER OF NEW STARTS

PROGRAM: 1/

COUNTRY OF ORIGIN:

FY 1989 OYB ($000):

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
TECHNICAL - 30 days or less						
Female	1	3	11	12	7	2
Male	31	27	32	20	11	7
TECHNICAL - 31-180 days						
Female				3		
Male				5		
TECHNICAL - 6-8+ months						
Female			0			
Male			1			
TECHNICAL-9 months or more						
Female						
Male						
TOTAL TECHNICAL	32	30	44	40	18	9

1/ Please make separate tables, where relevant for LAC II/PTIIC, LAC II/APSP

TABLE 1 - A
(Continued) (LAC - TI)

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
SUMMARY						
TOTAL TRAINEES	35	38	49	44	18	9
ACADEMIC						
Female	1	4	2	2	0	0
Male	8	11	3	2	0	0
TECHNICAL						
Female	1	2	11	15	7	2
Male	25	21	33	25	11	7
LONG-TERM						
Female			1			
Male						
SHORT-TERM						
Female	1	2	11	15	7	2
Male	25	21	32	25	11	7
HBCU PLACEMENTS			5	8	10	12

TABLE 1 - A

(Continued) (LAC -II)

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90*
ACADEMIC-Undergraduate-1 year						
Female						
Male						
ACADEMIC-Undergraduate-2 years						
Female		1	1	1		
Male	2		1	1		
ACADEMIC-Undergraduate-3 yrs or more						
Female	1					
Male	1					
ACADEMIC - Graduate level- 1 year						
Female						
Male		8				
ACADEMIC-Graduate level- 2 years						
Female		4	1	1		
Male	5	2	2	1		

TABLE 2
NON CLASP TRAINING

FY 1989 COUNTRY TRAINING PLAN
NUMBER OF NEW STARTS

PROGRAM: Project Related Training - U.S.
Project Related Training - Third Country

COUNTRY OF ORIGIN: ECUADOR

FY 1989 OYB ($000):

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
A. TRAINING IN UNITED STATES						
TECHNICAL - 30 days or less						
Female	5	10	7	12	10	10
Male	25	30	25	26	17	17
TECHNICAL - 31-180 days						
Female	5	6	7	10	9	9
Male	25	19	24	22	14	14
TECHNICAL - 6-8+ months						
Female			2			
Male						
TECHNICAL-9 months or more						
Female						
Male						
TOTAL TECHNICAL	60	65	65	70	50	50

TABLE 2
(Continued)

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
SUMMARY						
TOTAL TRAINEES	69	74	70	74	54	54
ACADEMIC						
Female	1	4	2	2	2	2
Male	8	5	3	2	2	2
TECHNICAL						
Female	10	16	16	22	19	19
Male	50	49	49	48	31	31
LONG-TERM						
Female			2			
Male						
SHORT-TERM						
Female	10	16	14	22	19	19
Male	50	49	49	48	31	31
HBCU PLACEMENTS						
B. THIRD COUNTRY TRAINING	15	19	23	24	23	23

TABLE 2
(Continued)

TYPE OF TRAINING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
ACADEMIC-Undergraduate-1 year						
Female						
Male						
ACADEMIC-Undergraduate-2 years						
Female						
Male						
ACADEMIC-Undergraduate-3 yrs or more						
Female						
Male						
ACADEMIC - Graduate level- 1 year						
Female						
Male						
ACADEMIC-Graduate level- 2 years						
Female	1	4	2	2	2	2
Male	8	5	3	2	2	2

F. Gray Amendment

1. FY - 1987

(a) Total DA	$	17,227,000
(b) Amount of DA available for U.S. Procurement		11,032,579
(c) Amount of funds awarded to Gray Amendment firms		3,306,002
(d) Percentage of funds awarded to Gray Amendment firms		30%

2. FY - 1988

(a) Total DA	$	17,678,000
(b) Amount of DA for available U.S. Procurement		11,313,920
(c) Amount of funds awarded to Gray Amendment firms		1,664,000
(d) Percentage of funds awarded to Gray Amendment Firms		13%

3. FY - 1987 List of Gray Amendment Contractors

Gray Amendment Contractor	Project Title	Amount of Contract	Date of Contract
(a) Comprehensive Market System	Agriculture Sector Reorientation Project	720,000 160,000	5/12/87 8/31/87
(b) Development Associates	Narcotics Awareness and Education PD and S (EHR)	8,557 70,000 13,459	03/05/87 07/15/87 09/01/87
(c) TRITON Corp.	Land Titling	815,000 185,000	03/27/87 03/27/87
(d) Sigma One	Agriculture Sector Reorientation Project	1,000,000	08/25/87
(e) Devres	Non-Traditional Agricultural Exports	333,986	03/02/87
		3,306,002	

MISSION ACTION PLAN
FYs 89 and 90

518- ECUADOR

ANNEX

Mission Stratey for the Management and Preservation of Natural Resources

150

ANNEX

USAID/ECUADOR

FYs 89 - 90 Action Plan

Mission Strategy for the Management and Preservation

of Natural Resources

I. INTRODUCTION

AID/W has requested that USAID/Ecuador prepare an update of its natural resource strategy that will provide clearer strategic guidelines than are available in the CDSS under which the Mission is now working. As part of preparing the Action Plan the Mission recently went through a strategic planning process, including consideration of the natural resources component of the Mission program. This annex to the Action Plan reflects the results of that process.

USAID/Ecuador has been concerned about the degradation of Ecuador's natural resource base almost since it began working in the country. Since the reopening of the Mission in 1979, its program has included a number of projects aimed at reversing the degradation of natural resources. These projects include: the EDUNAT I and II OPGs to the Nature Foundation (NATURA) for public environmental education; the Forestry Sector Development project, which, in cooperation with the National Forestry Directorate, has largely focused on technical forestry problems; and the Coastal Resources Management project that generates the policy and organizational basis for resolving management problems related to coastal areas. In addition, under a matching grant from AID/Washington, CARE/Ecuador has implemented the Community Land Use project, with the objective of introducing soil conservation practices in the central highlands. These efforts are presently being expanded with support from the Mission under the Small Farm Irrigation project, which is also managed by CARE.

A.I.D.'s increasing level of environmental concern has been reflected in other projects as well, such as the centrally funded DESFIL Conference in Quito and Salcedo on September 19-24, 1987, the ongoing International Forest Development Project (INFORDE) providing assistance to the Ecuadorian Lumbermen Association, and the emphasis placed by the LAC Bureau on Andean agriculture. Other U.S. and international agencies are also focussing on environmental issues in Ecuador, such as providing training for local specialists (the Nature Conservancy), supporting governmental efforts in natural area conservation (World Wildlife Fund), assisting native indigenous organizations (Cultural Survival), helping establish nature study reserves (Western Foundation of Vertebrate Zoology) and inventorying biological diversity (Missouri Botanical Garden, New York Botanical Garden, the Smithsonian BIOLAT program)

Each of these activities has had its successes and failures and therefore has contributed to the Mission's understanding of economic development constraints posed by the degradation of Ecuador's natural resource base. No one of these projects, successful on their own terms as they may be, has succeeded in reversing the rapid degradation of natural resources. Twenty five per cent of Ecuador's surface area is estimated to be affected by moderate to severe soil erosion (from 12 tons topsoil/ hectare/year to 240 tons topsoil/hectare/year). More than 75,000 hectares of virgin lowland tropical forest in Ecuador are cleared each year with a consequent inestimable loss of animal and plant species and possibly irreversible damage to watersheds. Ecuador's continued economic growth has come in large measure at the expense of its natural resource base.

The Mission fully realizes the threat posed to Ecuador's long-term economic growth by the continued degradation of its natural resource. The Mission, therefore, intends to continue to support a program that will lead to the overall objective of the proper conservation and management of natural resources. The Mission plans a natural resource program that fits into the overall Mission and Agriculture Office goals and objectives, builds on past successes, and that will halt and reverse the degradation of Ecuador's natural resources.

II. BACKGROUND

Ecological Diversity

Although continental Ecuador is generally divided into the three geographic regions of Amazon, Highlands, and Coast, each of

-152-

these regions has varied topography, soils, and microclimates, resulting in great ecological variation within short distances and making generalizations inaccurate for any particular site. Indeed, even the mapping of over sixteen different ecological zones, from the lowland humid rainforest in the Amazon basin to the deserts of the Santa Elena Peninsula does not fully capture the ecological variability over short distances within any particular region of Ecuador. For example, in the Amazon, studies made for the Napo Agroforestry subproject show that any particular 50 nectare farm is likely to have several types of soils. Likewise, a study of exotic tree species adaptation in the highlands made it clear that soil and microclimatic conditions often vary so much within just a few meters that no single species is suitable for all reforestation projects. Any field activities having to do with natural resources must take such ecological variability into account.

Biological Diversity

Inventories of flora and fauna have given preliminary information that suggests Ecuador has exceptional species numbers, surpassing species richness values of all other Latin American countries on a unit area scale. For instance, Missouri Botanical Garden researchers estimate the species of flowering plants to total around 25,000, of which 2,000 represent just the tree species of the upper Napo area. There are over 1,500 species of birds listed for the country, a number well within the range of the totals recorded for either Peru or Colombia even though Ecuador's surface area is less than one-fourth of that in either of those countries. This reflects a tremendous ecological diversity. Coastal Ecuador has a moisture gradient from over 6000 mm/yr in the Choco of southern Colombia to less than 200 mm.yr in the Peruvian desert. The Sierra region represents a transition from the moist Colombian paramos to the dry Peruvian puna. The eastern lowlands includes the wettest section of the upper Amazon basin, but have less rainfall further to the east. Most of this natural wealth is contained within unique and fragile forests, highlands, wetlands and marine habitats, where arbitrary management decisions affecting natural resources have already been harmful to the structure and functioning of native ecosystems and to their elements.

Large Percentage of Small Farmers

Half of Ecuador's population is composed of poor farmers. These farmers tend to cultivate land that is fragile and easily subjected to degradation if not properly managed and tend to use

farming techniques that cause degradation of the land. Since the Mission's natural resource program is aimed at improving the management and preservation of natural resources, the main program focus must be on poor farmers with small farms on fragile lands. To be successful in carrying out field activities, the natural resources program must be based on a good understanding of the Ecuadorian poor farmer on small farms in different areas of the country.

Variety of Cultures

Ecuador has a variety of social structures and cultures. Many indigenous peoples are found in Ecuador including the Shuars, the Colorados, the Aucas, the Cofanes, the lowland Quechuas, the Huagranis, the Otavalos, the Saraguros, the Saquisilis and several more, each with its own language and culture. There is also variety in the mestizo and Spanish populations; for example, the fisherman from a coastal village lives in a very different culture than the Sierra peasant, Oriente colonist, or immigrant to Guayaquil. The black population of Esmeraldas lives in a different culture than the owner of a small farm in Loja. Field activities by the Mission cannot contradict cultural norms of the people and must take into account this cultural heterogeneity.

Variety of Institutions

Many public and private institutions have some responsibility for natural resources in Ecuador. These include national public institutions, such as the Ministries of Agriculture, Health, Energy, regional institutions, such as the provincial governments and the regional development organizations, and, at the local level, municipal and village governments. Private institutions with public goals, although not so numerous, also have a role in the future of natural resource preservation. Fundación Natura, Ecuadorian Cooperative for Agricultural Services (CESA) and religious groups are all examples. Private business, such as the forestry industry and agricultural enterprises, directly affect the use of large areas of land and thus are intimately involved in causing and resolving natural resource management problems in Ecuador.

Many of these organizations have overlapping mandates. For example, according to the Forestry Law, the National Forestry Directorate (DINAF) has control of all public forests and, therefore, is responsible for the protection and management of the mangrove forest along the coast. On the other hand, the navy has legal control over all areas up to the high tide mark.

151

Which, then, should control the use of the mangroves? Even private and public institutions can have overlapping mandates. For example, Fundacion Natura involves itself closely in the preservation and management of the national parks. However, it is the Parks and Wildlife Department of the National Forestry Directorate that has legal and administrative responsibility for the parks.

As is typical of a democracy, political changes frequently affect Ecuadorian public institutions. Ministerial departmental directors are political appointees, subject to replacement with every change in ministers. Since 1983, for example, the National Forestry Directorate has had seven Executive Directors, one for each new minister. The same kind of changes occur at the regional and local level of government. Private organizations tend to be less unstable in their leadership. Fundación Natura, for example, has had the same Executive Director for more than seven years.

Public sector institutions, which grew in size during the oil boom years of the 1970's, have had to retrench during the 1980's as the debt crisis, the fall in the price of oil, and the March 1987 earthquake drastically reduced government revenues. It is not likely that many public sector institutions will receive the financing necessary to adequately fulfill their legal mandates in the near future.

Public sector institutions operate within the complicated and time-consuming procedures established by the Congress, Procuraduria and Contraloria. Even seemingly simple matters require many days. For example, to send three people to a two-week training course in Mexico recently took a total of six man-weeks. More seriously, government institutions do not receive their final budgets until the middle of each fiscal year (the same as the calendar year) which makes financial planning a cumbersome task.

Ecuadorian private sector institutions are free from many of the obstacles that reduce the efficiency of public sector institutions. They are bound by fewer regulations, pay higher salaries and attract energetic, better-trained personnel. These institutions also tend to have clearer goals and a more limited focus which allows their means to better match their ends.

Mission Objectives

The Agriculture and Rural Development Office's program includes the objective of "Managing and Preserving Natural Resources."

The "outputs" or "targets" of the office's program that can be considered as contributing to the achievement of this objective are as follows:

1) The impacts on natural resources are taken into account in the formulation and implementation of national government policies.

2) There is broad and firm support for the preservation and management of natural resources within the Ecuadorian public.

3) A stable institutional system exists for planning, supporting, publicizing, and using high quality research on natural resource problems.

4) Possible solutions to deterioration of the natural resource base have been validated in the field and thus provide successful demonstrations which can be used for policy formulation, public education, and research.

III. OUTLINE OF STRATEGIES FOR ACHIEVING TARGETS

1. Impacts on natural resources are taken into account in the formulation and implementation of national government policies.

Constraints/Problems

Many policy decisions are made in Ecuador with little or no consideration being given to their effect on the country's natural resource base. For example, Ecuador has pursued a policy of expanding the area of land under agricultural production -- rather than intensifying production on existing lands -- by providing such subsidies as the construction of roads through virgin lowland forests and cheap credit for extensive cattle raising. Little attention has been given to transfer new, more efficient technologies to farmers. This policy was pursued without regard to its potentially ill effects on natural resources and lacked any kind of economic analysis to compare the economic benefits of concentrating investment on existing farms compared to directing investment to new areas, that were remote from markets and often possessed infertile soils. National policies for management of natural resources must be analyzed within the context of the other national policies which can often negate the effects of efforts to preserve and manage the natural resource base.

Means/Approach

The Mission proposes to use the following means to attain the target of national policies which do not adversely affect the preservation and management of natural resources:

a) Establish links between the agricultural and natural resource projects of the Mission

The Mission proposes to consider the preservation and management of natural resources as one means by which it can contribute to an increase in agricultural production in Ecuador. This means that natural resource projects will be considered as an integral part of the Mission agriculture portfolio, and that all projects in the agriculture office will take the preservation and management of natural resources, including the maintenance of biological diversity and conservation of tropical forests, into account in their design and implementation.

b) Policy dialogue with the GOE

The Mission proposes to conduct a policy dialogue with the GOE to emphasize its belief that sustainable agricultural development and maintenance of the natural resource base are compatible goals.

c) Review of project financed by international banks

The Mission proposes to review loan proposals prepared by international banks such as the World Bank and the Interamerican Development Bank for their consistency with the policy of avoiding the promotion of agricultural growth at the expense of natural resources. The Mission will report to AID/W any projects that are inconsistent with this objective.

d) Biological diversity

In response to STATE 118324 and 62124, the Mission intends to make a buy-in to the centrally funded Development Strategies for Fragile Lands (DESFIL) project that would produce a complete analysis of the status of biological resources and tropical forests in Ecuador as background for the next CDSS.

157

Expected Results

The Mission expects that a concentrated, consistent effort to incorporate the preservation and management of natural resources as an essential part of agricultural development will result in:

a) the adoption by the GOE of this viewpoint in its policy decisions.

b) a reluctance by the GOE and the international banks to fund agriculture and infrastructure projects that adversely affect the natural resource base of Ecuador.

c) consistency and cooperation between project within the agriculture office projects that will promote the preservation and management of natural resources.

2. There is broad and firm support for the preservation and management of natural resources within the Ecuadorian public

Constraints/Problems

Since Ecuador is a democracy its government must respond to the worries and interests of the majority of the citizens. The management and preservation of natural resources must therefore be an issue about which Ecuadorians care, if it is to be a goal towards which the government will work.

Such reasoning is the basis for the Mission emphasis on activities related to environmental education. Since 1982, it has supported the Nature Foundation's (Fundación Natura) efforts to educate the Ecuadorian public regarding environmental issues. The Natura's environmental education programs have covered a broad range of environmental problems and, according to the project evaluations, have been successful in raising public consciousness about such problems. There is much more to do, however, to establish in the Ecuadorian public mind that the preservation and management of natural resources is an urgent problem. Given its past and present involvement in this area, USAID/Ecuador has a clear comparative advantage over other donors to provide the financial support and experience in environmental education that Ecuador needs of the USAID/Mission.

Means/Approach

The Mission proposes to use the following means to achieve the target of an Ecuadorian public that appreciates and supports the preservation and management of natural resources:

158

a) The Mission will build on its existing experience in public environmental education, continuing to emphasize support to private, non-profit environmental groups.

b) The Mission will diversify the support it gives to private, non-profit environmental groups in order build public support for the solution of local environmental problems at the local level and to broaden the national base of groups that undertake environmental education.

c) Environmental education will be considered a necessary and integral component of all natural resources projects within the agricultural office.

d) Emphasis in Mission-supported environmental education programs will be given to educating the Ecuadorian public about the need to preserve and manage natural resources.

e) Environmental education programs supported by the Mission will draw as much as possible on Ecuadorian experiences and examples, especially those provided by other projects supported by USAID.

Expected Results

The Mission expects that long-term support for environmental education in Ecuador will result in the following:

a) An Ecuadorian public that supports government policies, programs, and projects that act to preserve and manage natural resources.

b) An Ecuadorian public that knows enough about the issues of preservation and management of natural resources to be able to make intelligent decisions regarding those issues.

c) An Ecuadorian public that is sufficiently concerned to demand that its government, at national, regional, and local levels, fund and implement programs for the preservation and management of natural resources.

3. A stable institutional system exists for planning, supporting, publicizing, and using high quality research on natural resource problems

Constraints/Problems

The preservation and management of natural resources depends on an adequate body of scientific knowledge about those resources. For example, it is not easy to manage a forest if

the tree species are unknown. Much basic scientific information about Ecuador's diverse fauna and flora is still lacking. Recent botanical investigations in the Amazon region, for example, have discovered several hundred species of plants previously unknown to science. In addition, there are numerous questions that need to be answered to provide the basis for sound natural resource management. For example, what is the best time to collect seeds of a given tree species in order to successfully grow the species in a nursery or what is the most efficient method of constructing soil conservation works? Natural resource management policies and public education programs are short-sighted and incomplete without the necessary foundation research on biological diversity and natural resource problems provides.

An institutional system for doing such research is thus a prerequisite for the preservation and management of natural resources. Yet there is no established system for such research in Ecuador. Most research is sporadic and not focussed specifically on the problems of preservation and management of natural resources.

The best possibility for establishing such a system is probably within the national and private university system. Its students can do research cheaply while supervised by their professors and it is the professors who can provide continuity in research over successive generations of students. Moreover, the university system is already established, but research efforts are often frustrated by lack of funding and basic logistic and laboratory facilities. It would be difficult for USAID to establish an entirely new system for research on natural resources or to provide the funds necessary to make such a new system operate. However, it may be possible to include research on natural resources within the context of other Mission projects, such as the Agricultural Research Extension and Education project, for example, provided funds are channeled to the universities and specially programmed to solve major research bottlenecks.

Means/Approach

The Mission proposes to use the following means and approaches to establish an Ecuadorian system that will support high quality, long-term research on natural resource problems.

160

a. The importance of research will be recognized in Mission natural resource projects and provision made to support such research.

b. Natural resource projects will concentrate on stimulating the establishment of an Ecuadorian institutional system within the universities for research on natural resources rather than support sporadic research efforts, by either Ecuadorians or external advisors, except when urgently necessary.

c) The Mission will focus its support on finding solutions to problems that arise in the field activities that it supports, rather than on support for long-term research projects.

d) Natural resource projects will include long-term training programs for Ecuadorian students in the United States in order to gradually develop a group of Ecuadorians well-trained in research methods.

e) Natural resource projects will be structured so as to incorporate the results of research on natural resources into policy, public education, and field activities.

f) The Mission will support research on natural resources within the context of other Mission projects as may be appropriate.

Expected Results

The Mission expects the following results from its efforts to establish a national system for research on natural resource problems:

a) Some of the best Ecuadorian students will be attracted to the natural resource field.

b) High quality research on natural resources will produce reliable information that can be incorporated into the policy, public education, and field activity components of the Mission Natural Resource Strategy.

c) Ecuadorian scientists will be able to conduct research on a long-term basis.

d) Greater communication between Ecuadorian and foreign researchers will be stimulated.

4. Possible solutions to deterioration of the natural resource base have been validated in the field and thus provide successful demonstrations which can be used for policy formulation, public education, and research.

Constraints/Problems

As discussed above, policy, public education, and research all must support the preservation and management of natural resources in Ecuador. But the actual preservation and management must occur in the fields and forests of Ecuadorian landowners. Policies, public education and research must be based firmly in the reality of the situation that landowners face as they make their individual decisions. Thus, Mission support for field activities is necessary in order to be sure that the policy, public education, and research components of the program in natural resources are based on reality.

Means/Approach

The Mission proposes to use the following means and approaches for the design and implementation of field activities in natural resources:

a) The Mission will seek to attract a wide spectrum of participants, supporting field activities through PVO's and NGO's in order to avoid the administrative problems caused by the state of public sector institutions described. Field activities will be designed and implemented to allow for support to key public sector institutions through private sector institutions at various levels.

b) Field activities supported by the Mission will be decentralized in order to allow for appropriate responses to the ecological and cultural variability of the country.

c) Field activities will be considered as not only a useful end in themselves but also as necessary to achieve the targets of the policy, public education, and research components of the Mission's natural resource program. The field activities, therefore, do not have cover a large area as much as to address a diversity of ecological and cultural conditions.

d) Field activities will build on successful experiences in order to increase effectiveness and therefore assure that the field activities contribute to the policy, public education, and research components of the natural resource program.

162

e) Field activities will combine agricultural and eco-tourism development with management of national parks and nature reserves, taking into account the expertise and interests of local indigenous/peasant groups to enhance natural resource management practices in these areas.

Expected Results

The Mission expects the following results from its efforts to establish field demonstrations.

a) Successful field demonstrations in a variety of ecological zones where rapid degradation of natural resources will occur if the management and preservation of natural resources is not undertaken.

b) The diffusion of the successful results of field demonstrations to a wide Ecuadorian audience.

c) Research undertaken in demonstration areas on natural resources.

d) Policy decisions being based on the experience of field activities.