

United States Agency for
International Development (AID)
Quito, Ecuador



PD-ARB-143
66858
Agencia de los Estados Unidos para
el Desarrollo Internacional (AID)
Quito, Ecuador

CONFORMED COPY

April 5, 1990

Mr. Dale Harrison
Director
CARE-International
Berlin 180
Quito

Subject: Grant No. 518-0092-G-00-0087-00
CARE Sustainable Land-Use Management Project

Dear Mr. Harrison:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the Cooperative for American Relief Everywhere (hereby referred to as "CARE-International" or "Grantee"), the sum of \$240,625 to provide support for a program in Sustainable Land-Use Management, as described in the "Schedule" of this grant and the Attachment 2, entitled "Program Description".

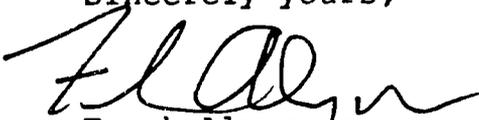
This grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the grantee in furtherance of program objectives during the period beginning with the effective date and ending March 31, 1996. This grant is made to CARE-International on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the "Schedule", Attachment 2, entitled "Program Description," and

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Attachment 3 entitled "Standard Provisions," which have been agreed to by your organization.

Please sign the original and each copy of this letter to acknowledge your receipt of the grant, and return the original and all but one copy to the Offices of USAID/Ecuador.

Sincerely yours,


Frank Almaguer
Director

ACKNOWLEDGE BY:
COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)



Dale Harrison
Director

Date: 5 April 1990

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

FISCAL DATA

Appropriation: 72-1101021
Budget Plan Code: LDSA-90-25518-KG13
PIO/T No.: 518-0092-3-00029 RCN P000046
Project No.: 518-0092-G-00-0087-00
Total Estimated Amount: \$240,625
Total Obligated Amount: \$240,625
Funding Source: USAID/Ecuador

SCHEDULE

A. Purpose of Grant

The purpose of this Grant is to provide support for the Sustainable Land-Use Management Project, as more specifically described in Attachment 2 to this Grant entitled "Program Description".

B. Period of Grant

The effective date of this Grant is the date of the cover letter. The expiration date of this Grant is March 31, 1996

C. Amount of Grant and Payment

1. A.I.D. hereby obligates the amount of \$240,625 for purposes of this Grant, which will be used to purchase Ecuadorian debt in the international market to finance project activities. AID's contribution of \$240,625 represents 50% of the amount needed to purchase \$3.5 million of Ecuador's debt to finance the local currency costs of the program. CARE will provide the other matching 50%.

2. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3, Optional Standard Provision 1, entitled "Payment-Letter of Credit".

D. Financial Plan

The following is the Program Budget. AID provides up to \$240,625 to match CARE-International contribution of \$240,625 to purchase \$3,500,000 of Ecuador's debt in the international market. This debt will be exchanged for Economic Stabilization Bonds whose interest and principal will be redeemed semestrally. The local currency generated by this transaction will be used to support all project activities for which local currency is required. No indirect cost rate will be applied to the AID portion. Revisions to this budget shall be made in accordance with the Standard Provision of this Grant, entitled "Revision of Grant Budget".

PROGRAM BUDGET
(US\$)

	LC AID/CARE	FX CARE	LOCAL COUNTERPART	TOTAL
- International personnel	--	681,750	--	681,750
- Ecuadorian personnel	639,925	--	--	639,925
- Operational costs	713,342	--	--	713,342
- Training	--	105,176	--	105,176
- Materials and equipment	1,672,699	--	--	1,672,699
- Vehicles	--	373,835	--	373,835
- Evaluation	--	38,753	--	38,753
- In-Kind contribution by MAG, Prov. Councils, PCorps, Others	<u>--</u>	<u>--</u>	<u>1,617,000</u>	<u>1,617,000</u>
TOTAL	3,025,966	1,199,514	1,617,000	5,842,480

E. Reporting and Audit

In view of the matching nature of A.I.D. funding and the fact that project local currency expenditures will be drawn from income on and amortization of Ecuadorian Stabilization Bonds over five to six years, for AID financial management purposes, disbursements will take place when funds are used by CARE for debt purchase. CARE will provide to USAID/Ecuador quarterly project progress and financial reports which will be compared to the financial plan and used for general monitoring purposes. In addition, the GOE will require periodic audits of local currency uses under its Debt for Development Program and CARE will conduct annual audits of this project. Copies of these audits will be made available to AID by CARE.

F. Standard Provisions

The standard provisions for this grant shall be as indicated in Attachment 3.

G. Title to Property

Title to all property acquired with funds provided directly to the Grantee under this Grant shall vest in the Grantee subject to the terms and conditions of the Optional Standard Provision entitled "Title To and Use of Property (Grantee Title)".

PROGRAM DESCRIPTION

I. BACKGROUND AND PURPOSE

Faced with diminishing returns from his small piece of land high in the Andes mountains, the poor Ecuadorian farmer is rapidly depleting a worn out environment in an attempt to survive. The causes of his plight are complex, but stark reality tells him the land can no longer feed his family. To government officials and development workers alike, overly intensive land use practices resulting from inequitable land distribution are exhausting the soils and destroying the environment.

The dismal environmental situation has widespread effects. Besides decreased agricultural production and abandoned farmland locally, the bigger picture shows large-scale destruction of the upper Amazon river watershed. In addition, intolerable living conditions resulting from almost inevitable soil erosion, low farm productivity, and overpopulation force masses of impoverished small farmers to migrate to the cities in search of employment. Large numbers of families also leave the Andean region altogether, migrating permanently to the Amazon where they destroy another fragile environment with inappropriate land use practices.

This project, Sustainable Land-Use Management, builds on experience gained in three other Government of Ecuador/CARE projects. All these projects advance integrated and more sustainable use of natural resources: Community Land-use Management; Saraguro/Cañar Community Forestry; and Quimiag Small Farmer Sprinkler Irrigation.

Without proof of short-term gain, marginal farmers have little incentive to risk limited resources on conservation practices. However, the Community Land-use Management Project (CLUM) has been successful in convincing farmers to use such practices, leading to sustainable increases in agricultural production. For example, average yields for seven principal crops increased 60% for conservation farmers as compared to traditional farmers. Moreover, their incomes increased an estimated 42% in real terms. CLUM has proved that small farmers can quickly adopt simple, on-farm conservation measures.

Furthermore, increases in short-term production have encouraged them to continue sustainable land-use management over an extended period of time. This momentum is reinforced through intensive extension and participant training in order to accelerate the adoption of soil conservation, ecological agriculture, and agroforestry practices. Community participation will be stressed at all levels of project decision making and implementation.

In the meeting held on February 1, 1990, USAID/Ecuador reviewed and approved the proposal presented by CARE-International in Ecuador for the Sustainable Land-Use Management project (SULAMAN), and the debt-for development proposal presented by CARE to CONADE and the Monetary Board of Ecuador.

II. PROJECT ACTIVITIES AND GOALS

More sustainable land-use will be achieved through soil conservation, agroforestry, and ecological agricultural techniques applied to marginal lands which, ideally, should be used in a much less intensive manner. Complementary activities such as small animal husbandry, small-scale irrigation, and income generation will also be stressed. The key to improving traditional land-use habits will be project extension and training that relies on nonformal education and participation. The primary counterparts for the projects will be the Communities, the Soils Department (Ministry of Agriculture, MAG), the Provincial Councils and Vocational High Schools, and the U.S. Peace Corps.

The project will promote a wide range of conservation activities through its extensionists. During the six-year project the following activities will be carried out: a) Physical soil conservation structures; b) Agronomic soil conservation practices; c) Ecological agricultural activities; d) Agroforestry practices; e) Forest plantations and woodlots; f) Tree seedlings planted; g) Communal nurseries established; h) Extensionist and farmer training seminars; and, i) field trips.

By project's end, approximately 9,000 marginal farmers in 160 rural communities in Ecuador's Andean region will have been assisted. At the goal level, an average yearly increase of 20% in crop yields is estimated for the first three years based on baseline data and annual yields reported by farmers, and increased annual income of 22.5% for five principal crops (barley, broad beans, potatoes, garlic, and onions). Intermediate goals include the adoption of more sustainable land-use practices, complementary production activities, agroforestry, ecological agriculture, and increased support from MAG. Major project outputs include the following:

- Physical soil conservation works	8,000 hectares treated
- Agronomic soil conservations practices	12,000 hectares treated
- Forest plantations and wood-pots	1,600 hectares treated
- Tree seedlings plated (85% survival rate projected)	5,600,000
- Communities nurseries established	40
- Extension training seminars	48
- Farmer training seminars and field trips	5,760

Project sites will be located in eight Andean provinces: Azuay, Bolívar, Cañar, Cotopaxi, Chimborazo, Imbabura, Loja, and Tungurahua. Approximately 11,000 hectares of community and private lands will be treated during the six-year project.

III. PROJECT STRATEGY

Soil conservation, ecological agriculture/crop management, agroforestry, irrigation, and complementary production will integrated in this project. Close coordination between the Quimiag Irrigation Project and the Sustainable

Land-Use Management Project will continue for irrigation infrastructure construction, community organization and extension. In addition, this project will exchange technical assistance and training, materials and project outputs (seed and seedlings) with other CARE projects.

The operation strategy will be to develop an effective, grass roots extension service to promote more sustainable land-use management and complementary production. The greatest challenge to project success is convincing farmers to accept the relationship between conservation measures and improved crop management.

To overcome farmer resistance to change, project strategy will build on four basic components: (a) maximum individual and community participation fostered by local conservation committees with promoters responsible to committees; (b) participatory nonformal training; (c) extensionists hired from the same rural area and cultural background as participants; and (d) extension services provided on an intensive, routine basis.

Linkages between MAG-Soils and other MAG departments will be strengthened at the provincial level by identifying common objectives and areas for cooperation. Possible departments for cooperation include: the National Institute for Agricultural Research (INIAP), National Farmer Training Institute (INCCA), National Forestry Program (DINAF), Integrated Rural Development (DRI), Desarrollo Campesino (Rural Development), and national programs in seed, cereals, mechanization, and pest control.

Sustainable Land-use Management Activities

Land-use Management activities offer the marginal farmer an opportunity to achieve and sustain maximum productivity for minimum cost. These technical components include proven interventions well within the average farmer's capacity to adopt and perpetuate. These activities are:

- a) Soil conservation practices, both agronomic and mechanical.
- b) Ecological agriculture, emphasizing Integrated Pest Management (IPM), crop rotation, composting, animal traction, and traditional crops.
- c) Agroforestry, including fruit tree/forestry and agrosilvopastoral systems, woodlots and plantations, and seedling production.
- d) Water supply and management, the development and rehabilitation of water delivery and storage, and the improvement of on-farm techniques.

Training and Extension

Considerable resources will be dedicated to this key activity in order to encourage the adoption of sustainable land-use management and complementary production. Technology transfer can best be accomplished through nonformal education and practical training for participants and nonparticipants alike.

Community Organization

Traditional community organization will play a critical role in implementing this project. Past experience has shown that communities with appropriate organizational structures already in place can make the best use of project resources.

The traditional village minga, or communal workday, will play an important role in disseminating conservation technologies. On communal lands interested farmers (especially women) will participate in mingas, not only sharing in the harvest, but also learning conservation techniques first-hand. Extensionists will supervise all activities to ensure participation and comprehension of conservation practices.

Income Generating Activities

Technical assistance and training for income generating activities will be offered to those making progress in land-use management. Technical assistance and inputs will be provided by other CARE projects as well.

The income generating activities selected by an individual or group will depend on their needs and interests. After identifying the activity, technical assistance and financing will be arranged. Local entrepreneurs will be encouraged to provide products and services that meet local demands.

Project Management

Agreements will be made with provincial councils, vocational high schools, and other collaborating institutions. These agreements will facilitate the provision of inputs from provincial councils and vocational high schools and permit the hiring of extension personnel.

Project management will build on the administrative procedures established during the CARE Community Land Use Management (CLUM) and the Saraguro/Cañar Community Forestry (SCFP) Projects.

Project administration will be organized at the national and provincial levels. National administration includes two Project Coordinators, one from MAG-Soils and another from CARE. CARE will also have two Assistant Project Coordinators, one for the southern region and another for the northern region. In addition, a MAG National Technical Coordinator will be assigned responsibility for close supervision of MAG provincial project officers.

An operational plan will be prepared at the provincial level and submitted to national coordinators for revision and approval. The plan should be reviewed and updated yearly. All provinces will follow the same guidelines for planning, reporting, and evaluation.

Provincial activities will be overseen by a MAG Project Officer, working jointly with the CARE Provincial Coordinator. Provincial teams consisting of MAG-Soils technicians, conservation extensionists, Peace Corps agroforesters, and community promoters will be responsible for project implementation in the field.

- Institutional Responsibilities

CARE and MAG soils will manage the project, coordinating activities with the provincial and community councils, Peace Corps, and other institutions.

a) Responsibilities of CARE:

Coordinate the design, implementation, monitoring, and evaluation of project activities; Monitor the use of CARE-administered inputs and loans; Negotiate agreements with counterpart institutions; Provide technical back-up to MAG-Soils and counterpart institutions in planning and implementing technical components; Determine and evaluate, with MAG-Soils, technical and geographical priorities; incorporate pertinent experiences gained in other projects; coordinate and conduct educational and training activities; procure and provide the necessary vehicles, materials, and equipment.

CARE will be responsible for the overall administration of the project. In addition, CARE will be fully accountable for the management of funds. A qualified expatriate project manager will ensure CARE compliance with the above responsibilities and oversee the timely execution of the project. CARE will also hire two Regional Project Coordinators and one Administrative Assistant. CARE will contract personnel for project management, technical assistance, and training, as outlined in following sections. As many as 14 Provincial Coordinators and subject matter specialists will be hired as needed in the areas of sociology, nonformal education, small-scale irrigation, forestry, and ecological agriculture/horticulture.

b) Responsibilities of MAG-Soils:

Determine, with CARE, technical and geographical priorities; supervise and provide logistical support to conservation extensionists, PCV's and community promoters; provide technical training and support to project participants and extension staff; assign agricultural and soils specialists as area supervisors; provide provincial office and related logistical support; promote and coordinate project support from other MAG departments; collect and analyze project activity as the basis for monthly and quarterly reports to CARE.

At the provincial level, MAG will provide a minimum of two agronomists, one of whom, the Provincial Project Officer, will be responsible for execution of the project and administration of non-CARE personnel. MAG may choose to provide additional support in certain areas, i.e. irrigation, forestry, horticulture, and credit, in accordance with needs and capabilities. At MAG headquarters, a Project Coordinator and Technical Coordinator will provide administrative support.

c) Responsibilities of Peace Corps

The United State Peace Corps will provide approximately one forestry volunteer per province for the first four years of the project, after which time the role of PCV's will be re-evaluated. Other kinds of PCV's, i.e. irrigation specialists, and horticulturists, may be requested if these

positions cannot be filled locally. Forestry volunteers will be responsible for establishing community nurseries, promoting agroforestry, and conducting forestry-related studies.

d) Responsibilities of communities, provincial councils and vocational high schools

Over the course of the project, communities will be empowered to carry out land-use management on a sustainable basis with limited assistance. Provincial councils and vocational high schools will provide logistical support and administer extensionist and nursery workers.

IV. PROGRAM BUDGET

	PROGRAM BUDGET (US\$)			
	LC AID/CARE*	FX CARE	LOCAL COUNTERPART	TOTAL
- International personnel		681,750		681,750
- Ecuadorian personnel	639,925			639,925
- Operational costs	713,342			713,342
- Training		105,176		105,176
- Materials and equipment	1,672,699			1,672,699
- Vehicles		373,835		373,835
- Evaluation		38,753		38,753
- In-Kind contribution by MAG, Prov. Councils, PCorps, Others			1,617,000	1,617,000
TOTAL	3,025,966	1,199,514	1,617,000	5,842,480

AID will provide \$240,625 or 50% of the funds needed to purchase \$3.5 million of Ecuador's debt in the international market. CARE International will contribute an additional \$240,625. This debt will be exchanged for Economic Stabilization Bonds whose interest and principal will be redeemed semestrally. The local currency generated by this transaction will be used to support all project activities for which local currency is required.

The maturity bonds will be eight years beginning in 1990 and ending in 1997. The current Multi-Year Plan for the Project, however, extends only through a six-year period ending in 1995. It is anticipated that

CARE will continue to work in the areas of soil conservation and assistance to farmers in Ecuador for many years beyond 1995. CARE has requested that the income from the Bonds in years 1996 and 1997 be applied to such projects as may be mutually agreed upon by CARE, MAG and the Monetary Board of Ecuador. If no CARE project is found to be suitable to all parties at that time, then the funds may be donated to an indigenous organization engaged in related activities.

CARE-ECUADOR: TABLE OF AMORTIZATION

Face Value of the Converted Debt
 Value of the Bonds as a % of Face Value of the Debt
 Exchange Rate at the Time of Conversion

US \$3,500,000.00
 50%
 670.00 Sucres/Dollar

(Sucres in '000s)

1	2	3	4	5	6	7	8	9	10	11	12
Year	Semester	Principal in Sucres	Interest Rate on Bond	Interest Payment	Amortized Principal	Income on Bond	Annual Interest Rate on Balance	Interest on Avail. Balance	Total Income	Project Cost in Sucres	Available Balance
1990	First Second	1,172,500.00 1,172,500.00	40.0%	234,500.00 234,500.00	55,107.50	524,107.50	40.0%	---	524,107.50	231,379.10	292,728.40
1991	First Second	1,117,392.50 1,117,392.50	34.0%	189,956.73 189,956.73	90,610.80	470,524.25	34.0%	99,527.66	570,051.91	351,233.48	218,818.43
1992	First Second	1,026,781.70 1,026,781.70	32.0%	164,285.07 164,285.07	120,814.40	449,384.54	32.0%	70,021.90	519,406.44	525,094.05	(5,687.61)
1993	First Second	905,967.30 905,967.30	30.0%	135,895.09 135,895.09	144,967.90	416,758.09	30.0%	0.00	416,758.09	772,938.44	(356,180.35)
1994	First Second	760,999.40 760,999.40	28.0%	106,539.92 106,539.92	181,221.60	394,301.43	28.0%	0.00	394,301.43	1,066,655.05	(672,353.62)
1995	First Second	579,777.80 579,777.80	24.0%	69,573.34 69,573.34	181,221.60	320,368.27	24.0%	0.00	320,368.27	1,471,983.97	(1,151,615.69)
1996	First Second	398,556.20 398,556.20	24.0%	47,826.74 47,826.74	193,274.90	288,928.39	24.0%	0.00	288,928.39	---	288,928.39
1997	First Second	205,281.30 205,281.30	24.0%	24,633.76 24,633.76	205,281.30	254,548.81	24.0%	69,342.81	323,891.63	---	323,891.63
TOTALS				1,946,421.29	1,172,500.00	3,118,921.29		238,892.37	3,357,813.65	4,419,284.08	

V. DEBT SWAP MECHANISM

In October 1989, the Government of Ecuador through Monetary Board regulation No. 637-89 approved the conversion of Ecuadorian external debt for social programs. The CARE debt for development proposal for the Sustainable Land-use Management project was approved by the Ecuadorian Government on March 30, 1990.

AID approval of purchase transaction and price. The AID Mission in Ecuador will review and approve purchase arrangements and price of the Ecuadorian debt to be purchased under the Grant before the transaction occurs, in accordance with the following procedures:

- a) CARE will obtain a final offer for the purchase of \$3.5 million in Ecuadorian debt, comparing this offer with other potential offerors to determine whether it represents the most advantageous price. CARE will coordinate with the Debt for Development Coalition in this process.
- b) CARE will advise in writing USAID/Ecuador of its offer and its conclusion that it is the best offer available for this debt.
- c) USAID will obtain an independent confirmation on price and transaction details.
- d) Assuming that this confirmation indicates that the price is advantageous, USAID/Ecuador will advise CARE in writing of approval of the transaction details.
- e) CARE will proceed with the purchase and conversion of the debt into local currency instruments in accordance with the GOE Program.

(1510m)

ATTACHMENT No. 3
Grant Agreement No.
518-0092-G-00-0087-00

STANDARD PROVISIONS

The following Mandatory and Optional Standard Provisions for U.S., non Governmental Grantees in effect as of the effective date of this Grant are incorporated herein by reference with full force and effect as though fully set forth herein:

A. Mandatory Standard Provisions

- | | |
|--|-----------------|
| 1. Allowable Costs | (November 1985) |
| 2. Accounting, Audit, and Records | (January 1988) |
| 3. Refunds | (January 1988) |
| 4. Revision of Grant Budget | (November 1985) |
| 5. Termination and Suspension | (May 1986) |
| 6. Disputes | (March 1987) |
| 7. Ineligible Countries | (May 1986) |
| 8. Department Suspension and Other
Responsibility Matters | (March 1989) |
| 9. Non Discrimination | (May 1986) |
| 10. U.S. Officials Not to Benefit | (November 1985) |
| 11. Nonliability | (November 1985) |
| 12. Amendment | (November 1985) |
| 13. Notices | (November 1985) |

B. Optional Standard Provisions

- | | |
|---|-----------------|
| 1. Payment - Letter of Credit | (November 1985) |
| 11. Publications | (November 1985) |
| 18. Title To and Use of Property
(Grantee Title) | (November 1985) |
| 23. Cost Sharing (Matching) | (November 1985) |

(1510m)