

UNCLASSIFIED

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

ECUADOR

PROJECT PAPER

AGRICULTURAL SECTOR REORIENTATION

Amendment No. 1

AID/LAC/P-570
CR P-252

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

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

1

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Ecuador

3. PROJECT NUMBER

518-0051

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

AGRICULTURAL SECTOR REORIENTATION

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
07 30 93

7. ESTIMATED DATE OF OBLIGATION

(Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 85

B. Quarter

C. Final FY 92

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(700)	(----)	(700)	(10,700)	(----)	(10,700)
(Loan)	(1,400)	(----)	(1,400)	(1,400)	(----)	(1,400)
Other U.S.						
1. Host Country		500	500		6,800	6,800
2. Other Donor(s)						
TOTALS	2,100	500	2,600	12,100	6,800	18,900

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	180	052	052	7,875	1,400	1,525	-----	10,700	1,400
(2)									
(3)									
(4)									
TOTALS				7,875	1,400	1,525	-----	10,700	1,400

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

o/u 053 056

11. SECONDARY PURPOSE CODE

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

A. Code BS

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

Realign agricultural sector policies to create a policy environment which promotes increased production and productivity through reliance on market signals for resource allocation and private investment.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final 07 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

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

This Project Paper amendment proposes: (a) An increase in the life of project funding of US\$1,525,000, and (2) an extension of the PACD by three years. The project purpose has been restated to add specificity. The extended project will focus primarily on institution-ization of project activities.

17. APPROVED BY

Signature

Frank Almaguer

Title

Mission Director

Date Signed

MM DD YY
06 14 90

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION
(Amendment No. 4)

Name of Country: Ecuador

Name of Project: Agricultural Sector Reorientation Project (ASRP)

Number of Project: 518-0051

1. Pursuant to the Section 103 of the Foreign Assistance Act of 1961 as amended, the Agricultural Sector Reorientation Project (ASRP) for Ecuador was authorized on July 30, 1985. Amendment No. 1 to the authorization was issued on May 23, 1986. Amendment No. 2 was issued July 22, 1989. Amendment No. 3 was issued April 9, 1990 (as so amended, the "Authorization".) The authorization is hereby further amended as follows:

a) The authorized life-of-project grant funding is increased by \$1,525,000, from \$9,175,000 to \$10,700,000.

2. The Project Authorization cited above remains in force except as hereby amended.



Frank Almaguer
Mission Director
6/14/90

Date

Clearance:

PPD:MDeal (in draft) date 6-11-90
PPD:PMaldonado (in draft) date 6-08-90
ANRO:RPeters (in draft) date 6-01-90
ANRO:FMaldonado (in draft) date 6-01-90
RLA:ANewton (in draft) date 5-24-90
CONT:RGoughnour *RC* (in draft) date 6-13-90
RCO:JDunlap *rc* (in draft) date 6-08-90

Drafted by PPD:DThomas:1792M

**Agricultural Sector Reorientation Project
Project Paper Supplement**

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- A - Revised Logical Framework
- B - Detailed Budget
- C - Financial Plan
- D - Action Memorandum on Cooperative Agreement with IDEA

I. SUMMARY AND RECOMMENDATION

A. Summary

Project Title: AGRICULTURAL SECTOR REORIENTATION
Project Number: 518-0051
Date of Initial Obligation: July 31, 1985
Total Obligation to Date: Grant: US\$7,875,000
Loan: US\$1,400,000
PACD - Original: July 30, 1990
Revised: July 30, 1993

Project Goal: The overall goal to which this project contributes is to enhance economic growth in the agricultural sector, to provide a stable and low cost food supply, and to improve the export performance of the agricultural sector through increased reliance on market signals and private sector initiatives.

Project Activities: The project consists of a set of five interrelated activities structured under two basic components. The two activities under the Policy Formulation and Implementation component are designed to strengthen the policy analysis capability in the public sector, through the Ministry of Agriculture, and in the private sector, through the Instituto de Estrategias Agropecuarias (IDEA). The second component, development of an Agricultural Information System, is composed of three activities designed to establish a market news system, strengthen a crop and livestock reporting system, and develop a continuing capacity in agroclimatic impact assessments.

The implementation strategy during the extension period focuses on the institutionalization of the project activities through effective and relevant project output achieved through appropriate training, technical assistance and support and counterpart budgetary support, and commitment to recruiting and retaining qualified staff.

B. Recommendation

That the USAID/Ecuador Mission Director approve this Project Paper Supplement to amend the project authorization for the Agricultural Sector Reorientation Project (518-0051). This amendment will increase the Life-of-Project Grant funding level by US\$1.525 million for a total Life-of-Project Grant funding level of US\$10.7 million.

II. BACKGROUND AND JUSTIFICATION

A. Background

1. The Project

The Agricultural Sector Reorientation Project was authorized in July, 1985, as a five year project. The Project Agreement was signed with the Government of Ecuador on July 31, 1985. The goal of the Project was to contribute to the enhancement of economic growth, provide a stable and low cost food supply, and to improve export performance through increased reliance on the market and private sector initiatives. The purpose of the Project was to realign agricultural sector policies and programs towards reliance on market signals for resource allocation and private investment in response to market opportunities. The purpose was to be achieved by:

--Strengthening the capacity of the Ministry of Agriculture to analyze, formulate, and implement policies oriented towards the reduction of the role of the state in price setting and commodity marketing activities;

--Promoting private sector participation in policy dialogue, debate, and decision-making;

--Improving the quality of information available to private and public decision-makers and policy analysts.

The project consisted of two interrelated components and seven activities, as described below:

Component I: Policy Formulation and Implementation

Activity 1: Implement an Immediate Policy Agenda (in support of the the newly incoming government).

Activity 2: Strengthen the Policy Formulation Capability in the Ministry of Agriculture.

Activity 3: Create a Policy Analysis and Dialogue Capability in the Private Sector.

Component II: Agricultural Information System Development

Activity 4: Develop a Market News Reporting System

Activity 5: Strengthen the Crop and Livestock Reporting System

Activity 6: Strengthen the Agroclimatic Impact Assessment System

Activity 7: Support the Design, Installation, and Management of Computer Facilities in the MAG.

Technical assistance to the Project activities was provided through two contracts let under SBA Section 8(a) procedures. Sigma One Corporation was selected as the prime contractor for the provision of technical assistance to Activities 1 through 6. A second firm, Comprehensive Marketing Systems (CMS) was selected to provide the assistance for Activity 7, the development of the computer center. The CMS contract terminated in 1987 and the Sigma One contract terminates in July, 1990. The long-term Chief-of-Party/Information Systems Expert departed post in June 1989. The only remaining member of the technical assistance group still in country is the Senior Economic Policy Advisor. Sigma One has provided technical assistance directly to IDEA and also has had a sub-contract with Michigan State University for technical assistance to IDEA. Currently MSU has one advisor working with IDEA.

By July 1989, the authorized LOP grant and loan funding of US\$7.1 million and US\$1.4 million, respectively, was fully committed and expended. The Project Authorization was amended in July 1989 to add US\$300,000 in grant funding. The AID/Ecuador Mission Director was delegated the authority to extend the PACD three years and increase grant funding by an additional US\$3.3 million. Hence, in April 1990, the PACD was extended from July 30, 1990 to July 30, 1993 and US\$1.775 million in grant funding was added to the IDEA activity alone, thus increasing the LOP authorization to US\$9.175 million. To date, US\$7.875 million of grant funds and US\$1.4 million of loan funds have been obligated (US\$7.4 million in grant funds under the bilateral agreement with the Government of Ecuador and US\$475,000 under a separate cooperative agreement with IDEA).

2. Project Evaluation: Major Conclusions

A major external evaluation of the project was completed by Abt Associates in March 1989. The overall conclusion of the evaluation was that the project had made a reasonably good start, but that much greater effort in collaborative implementation was required to achieve effectiveness and sustainability. The conclusions varied by activity, as described below:

Component I: Policy Formulation and Implementation.

The overall conclusion of the evaluation with regard to the policy analysis component of the project is that some progress towards a commitment to, and understanding of, the development of a process for policy analysis involving both the public and private sectors has been achieved. The major constraints to achieving the project purpose are the lack of trained and experienced Ecuadorian agricultural economists and the lack of demand for policy analysis on the part of decision-makers.

Activity 1: Implement the Immediate Policy Agenda.

This activity was designed to capitalize on the policy thrust of the incoming, apparently market oriented, Febres Cordero government, by providing high level

decision-makers with analysis and information to support market oriented policies. A great many studies were executed on a variety of topics and issues in a relatively short period of time. Most of the studies were done by local consultants or by Sigma One (and its subcontractor, EPI). The Policy Analysis Unit (PAU), created under Activity 2, was little used for this activity, in large part due to the lack of confidence the incoming government had in public sector entities. Thus, the emphasis was on outside consultants and studies directed to a few key decision makers. In terms of effecting policy reform, there were some important achievements, most notably in terms of market liberalization and the establishment of an agricultural commodity exchange market. The technical quality of the work was also generally high. However, the effectiveness of the efforts were limited. First, with the exception of a very few key people, the studies were largely unknown within and outside the sector. Second, the studies did not stimulate the demand for policy analysis. Third, the training component of the work was extremely limited: when the consultant left, there was no one who could explain and interpret the work. Finally, the extent to which the studies contributed directly to policy reform is subject to debate.

The evaluation recommends no further action on this activity.

Activity 2: Strengthen the Policy Formulation Capability in the Ministry of Agriculture.

Given the initial emphasis on the Immediate Policy Agenda and the distrust of the then incoming government towards the public sector, the development and institutionalization of a public sector capacity to conduct policy analysis was given little priority in the early years of the project. An Agricultural Policy Unit (PAU) was established under the nominal leadership of the Minister's Economic Advisor. The lengthy period of neglect, however, established a pattern and set of problems that have not been overcome to date. First, full-time technical leadership of the PAU was not deemed essential. Second, qualified staffing was not given priority, because the role of the PAU was perceived to be little more than that of data gathering for high level local and/or international consultants. Quite simply, the institutionalization of a public sector capacity for policy analysis was not a priority for the Agricultural Ministers and their advisors under the Febres Cordero government. The level of activity generated under the Immediate Policy Agenda activity, i.e. contracts, studies, consultants, travel, reports, the commodity exchange, etc., tended to obscure the institutional neglect of the PAU. As political and economic difficulties emerged, the enthusiasm and capacity to implement the Immediate Policy Agenda waned, leaving a weak and fragile PAU in its wake.

Despite the continuing problems of technical leadership and qualified staffing, the PAU has increasingly established itself as a relatively professional source of information and analysis within the MAG. This development is based on strong leadership and commitment from the technical advisor, the development of a comprehensive and problem oriented agricultural data base, the establishment of a productive relationship with IDEA, and the

professional growth of a few members of the PAU staff. In a relatively short time, and in coordination with IDEA, the PAU has been influential in the ongoing policy debate over liberalization of agricultural commodity prices. The PAU is involved in meetings with the "Frente Economico" regarding the impacts of a liberalized price policy and the means to ameliorate potential wide variability in prices through the operation of set of "price band" rules. This is a significant achievement for the unit.

The evaluation recommends that support to the PAU be continued, but that its sustainability and effectiveness depends upon:

--Establishment of qualified, full-time, technical direction and leadership. The unit needs a leader with the qualifications and authority to direct and develop the PAU, establish priorities, establish relationships outside MAG, and anticipate priority issues.

--Establishment of qualified and complete staffing of the PAU. Currently, there are too few economists in the unit and too many non-economists. In addition, there are apparently persons on the PAU role who do not actually work for the PAU.

--Greater focus on selected, priority, policy areas that can adequately be handled by the relatively small and inexperienced PAU. The setting of priorities and the development of better, more focussed, work plans is essential. Decreased emphasis on macroeconomic issues and increased emphasis on price and marketing issues is recommended.

--Continuation of technical assistance and emphasis on increasing the local capacity to conduct appropriate analysis through on-the-job training and guidance.

Activity 3: Create a Policy Analysis and Dialogue Capacity in the Private Sector.

A grant agreement between USAID/Ecuador and Fundacion Ciencia in October 1985, provided funding for the creation of an Agricultural Policy Institute. In February 1988, it separated from Fundacion Ciencia to form an independent, non-profit, Fundacion IDEA. The evaluation concludes that IDEA has made a good, and in some ways even impressive, beginning. It has gained a reputation as an impartial, technical, and independent source for the analysis and debate of agricultural issues. It has provided technical support to the public sector, through the PAU, on critical issues. It has promoted a series of studies, seminars, and publications that is credible and has been well received by both the private and public sectors. Most recently, it has supported the development of a special topics course on agricultural policy with the Catholic University. It has hired an Ecuadorian Ph.D. economist to direct its program in marketing and prices and is providing facilities for a second Ph.D. to conduct his dissertation research in-country.

While these accomplishments represent a rapid and promising beginning, the future development, sustainability, and effectiveness of IDEA will require resolution of issues regarding program focus, technical capability, financial sustainability, and administrative structure. The evaluation found the program focus to be diluted, the scope of activities was too broad, and too much emphasis was given to pilot projects as opposed to policy analysis. The technical quality of the work done was reasonable, but tended to be descriptive/diagnostic in character as opposed to providing analysis of policy options. The lack of an in-house technical capacity until recently is at least a partial explanation of the tendency towards descriptive analysis. The financial sustainability of IDEA is uncertain: it provides a public service for which it would be counterproductive to charge its full development cost. Given the nature of its output--studies, analysis--it is not clear whether the private donation market will provide significant financial support. The administrative structure will need to evolve in line with the technical development to provide the support required by an increased technical capability.

The evaluation recommends continued operational and endowment support to facilitate the technical and institutional development of IDEA. This support should be conditioned on staff professionalization, research program focus, development of productive relationships with policy making entities, and efforts towards financial sustainability. Specific recommendations include:

--Program focus should be narrowed to the areas of macroeconomics, prices and marketing, and natural resource policy. IDEA needs to achieve an identity as a policy analysis entity and this requires some degree of specialization. A long term work plan, directed towards key agricultural policy issues is essential.

--The technical quality and nature of the analysis and studies undertaken needs to be upgraded and focussed on the analysis of alternative policies. An in-house professional capacity is required as well as continued technical assistance to enhance technical quality.

--The real financial constraints and potentials need to be analyzed and a financial plan developed and adhered to over the planning horizon.

Component II. Agricultural Information System Development

The overall conclusion of the evaluation is that the information component of the project has made considerable progress and has sufficient potential for further progress to justify its continuation and support. Development and institutionalization of a multi-component information system is a complex process that will require time and resources. The activities currently comprising the information component (with the sole exception of the computer center) have reached the point where they have established their own identity and viability and can move towards fuller systematization and integration with

users and analysts. Progress towards fuller systematization, institutionalization, and integration with data users and analysts will require more focussed efforts on coordination, training, data quality improvement, and appropriate dissemination. The role of technical assistance towards this achievement will be significant.

Activity 4: Develop a Market News Reporting System.

The Market News System is collecting data from some 26 market centers, processing the data, and publishing information of price movements on a daily, weekly, bi-weekly, and annual basis. The information is distributed to mass communication channels as well as to appropriate decision-makers. The evaluation found the activity to be on track with expected outputs.

The evaluation recommendations include:

--Greater effort to tailor information bulletins to the needs of clients.

--Increased training for field data gatherers.

--Application of simple statistical methods to the data to display and/or better describe the movement of the variables being reported. Use of graphs would be useful to users.

Activity 5: Crop and Livestock Reporting System.

Responsibility for this activity rests with the Division of Statistics and Information (DE) of the MAG and with the National Institute of Statistics and Census (INEC). The DE/MAG has the major responsibility for leadership in the development of the Agricultural Information System. However, while the evaluation found significant progress, such progress was impeded by constantly changing leadership within DE, lack of an overall project director, scarce human resources, and inability to effectively coordinate between INEC and MAG.

The major recommendations include:

--Increased coordination with other entities that produce data, such as the Central Bank, to take greater advantage of already existing data sources.

--Increased interaction with data users and analysts to ensure the relevance and timeliness of data.

--Improvement in coordination and collaboration between INEC and MAG with regard to data priorities for the sector and the roles and responsibilities of each institution in the provision of agricultural data.

--No additional activities should be undertaken beyond those currently in place.

Activity 6: Agroclimatic Impact Assessment.

The evaluation found this to be the most advanced project activity. Fifty primary climatological stations are now functioning in the communications network. A computerized data base with real-time data from the fifty stations and historical weather, yield, and production data since 1965 is operational. Agroclimatic models for estimating yields of four of the six major crops have been calibrated, verified, and used to make crop projections. The relationship between INAHMI and the MAG Agroclimatic group is solid and cooperative. All personnel working in this activity are regular full-time employees of their respective institution. Most recently, the unit prepared a major evaluation of the likely effects of a perceived drought pattern on crop production for the Minister.

The evaluation's major recommendations are as follows:

--Strengthen the relationship with users, particularly the PAU, to ensure the relevance of the data and information presented.

--Complete the calibration, verification, and utilization of the remaining two crop models to estimate weather-yield relationships.

--Expand the number of climate monitoring stations by 15-16 in the sierra and by 4-5 in the coast to obtain better representation of diverse micro-climates.

--Strengthen and develop capacity in agroclimatic zoning to increase the utility of the crop yield models.

Activity 7: Development of Computer Center Facilities

This is the least advanced activity of the project, both technically and institutionally. Thirty-nine microcomputers and three minicomputers with 36 terminals were purchased and delivered to MAG. The microcomputers have been distributed among the project activities and form the basic equipment for most activities. One minicomputer with six terminals was installed in INAHMI and is being used for the agroclimatic activity. One minicomputer with 10 terminals is installed in the MAG Computer Center. It is not yet fully operational due to personnel, software, and hardware limitations. The third minicomputer, originally assigned to MAG/Guayaquil, is still boxed in Quito, though the MAG recently has worked out arrangements to have it installed in INEC. Until December 1989, the Computer Center was managed and run by contract personnel. To date, the Computer Center has provided little support to project activities. It has processed two surveys for national programs and is beginning to handle payroll, accounting, and administrative MAG functions.

The major recommendations of the evaluation are:

--Conduct a detailed assessment of the role, responsibilities, and technical and personnel constraints of the Computer Center.

--As the minicomputers are basically obsolete, strong consideration should be given to exchanging (or selling) the yet uninstalled equipment.

--Appropriate software for the minicomputer installed in the MAG should be purchased to facilitate its becoming operational.

B. Mission Response and Justification

The Mission believes that the Project goal and purpose remain valid and vital to the future development of the agricultural sector. There is a clear need to establish and nurture the capacity to formulate agricultural policy options, assess the impact of those options, and monitor their results. There remains a need to develop a forum for broadening public understanding of agricultural policy issues. Finally, the development of an information base responsive and relevant to the needs of analysts and decision-makers is necessary to contribute both to decision-making and to enhanced understanding of the issues. The Mission concurs with the conclusion of the evaluation that a good start has been made, but that much remains to be done to build a sustainable system in the agricultural sector that can generate relevant information, identify policy options, evaluate their likely consequences, and monitor their impacts. Given the July 30, 1990 PACD, the Mission weighed the following options:

--Take action on those recommendations which could be implemented by the PACD and terminate the project as scheduled. This option would leave a weak Policy Analysis Unit, an incomplete agricultural information system, and a technically and financially vulnerable IDEA.

--Terminate the project as scheduled and develop a new project which would build upon the achievements of the ASRP to date. This alternative would have the disadvantage of requiring a major design effort and would likely result in discontinuities in implementation.

--Based on the evaluation, amend and extend the current project to achieve the long term institutional goal and purpose of the project and correct the factors limiting that achievement.

In view of the positive and supportive conclusions and recommendations of the evaluation and our belief that the project's original objectives remain valid, important, and feasible, the Mission decided to prepare a PP supplement to extend the project for a period of three years, through July 30, 1993, and add an additional US\$3.3 million. The proposed extension will build upon the accomplishments to date and further strengthen the development of a sustainable agricultural information and policy analysis capability in Ecuador.

The design of the amended project differs in some respects from the original design. First, the Immediate Policy Agenda, Activity 1, completed during the original LOP, is deleted. Second, the role of the PAU is focussed on price policy and marketing. This reflects both a recognition of the technical capacity of the PAU and also the real "policy field" of the Minister of Agriculture. The focus on price policy for the PAU, requires a consequent focus on timely and relevant commodity reporting and forecasts by the information system activities. Finally, to ensure adequate management and coordination of project activities, a project Coordination Unit has been established.

Despite these changes in project design, the Mission recognized that there were significant and long-standing issues that the MAG had not adequately resolved. The Mission decided that these issues should be resolved prior to signing an amended project agreement. These key issues, described below, were discussed in a series of meetings with the Minister of Agriculture in February 1990. A project working group, under the leadership of a newly appointed, full-time, director of the Coordination Unit, was assigned the responsibility for responding to the issues. The key issues and the MAG responses are described below. The rapid and adequate response of the MAG to the issues provides evidence of a strong commitment to the objectives and purpose of the project.

1. Naming of full-time, highly qualified, technical leadership to the Policy Analysis Unit.
2. Adequate and qualified staffing of the Policy Analysis Unit.
3. Increased GOE budget support and provision for adequate financing of recurrent costs. This includes submission of a three year budget plan showing the increasing proportion of funding from public treasury sources and reduced reliance on PL-480 sources as well as the establishment of specific budget line items for each project activity.
4. Establishment of an effective system for project management and monitoring and the formalization of the Technical Committee composed of the manager of each project activity.
5. Definition of the role and responsibilities of the Computer Center and the disposition of the unutilized minicomputer.

The MAG response to these issues has been encouraging and substantive. A qualified technical economist has been appointed to direct the Policy Analysis Unit. The staff of the PAU has been augmented by 5 economists. In addition, the Coordination Unit has reviewed the entire personnel role of the project, eliminated unneeded positions and rationalized the role. Non-essential contracted staff and sub-activities were eliminated. Further, to support the institutionalization of the project activities, the newly approved Ministerial structure and organizational chart, provides formal institutionalization of

both the PAU and the Market News Reporting Service (the other activities already formed part of the Ministerial structure).

The proposed three year budget shows significant increases in direct funding from public treasury sources. This will be monitored as part of the annual conditions precedent described in Section V of the PPS. The MAG has proposed the creation of specific budget line items for project activities, but this will require the approval of the Ministry of Economy and Finance when the 1991 budget is approved.

The Coordination Unit, under its new full-time leadership, has developed a management plan based upon a planning and budgeting format that describes the objectives, outputs, inputs, and budget of each activity. The Coordination Unit meets monthly with the Technical Committee to review and take decisions on priority issues each month. The unit also meets individually with each activity to review progress and constraints on a monthly basis. The MAG has proposed a plan for the Computer Center in which the primary responsibilities of the center are to maintain and facilitate the budgeting, payroll, and accounting system of the MAG, process large surveys, and manage the MAG role in SIMA and SIGMA--both large scale information systems, the former for agricultural sector projects, the latter for economic planning purposes. The MAG also proposes to install the unutilized minicomputer in INEC. While this represents a reasonable position, it is clear that the Computer Center will have only a marginal role in project activities. Therefore, no additional project funding will be provided to this activity.

Based on the actions taken by the MAG and the substantive agreements reached on these issues, the Mission finds the way cleared for amending and adding additional funds to the Agricultural Sector Reorientation Project. The measures taken by the MAG significantly increase the effectiveness and institutionalization of the project.

The major issues with regard to Fundacion IDEA were related to program focus, technical staffing, and financial sustainability. IDEA has addressed the first two issues in its grant proposal. The proposal exhibits significant program focus; emphasizes staff professionalization; and provides for the development of credible relationships with policy making entities. In addition, the proposed operational plan is well-detailed and directly linked to IDEA's objectives. The research program focusses on three areas: agriculture in the macroeconomy, factor and product marketing systems, and natural resource policy. The proposal includes illustrative research programs in each program area, describing relevant issues and a research agenda. The staffing pattern, position descriptions, and qualifications are described in detail. Most significantly, IDEA will name a Technical Director for Policy Research and highly qualified professionals to lead each of the three program areas. It should be noted that IDEA has recently named a highly qualified Ph.D. agricultural economist to lead the factor and product marketing program.

Finally, in making the decision to extend the project, the Mission recognizes that the institutionalization of a complex system in agricultural information and policy analysis is a long term process that, because of its close linkages to high level decision-makers, will have its ups and downs. This project got off to a relatively slow start, with the key policy advisor arriving almost two years after project signing. At the same time, however, there has been significant progress in the information systems and, more recently, solid performance by the PAU. Given the recent efforts by the MAG in support of institutionalization, technical leadership, adequate staffing, increased budget support, and effective management, the Mission believes that a foundation has been laid for significant progress during the period of the project extension.

The Mission's strategy had been to amend the agreements governing the public and private sector portions of this project simultaneously following approval of the PPS. However, because the Ministry of Agriculture had not complied in full with the Mission's conditions precedent to moving forward, and IDEA's program proposal already had been submitted, reviewed, negotiated and approved, the Mission decided to proceed separately with the private sector component. Appropriate documentation for this action was prepared and approved in accordance with Handbook 3, Ch13.D.3., which states that modifications following PP approval must be documented for the files with the type of documentation determined by the significance, scope and complexity of the proposed modification. On April 17th 1990, AID and IDEA signed a three-year Cooperative Agreement for USUS\$1.775 million. The activities detailed in the remainder of this document pertain only to the public sector component implemented by MAG and do not include the private sector component implemented by IDEA. Of the US\$3.3 million intended for the entire project extension, US\$1.775 million has been assigned to IDEA in the aforementioned cooperative agreement. The remaining US\$1.525 million will be assigned to the Government of Ecuador.

III. PROJECT DESCRIPTION

The purpose of this Project Paper Supplement is to extend the Agricultural Sector Reorientation Project for an additional three years through July 30, 1993. The authorized Life-of-Project funding will be increased from US\$9,175,000 in Grant funds to US\$10,700,000 in Grant funds. The originally authorized US\$1,400,000 Development Loan remains unchanged. The Project Goal and Purpose remain essentially unchanged from the original Project Paper, with but minor modifications to conform with the policies of the Ecuadorian government.

A. Project Goal

The overall goal to which this Project contributes is to enhance economic growth, provide a stable and low cost food supply, and to improve export performance through the establishment of a policy environment conducive to increased and sustainable agricultural growth.

B. Project Purpose

The purpose of the Project is to realign agricultural sector policies and programs to create a policy environment and set of incentives which promote increased productivity and production through reliance on market signals for resource allocation and private investment. This purpose will be achieved by strengthening the capacity of the Ministry of Agriculture (MAG) to formulate and implement policies which stimulate investment in agriculture, promoting private sector participation in the analysis and dialogue process, and improving the quality of information required for policy analysis and decision-making.

C. Project Activities

The Project components and activities will remain the same as those described in the original Project Paper with two exceptions: (a) Activity 1, Immediate Policy Agenda, is deleted, as that activity was completed during the originally authorized LOP; (b) Activity 7, Support to the Computer Center, is substantially reduced for the reasons described in the background section of this PPS.

The Project consists of two interrelated components: Policy Formulation and Implementation and the Agricultural Information System. The policy component is composed of two activities: strengthening the public sector (MAG) capacity to analyze and formulate policies and establishing a private sector capacity in policy analysis through Fundacion IDEA. The Agricultural Information System of the Project is composed of three activities: a market news (price) information system, a crop and livestock data reporting system, and a system for evaluating the impact of agroclimatic changes on crop production.

1. Policy Formulation and Implementation.

a. Strengthen Policy Formulation Capability in the Ministry of Agriculture.

The primary objective of the Policy Analysis Unit, created under the Project in 1985, was to provide the technical staff analysis required by MAG policy makers to support and enable the realignment of sector policies towards a free market orientation. While progress was made on some aspects of the "Immediate Policy Agenda," the role of the PAU and of policy analysis in these achievements was marginal: the PAU served largely as a contracting vehicle, much of the agenda was pre-determined without policy analysis, and the studies undertaken were known only to a few in the decision making structure. The unit has never been fully staffed nor has it been properly staffed. There has never been a full time technical director of the PAU. Yet, over the past three years, the unit has become increasingly involved in MAG decision making and is increasingly viewed as a source of relatively professional expertise within the public agricultural sector. This would not have been possible without strong full time technical assistance. Institutionally and professionally, however, the PAU remains fragile and weak.

The factors constraining the capacity of the PAU to provide the technical staff analysis required for serious evaluation of policy options and their adoption are as follows:

1. Lack of Demand for Policy Analysis. The demand for policy analysis is a function of a high level commitment to sector growth and income objectives coupled with a recognition that the economic system is complex and that analysis and information can facilitate the achievement of sector objectives. Evaluations of AID financed policy projects suggest that successful projects (or their periods of success) are characterized by a shared commitment with the host country towards a defined set of strategic objectives. In short, a shared commitment on objectives and strategy tends to create a demand for policy analysis and, thereby, a derived demand for timely and accurate information. Further, without a strategy that provides direction and priorities, there are simply too many problems, requiring too much data and staff time for effective policy work to be done. The noted lack of direction in the PAU is largely a reflection of a lack of direction in the public agricultural sector.

2. Lack of Trained Agricultural Economists. During the major part of its existence, the PAU was staffed by eight professionals including five agricultural engineers, two veterinarians, and one economist. This lack of economic capability severely limited the level of policy analysis which could be expected from the unit. Generally low salary levels in the public sector limit the ability to attract and retain qualified personnel.

3. Lack of Technical Leadership. Until recently the PAU had never had a full time technical director. PAU direction has been provided by a series of Ministerial Advisors who combined their PAU leadership responsibilities with numerous other responsibilities. The PAU directors have generally not been either economists or agricultural economists. The lack of full time, qualified leadership has made the setting of objectives, the establishment of priorities, the creation of linkages to other policy entities (e.g. Central Bank), and the formation of a PAU identity practically impossible.

4. Lack of Integration with Data Systems. An information system requires that data users specify their data requirements in terms of relevance, accuracy, and periodicity. Data producers must design their data collection and output systems to those specifications. To date, MAG has not been able to specify its data needs and the data activities have been underutilized. Neither the data users nor the data producers have collaboratively developed the requirements of the information system. The inability of the PAU to provide adequate specifications is largely a result of the lack of strategic direction, lack of adequate staff, and lack of technical leadership.

The objectives to be achieved during the period of the Project amendment are institutional and substantive. The primary objectives of Project support to the PAU are:

1. Institutionalization. The institutionalization of the PAU and its role in policy analysis in the MAG through the development of a level of professional capacity in the PAU consistent with its work responsibilities,
2. Improved Price Policy. Facilitate price liberalization and a reduction of the role of state enterprises in agricultural marketing through the establishment of a core technical capacity to conduct timely and accurate analysis of commodity markets,
3. Improved Policy Framework. Increase the demand for policy analysis through the development of a framework for a consistent and focussed sector policy dialogue.

The achievement of these objectives will require the following:

1. The institutionalization of the PAU will require strong technical leadership, adequate and qualified staffing, focussed specification of objectives, staff development and training, and good management. Under the amendment, AID support to the PAU is conditioned upon satisfactory performance on each of these criteria, as described below in Covenants and Conditions Precedent.

The PAU has been reorganized in six program areas: four commodity groups, i.e. coastal food crops, sierra food crops, export crops, and livestock; natural resources; and production inputs. Once all staff is on board, there will be one analyst and one research assistant in each program area. A full-time, qualified, technical director of the unit has been appointed. The annual and quarterly work plans of the unit will identify specific product outputs and their timing. The Guayaquil PAU unit will be closed, but the Project will maintain, with MAG funding, an area coordinator in Guayaquil.

2. To improve price policy given the low salary levels of the MAG and its inability to attract and retain highly qualified economic policy analysts, the objectives of PAU policy analysis will be more specific and narrowly focussed than in the original project design. The emphasis will be on the kind of analysis and reports which can be continued after project external technical assistance ends. The PAU staff will be trained in the preparation of Crop Situation and Outlook Reports for the major food, export, and livestock categories.

This narrowing of focus does not, however, represent a lessening of the importance of PAU efforts towards policy reform. PAU efforts will be directed towards one major element of policy reform: agricultural price liberalization and the reduction of the role of the state in agricultural marketing. A major constraint to agricultural price liberalization is the inability of both the public and private sectors to foresee changing market conditions and act in a timely and appropriate fashion. Typically, for example, shortages are not foreseen until a crisis is on the Minister's doorstep. At that stage, neither the public nor the private sector is able to respond effectively to alleviate

the consequences of the shortage. But politics requires action, and the result is predictable though dismaying: price controls, market intervention, instability in the private sector, and growth of the public sector. Because of this, advances towards price liberalization in the absence of a capacity to foresee changing market conditions will constantly be at risk to the next crisis. Price liberalization must be accompanied by increased information if it is to be sustained. The capacity to develop this information and analyze it in the context of market situation reports is an essential component of market liberalization policy reform. Price liberalization will not be adopted because it is good, but because it works; and it will only work in the context of improved information, such as that provided by market situation reports.

The narrowing of focus also responds to a more realistic appreciation of the real "policy field" of the MAG. The major policy issues for which a Minister of Agriculture is deemed responsible are practically all related to price variability. None of the MAG clients--producers, consumers, or politicians--like significant price variability. Thus, the Project emphasizes the aspect of policy analysis for which a demand exists. In fact, the importance of pricing policy is often underestimated but as Timmer and colleagues note (1983):

"Most countries start from a food price policy environment that uses food imports and budget subsidies for across-the-board consumer protection, while a host of production oriented government projects attempt to increase food output. One of the primary lessons that comes from understanding the complexity of hunger and its connections to the food system suggests that such a price policy/project orientation is backwards. Governments can more effectively meet the full range of food policy objectives by using price policy, not to keep food prices low for consumers, but as part of the incentive package that induces greater food production from millions of small farmers. Programs and projects can then provide targeted food subsidies to protect the very poor until they find jobs and higher incomes that result from the new policy environment.

The establishment of a solid capacity in commodity market situation reporting and analysis represents a significant step in the introduction of price policy reform in the agricultural public sector. This capacity will be enhanced by strong technical leadership, technical assistance, and through a continuing relationship with the IDEA Price and Marketing Program.

3. As a vehicle for a significant improvement in the overall framework for policy analysis and dialogue, commodity pricing policy, however, has its limitations. In addition to pricing policy and the incentive structure for agricultural production, the major sectoral issues which require increased attention from the public agricultural sector and which are key elements of the AID policy dialogue agenda are:

a. Increasing agricultural productivity through technology generation and transfer as the agricultural frontier closes.

b. Reducing the existing high levels of rural poverty and malnutrition.

c. Improving the management of the natural resource base and diminishing the degradation of the nation's land, forest, and water resources.

A major constraint to an effective, constructive, and consistent policy dialogue on these issues is that the GOE has not worked through its own objectives and strategies on these issues. The policy dialogue is simply too one-sided: the GOE is being asked to sign-off on someone else's objectives and strategies. Further, since the MAG/GOE has not defined objectives and strategies for these issues, it does not know the policy questions to ask. Policy analysis can help choose the best means of achieving some objective. The definition of objectives and strategies helps create a demand for policy analysis.

To strengthen the demand for policy analysis and to facilitate a more effective, constructive, and consistent agricultural sector policy dialogue the Project will assist the MAG/GOE in the development of three Annual Comprehensive Policy Documents (ACPDs). These Annual Comprehensive Policy Documents will be on themes such as Agricultural Price Policy, Sector Investment Policy and Productivity Growth, and alternatives for redefining the role of state-owned agricultural enterprises. During the Project extension, one ACPD will be developed and presented to the Economic Cabinet in each of the first two years.

The ACPD includes two documents: the policy document itself and an analytical annex. The former is largely a succinct statement of the conclusions developed in the analytical annex. The basic structure of the document includes a problem statement and description, statement of objectives, identification and analysis of the priority constraints to the realization of the objectives, and an action plan for the alleviation of the constraints and achievement of the objectives. The action plan section will specify a time phased set of policies, programs, projects, and budgets to achieve the objectives.

The process of developing the ACPDS is as critical to their final effectiveness as their substantive content. The principal elements of the process are:

1. High level commitment to the development of policy statements in these key development areas as demonstrated by the appointment of a ranking, influential, and qualified professional to coordinate the effort and the granting to him of the authority required to conduct the effort.

2. Skillful preparation of the terms of reference for each study. The Senior Economic Policy Advisor will provide technical assistance during this stage. The terms of reference will be product oriented and subject to detailed schedules. AID will review and comment upon the terms of reference.

3. The ACPDs will be developed largely through multi-institutional task groups that will include IDEA. Emphasis will be placed on workshops and seminars to bring analysts and decision makers together during the process to discuss and debate interim results. At the request of the MAG-ASRP coordinator, the Project can provide technical assistance in addition to the services of the Senior Economic Policy Advisor. A Task Manager for each task group will be appointed and have the responsibility for organizing the efforts of the task group, reporting to the overall coordinator, and meeting scheduled deadlines.

4. Solid planning and management of the process. The coordinator will be assisted in the planning and management of the effort by the PAU Technical Director and also by the AID contracted Project coordinator.

5. An internal evaluation of each effort will be undertaken to determine means of improving the timeliness, quality, and effectiveness of each effort.

A major purpose of this effort is to provide an organized framework and set of incentives for GOE decision makers to confront, discuss, and think seriously and holistically about major medium term agricultural sector issues, objectives, constraints, and required actions. At the end of the Project there will have been significant internal debate on key policy issues and the adoption of many elements of the policy recommendations. In addition, the ACDPs provide a basis for performance conditional programming of non-project assistance that is available to many donors, including AID.

During the period of the amendment, AID funds will provide a long term (24 month) Senior Economic Policy Advisor. The advisor will split his time between the PAU, ACPD development, and IDEA (as described below). In addition, 9 person-months of short term technical assistance will also be available. The Senior Economic Policy Advisor will work with the PAU Technical Director and staff to prepare annual and quarterly work plans, including requirements for short term technical assistance, as well as provide guidance and training in analytical techniques and study and report content and format. To assist the development of the ACDPs, the Senior Advisor will serve as a resource person to the coordinator and the PAU Technical Director, particularly in the development of the terms of reference for each ACPD, as well as provide technical and methodological assistance to the various task groups. Finally, to begin to overcome the negligible capacity of the MAG to deal with the significance of macroeconomic variables on the agricultural sector, the Senior Advisor, in collaboration with the PAU Technical Director, will assist in developing a fairly straightforward periodic report akin to a "Macroeconomic and Agriculture Situation Report" describing important changes in macroeconomic indicators and policies and their likely impact on or importance to the agricultural sector.

By the end of the extension, there will be a strengthened PAU with a well defined identity and position within the MAG and trained MAG professionals capable of producing accurate and timely crop and livestock market situation and outlook reports. In addition, the following outputs are expected:

-Comprehensive Policy Documents on Agricultural Price Policy, Agricultural Investment Priorities and Productivity Growth, and policy alternatives for redefining the role of state-owned agricultural enterprises with recommendations and action plans for bringing about identified changes;

-An established and organized framework for GOE decision-makers to discuss, confront, and debate key sector policy issues, constraints, and required actions;

-A sustained demand for high-quality policy analysis.

b. Create a Policy Analysis and Dialogue Capability in the Private Sector.

This activity is detailed in the AID-IDEA Cooperative Agreement No. 518-0051-A-00-0093-00) and is summarized in Attachment D.

2. Agricultural Information System

The objective of the Agricultural Information System is to contribute to more effective policy decision-making by providing analysts of capability to access, manipulate, and apply analytical techniques (as necessary) to produce information from data relevant to the solution of a problem. Analysts, in the public and private sectors, convert data into information through the appropriate marshalling, organization, and analysis of data in response to a demand by client decision-makers for greater understanding of a problem and of the consequences of alternatives options.

The institutional requirements for an effective information system include:

1. A set of sub-systems for the timely collection, processing, and generation of relevant, accurate, and objective data;
2. A set of sub-systems that enable the data to be accessed, manipulated, and analyzed by users;
3. A set of users capable of manipulating and analyzing the appropriate data to produce information relevant to the resolution of problems;
4. A set of client decision makers who demand and value information in the decision-making process.

While the activities described in the Policy Analysis Component focus on the latter two requirements (users and clients) and the activities of the Agricultural Information System on the former two requirements, only together do they form an information system. The data collection, processing, and generation activities must be responsive to user demand in order to establish

an effective system, and users must explicitly describe their data needs in terms of coverage relevance, accuracy, and timeliness.

To that end, the effectiveness of the data collection, processing and generation activities is largely determined by the following characteristics:

1. Accuracy. Sources of poor or inaccurate data are non-sampling error and sampling error. Non-sampling error must be controlled through the design and execution of surveys and sampling error is calculated so that the user knows the accuracy of the data being used.
2. Timeliness. Agriculture is dynamic and decision-making must be opportune. Relevant and accurate data must be available when required for decision making purposes; otherwise, it has little value.
3. Objectivity. An objective, science-based process is utilized to obtain the data. Data estimated do not depend on individual or institutional points of view, and the process can be replicated by critics.
4. Relevant Coverage. The coverage of an information system depends largely on the set of problems to which it is designed to respond. The specification of the problem set defines coverage.
5. Flexibility. It should be possible to add to or modify the information system without significant problems and costs.

In short, the provision of accurate, timely, objective, relevant and flexible data responds to the needs of user-analysts and decision-makers. A data production system that fulfills these attributes will be in demand by users, analysts, and decision-makers. The capacity to meet this demand is the backbone of an information system, and a key ingredient in institutionalization and sustainability.

Therefore, the focus of assistance during the period of the project extension is to (1) integrate the data production systems with an analyst/decision making system to effectively support improved policy decision making and (2) improve the quality of each data production system to enable each to produce accurate, timely, objective, and relevant data for analysts and decision-makers.

The data sets required for a fully developed information system for the agricultural sector would be substantial. There are a variety of ways to categorize these data sets. Most data is obtained either through a census of the relevant population or through a survey. One means of categorizing the components of a fully developed agricultural information system is as follows:

1. Benchmark Data. This includes, for example, data on basic structural characteristics which are not generally subject to major short term variations: population, family size and structure, land tenure patterns. Changes in these variables show development trends and patterns. Typically,

these are the focus of census instruments with a ten year (or more) periodicity. Because of its wide coverage, a census does not provide profound examination of the variables.

2. Physical Data. Agriculture is a highly site specific sector: soil characteristics, topography, elevation, distance from market, average rainfall, road access are all of significance in determining production possibilities, natural resource constraints, and market constraints. Like benchmark data, this data does not change markedly in the short run. Recent technological developments have greatly enhanced the capacity to map, organize, and display this kind of data. This data is generally of more value to planning than to policy, precisely because of its insensitivity to short term variation.

3. Periodic Data. This category encompasses the major elements of data required for staff and decision-making, policy analysis, and policy research. This category encompasses a variety of instruments, depending on the nature of the problem being addressed, ranging from:

a. Specific Focus Surveys. To provide greater understanding of the variables affecting the characteristics or behavior of a target population, a specific survey instrument is often used. Examples include a Rural Nutrition Survey or a Rural Income for the purpose of determining the factors that affect the nutrition and income of the rural population. Such surveys, conducted every five years, provide a basis for both program and policy decision making.

b. Performance Indicators. Measures of the level and variability of target and instrumental variables that demonstrate and/or affect the performance of the agricultural sector. The nature of the problem determines the required periodicity. These indicators reflect both a conceptual model of the sector as well as a model of political relationships. Examples include data on commodity production, stocks, commodity prices, interest rates and credit, exports, imports, exchange rate, inflation, state enterprise finances, input supplies and prices. Short term movements in these variables are the major focus of MAG policy actions.

4. Forecast Data. It is obviously more useful to know in January that rice stocks will be low in June than to know in June that, in fact, they are low. The ability to anticipate changes in the performance indicators is central to the improvement of policy decision-making in the agricultural public sector. Forecast data is provided from a variety of sources including Central Bank publications and surveys. For the kinds of decisions facing the agricultural sector, the key elements for enabling the provision of forecast data are:

a. Crop and Livestock Surveys. Much can happen between planting and harvest to affect crop production levels: prices change, rain comes or fails, disease, pests, etc. As a result, final production harvested is unlikely to be equal to the earlier planned harvest. Accuracy and timeliness are essential for effective crop and livestock forecasts.

b. Agroclimatic Data. During the period between planting and harvest, changes in weather can significantly affect yield and production. The application of weather data in the process of developing crop forecasts based on surveys can improve the accuracy of the forecasts.

c. Market Data. The price of a commodity contains a great deal of information. It tells decision-makers what is happening to commodity supply and demand in a particular market. Given the paucity of reliable forecast data, price movements are often the first evidence of changes in market conditions.

5. Behavioral Data. The response of consumers and producers to changing policy and market conditions is a primary factor in policy decision-making. The establishment of a controlled price or a floor price this year will affect production next year. Producer responses to changes in output and input prices are key behavioral relationships for policy analysis. Thus, in addition to the basic data sets described above, the policy analysts need access to data that describes consumer and producer behavior. Depending on the nature of the problem, this data may include farm budgets, consumer expenditure patterns, as well as supply and demand elasticities.

The strategy for strengthening and focussing the development of the agricultural information system is to concentrate first on the short term, directly policy-related requirements and, as the system demonstrates achievement, gradually incorporate the other elements of a complete system. Within this project component then, the focus is on (a) the periodic reporting of policy related performance indicators and (b) forecast data. In both, the emphasis is placed on integration of the elements into an effective system for policy decision-making and improving the accuracy, timeliness, objectivity, and relevance of the system elements.

The Agricultural Information System component is composed of three project activities: (a) Market News Reporting System, (b) Crop and Livestock Reporting System, and (c) Agroclimatic Impact Assessment System. As described above, the project will continue to concentrate its efforts in these three areas. The evaluation concluded that good progress had been made in each of these three activities as separate elements, but that they had yet developed into an information system. The inability to build an effective relationship with data users and analysts is seen as the key constraint to the development of an information system, because it is users who convert data into information. Project support to these activities will focus on making the data activities responsive to users and analysts. That requires an emphasis on joint planning, performance monitoring, and technical quality, defined in terms of accuracy, timeliness, objectivity, and relevance.

a. Market News Reporting System

The MNRS has established a national network of 24 reporters in major markets throughout the country, of which 17 are MAG career employees. A telex system

has been established, linking each market center to the Quito office. Daily price information is transmitted to the central office via the telex. The data set includes wholesale and retail prices of selected grains, tubers, fruits, vegetables, and livestock. In the central office, the data is computer processed and organized. The activity publishes a daily price bulletin, distributed to two national radio chains and to 25 high level government officials. The information is also used in a more detailed weekly price bulletin which is distributed to 520 recipients in the private and public sectors. The activity also publishes a quarterly and annual summaries of price information. In 1988, a special publication, demonstrating and analyzing seasonal price variations for all major commodities, was also published.

The objective during the project extension is to institutionalize the MNRS within the MAG through (a) its formal designation as an operational Division with the Marketing Sub-Secretariat with its permanent staff and budget line, and (b) a significant increase in the quality and relevance of its output to the needs of the decision-makers and analysts.

To that end, training will be provided to improve the quality of information collected and the quality of information provided to users. Responsiveness to the needs of users will be facilitated through the User's Advisory Board which will meet on a regular basis to provide guidance on content and format for all publications and bulletins.

Under the project extension, AID funding will provide 4 person-months of short-term technical assistance, observation and technical training in the US or third countries, and in-country seminars and staff training events. The GOE will finance all MAG salaries, domestic travel, supplies, equipment maintenance and repair.

b. Crop and Livestock Reporting System

The Crop and Livestock Reporting System requires the combined efforts of the National Statistics Institute (INEC) and two divisions of the MAG: the Division of Statistics and Information (DE) and the Agroclimatic Division. In essence, it is the responsibility of INEC through an annual, large scale survey based upon the area sampling frame methodology, to develop estimates of crop areas and livestock numbers. INEC conducts this survey beginning in October of every year. The sample size is large, some 66,000 interviews. Area estimates are provided for 33 commodities, by province. The survey extends through December and focusses on two data sets: (a) farmer recall of area and production in the prior cropping year and (b) farmers' planting intentions for the upcoming (January-March) planting season. These estimates are published in separate bulletins and distributed to MAG, the Central Bank, and other institutions. The estimates of planting intentions are given a more restricted distribution than the annual estimates of prior year area and production. The annual estimate is the basis for the Central Bank estimation of national accounts. The estimates are available by the end of March--significantly in advance of the harvest season of major commodities.

The Agroclimatic activity has yield models of four major commodities and will soon have yield models for six major commodities. The National Commodity Programs, in conjunction with the DE, have undertaken objective yield studies. This information on yields is combined with the area estimates from INEC to produce crop production forecasts. This process would provide objective and timely forecasts. MAG officials, however, believe that the INEC survey produces significantly flawed data on major commodities such as rice and that the MAG internal system provides more reliable estimates. The MAG internal system is based upon the subjective judgment of the field employees in both the MAG and the National Programs who report on a weekly basis the "progress in planting" through "progress in harvesting." While the MAG estimates are not objective and have an unknown level of accuracy, they are timely and relevant. When the Minister needs a number, he gets a number. In fact, under the current system he often gets more than one number per variable and can generally choose whatever data appears most convenient.

One major evaluation and one minor review of the INEC area sampling frame methodology have been conducted since 1987. The results suggest the need for continuing modification and improvement of the system, but indicate that the survey system, design, and execution are basically sound. The major improvement suggested is to conduct two surveys per year. The second survey, directly after the harvest season would validate the information from the planting intentions survey. This would help pinpoint problem areas and provide the means to analyze and determine more precisely possible error sources. The second survey would be considerably smaller than the primary survey, covering no more than 13 major commodities. INEC, with the support of the Central Bank, proposes to conduct two surveys per year. It should be noted that the INEC survey is entirely institutionalized: all costs are funded by the public treasury (S.180,000,000 per year), all personnel are regular INEC staff (except, of course, the interviewers who are hired during the period of the survey field work), and the survey has been done once a year, every year, since the early 1980's. It should also be noted that in the past five years, no technical assistance has been provided.

The objective of the Crop and Livestock Reporting System is to provide timely, accurate, objective, relevant data on principal crop and livestock production levels twice a year for the PAU/MAG crop and livestock situation reports and analysis. The INEC area sampling frame based surveys provide the only sound basis for an effective Crop and Livestock Reporting System. The results of the two surveys per year will be made available within 10 weeks of the survey completion date to the MAG. MAG will utilize this information combined with the agroclimatic information to make crop projections. The second survey per year will not only provide the data for the next round of projections, but also to validate and correct the estimates and projections from the first round.

The project strategy is to provide technical support to improve and strengthen the INEC area sampling frame surveys for agriculture. It is likely that there are errors; the sampling frame system only began in Ecuador in 1978. These

errors, however, need to be identified, analyzed, and appropriate modifications in sampling, stratification, questionnaire design, and survey implementation made. In the end, the most reliable, timely, and relevant data will rise to the top. INEC, with greater technical support, can supply the required data, and the MAG will find it advantageous to use it.

Under the project extension, AID will provide funding for technical assistance and training to INEC to improve and make the ASF system more responsive to the needs of short term policy making in MAG. Technical assistance requirements include a survey statistician, mathematical statistician, data processing, and automated cartography. Timing of technical assistance is important given the initiation of the next survey in October. In the first year of the project extension, PL-480 funds will be used to fund fifty percent of the second (minor) survey. By the third year of the project, the second survey will be completely funded by public treasury funds as the main survey is now. The GOE will continue to finance all costs of the main annual surveys. AID will finance minor procurement required to facilitate improvements in the ASF. As a further measure to assist INEC in the timely compilation of survey data, the Data General minicomputer originally intended for installation in MAG/Guayaquil, will be installed at INEC.

c. Agroclimatic Impact Assessment

This is the most technically advanced activity in the Information System Component. As a result of strong MAG leadership, training, and upgraded equipment, the climate monitoring system has been increased from 12 to 35 reporting stations with improved data quality on precipitation, maximum and minimum temperatures, relative humidity, windspeed, evaporation, and luminosity. The data is summarized and published every ten days and monthly and is widely distributed. A computerized data base with historical and real time data on all weather indicators plus historical data on area, yields, and production at the provincial level has been established. Yield models have been developed and are being refined and calibrated for six crops. These models have been used in association with the DE/MAG subjective crop area estimates to make crop projections.

In short, the agroclimatic activity is producing accurate, timely, objective, and relevant data for the agricultural information system. Its utility to decision-makers has been limited largely by weaknesses in the other elements of the system. The objective of the project extension is to maintain and enhance the quality and coverage of the agroclimatic data system and strengthen its use and integration into the crop forecasting system.

To that end, with the activity, the project will focus support on the following:

1. Expansion of the microclimate monitoring system from 35 sites to 75 sites.
2. Further development of phenological models to refine and calibrate the crop-weather-yield response models.

AID support under the project extension will provide funding for 12 person-months of short-term technical assistance in agroclimatic monitoring, phenological models, agroclimatic mapping, and satellite imagery. AID funds will also be used for training and observational travel. The GOE will fund all salaries, supplies, equipment maintenance and repair and domestic travel.

By the end of the project extension, the agricultural information system as a whole will be unified and well integrated and capable of producing accurate, timely and relevant data which are based on an objective science-based process, and which responds to the needs of user-analysts and decision-makers. Specifically:

- The Market News Service will be institutionalized as part of the Subsecretariat for Marketing;

- The quality, accuracy and timeliness of information produced by the Market News Service (bulletins, radio spots, etc. on supply, demand and prices) will improve significantly;

- There will be significant improvement in the accuracy of forecasts and crop projections;

- The INEC Area Sample Frame will be used to conduct two agricultural crop production surveys per year; and

- There will be enhanced quality and coverage of the agroclimatic system and strengthened use and integration into the crop forecasting system.

d. Computer System Support

This activity will support, in a very limited fashion, the management of computer facilities in MAG. To date, the computer facilities have contributed little to the project. The data needs of all project activities are successfully being met using microcomputers.

A portion of the remaining loan funds will be used to contract for one year, a local firm which will operate and maintain the minicomputer system and provide training to MAG counterparts who will assume full responsibility for the maintenance and operation of the system at the end of the one year period.

IV. BUDGET

The US US\$1.525 million in grant funds that are available for this project extension will be used in a manner consistent with an implementation strategy that focuses on the institutionalization of the project's activities through appropriate training, technical assistance and counterpart budgetary support. The use of AID funds is summarized below. A detailed financial plan which includes the GOE and PL-480 contribution is attached as Annex B.

Item	Est. Cost (US\$)	% of AID Donation
Long Term TA	169,136	11
Short Term TA	652,995	43
Training	229,619	15
Project Coordinator	338,250	22
Misc.	135,000	9
TOTAL	1,525,000	100

V. IMPLEMENTATION ARRANGEMENTS

A. Project Management

Project management responsibilities have undergone significant changes during the five years of project implementation. AID project management responsibilities have been vested in five persons over the past five years. In the past, the Project Director has been also the Director of the Policy Analysis Unit. This position has been nominally filled by advisors to the Minister. Changes have been frequent and almost without exception the position of PAU Director/Project Director has been occupied on a part-time basis, even though each of the positions would appear to require a full-time effort and significantly different qualifications. The main responsibility for project management fell to the Technical Assistance contractor. In addition, the TA contractor was given responsibility for the management and disbursement of PL-480 local currencies. The TA contractor disbursed or provided the required goods and services to the project activities. This system was in effect until June 30, 1989. Beginning in July 1989, a Project Coordination Unit (PCU) was established with technical and administrative responsibility for the Project. The PCU replaced the role of the TA contractor with regard to planning, budgeting, accounting, procurement, and overall management and coordination. There has been considerable turmoil since that change. The structure and personnel of the PCU have been in constant flux since July. The third Project Director has recently been named and there have been at least three accountants. During this period, the MAG conducted an internal audit of the project and the Computer Center. During most of the period, the Director of the PCU has been only part-time, with various additional responsibilities. Progress in most of the activities slowed significantly in last half of 1989.

In response to this set of problems, the Minister recently named for the first time, a full time Project Director to head the Coordination Unit. The incumbent is qualified and has initiated some important actions to get the project back on track. The proposed management structure for the project is described below.

1. Technical Direction and Management. The GOE will establish the Technical Committee (TC) responsible for project implementation. The TC will be composed of the six Technical Activity Managers: PAU/TD, MNRS/MAG, CLRS/INEC, CLRS/DE, ACIA/MAG, and ACIA/INAHMI. The Technical Committee will be responsible for approving Annual Operating Plans and Budgets, approving specific operating agreements between institutions, approval and submission of project budget requests to the PL-480 Implementation Secretariat, approval and submission of quarterly reports on project implementation to AID and the MAG Directors. It will also be responsible for the development, submission, and approval of all documentation required by AID relevant to the fulfillment of conditions precedent and/or covenants. The TC will meet periodically (at least monthly) to deal with project priority actions, problems, and to coordinate activities. It will also meet at least quarterly to review progress on each activity. Leadership of the TC will be rotated among the Technical Activity Managers on a six month basis. The long term technical advisors will serve as resource support staff to the Technical Committee.

The existing Project Coordination will be called Project Support Unit (PSU) to reflect more accurately its relationship vis-a-vis the Technical Committee. The Technical Committee will be assisted by the PSU. The purpose of the PCU is to serve the Technical Committee. The total staff of the PCU will be small, probably not in excess of seven professionals. The responsibilities of the PCU are to assist the TC in the establishment of project management, monitoring, financial, and administrative systems; to prepare the agendas for the periodic priority and activity review meetings; preparation of quarterly reports and other documentation; to assist in the identification and resolution of project issues; to provide the assistance and follow-through on decisions of the TC to ensure effective project implementation; and to coordinate annual planning and budgeting workshops. The AID contracted Project Coordinator will provide technical assistance and training in management to the PCU.

2. Monitoring and Reporting. With the assistance of the PCU, the Technical Committee will implement a system for planning and budgeting project activities, monitoring project progress toward planned achievements, identifying and resolving problems, and reporting on progress and problems. The system will include annual planning and budgeting workshops, monthly priority meetings, quarterly activity reviews, annual audits, and corresponding reports. An internal evaluation workshop will be held annually. The AID contracted Project Coordinator will provide technical assistance for the design and implementation of the monitoring and reporting system.

3. Financial Management. As shown in the attached budget, each institution contributing to the project will have its own budget and the responsibility for budget implementation. That is, MAG will implement the MAG budget, INAHMI its budget, and INEC its budget. Each institution will open an appropriate and separate account for the handling of project funds. Each institution will designate a qualified person in its relevant accounting

office for the maintenance of project accounts. These persons will work closely with the PCU accountant to ensure updated accounting information, timely availability of funds for project purposes, and rapid liquidation of project expenditures. In each of the institutions, a rotating fund will be established to enable normal operating costs (transportation, per diem, off-the-shelf materials, etc.) to be met in a timely fashion. An annual audit of the project will be conducted.

B. USAID/Ecuador

The project will continue to be administered by the Agriculture and Natural Resources Office of USAID/Ecuador. A Project Coordinator will be contracted with project funds for a period of two years to assist and facilitate the coordination and management of the Project, in both the public and private sectors. He will be located in IDEA or the MAG but will maintain close relationships with USAID/Ecuador, the agricultural public sector implementing agencies and the technical assistance team. The Mission JCC Natural Resources Economist will advise and assist the PAU and IDEA on Natural Resources issues (including the natural resources White Paper in the PAU).

C. Technical Assistance

Sigma One Corporation, a SBA Section 8(a) firm, will continue to provide the long and short term technical assistance to the Project under a contract with USAID/Ecuador. Justification for non-competitive procurement will be prepared.

E. Evaluation

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

VI. COVENANTS AND CONDITIONS

Project funding is provided by direct GOE budgetary resources, PL-480 local currency, and AID grant funds. The GOE budgetary resources are largely for MAG personnel. The AID grant funds provide technical assistance. PL-480 local currency resources provide both personnel and operating cost support for all project activities. The Implementation Secretariat for PL-480 has the responsibility for setting budget allocations, approving annual budget levels, and monitoring expenditures and liquidations periodically during the year. The structure of funding sources and the budgeting process make the usual

disbursement conditionality measures difficult to implement. Also, as this is an on-going project, with personnel and activities in place, conditions precedent to disbursement are often counterproductive. AID substantive involvement in project implementation will take two forms: approval of significant project actions to ensure adequate planning and high level semester reviews of status and progress towards fulfillment of covenants.

A. Prior to the issuance of the documentation authorizing the utilization of PL-480 generated local currencies for the Agricultural Sector Reorientation project, AID approval of the following is required:

1. Annual Operating Plans and Budgets (AOPBs). The Technical Committee will submit to AID by January 31 of each year after the first year of the project an Annual Operating Plan and Budget. The AOPB for the first year shall be submitted within 60 days of the signing of this amendment. The AOPB shall detail in a concise and logical manner the objective(s) of the project and of each activity within the project. For each activity specific outputs will be identified, the sub-activities required to produce the outputs will be described, and the inputs required will be identified and budgeted. The format for the structure and presentation of the AOPB will be developed jointly between AID and the Project Technical Committee. The AOPB will form the basis for project monitoring, reporting, budgeting, and disbursement requests and approvals. Annexes to the AOPB will include the following:

a. A Project Management and Monitoring Plan. This plan will describe how the Technical Directorate and its supporting Project Support Unit will use AOPBs, periodic priority reviews, periodic activity reviews, internal evaluations, audits, and other management processes to improve project effectiveness and coordination among activities and institutions.

b. Project Staffing Pattern. The Staffing Pattern will describe the staffing requirements of each activity. Each position will be described by a job description and qualifications statement. The staffing pattern will indicate which positions are permanent employee positions and which are filled by contracted employees. The funding source for each position will be indicated. A specific justification for all contracted positions is required.

c. Internal Training Plan. Where contracted personnel are used, a training plan that will enable permanent institutional employees to occupy those positions will be developed in each activity. Over a 24 month period, it is expected that virtually all project positions will be carried out by permanent institutional employees. Again, contracted positions after 24 months will require specific justification and approval.

d. Vehicle Use and Maintenance Plan. This plan will describe how the vehicles purchased with project funds will be used and maintained for project purposes. Appropriate procedures and log forms will be described to ensure that vehicles are used for project purposes, that they are available

for the priority field related activities of the project, and they are properly maintained. The project/activity budgets will include line items for maintenance, repair, and insurance.

e. Procurement Plan. The procurement plan will describe the annual procurement requirements of the project. It will indicate items, procurement mode, source of funds, budget, and required timing or periodicity of purchase. The plan will be developed jointly with the implementing agency with responsibility for the procurement.

f. Specific Interinstitutional Operating Agreements. Both the Crop and Livestock Reporting System and the Agroclimatic Impact Assessment require inter-institutional agreements. These agreements will describe the roles, responsibilities, objectives, and implementation process of each contributing agency.

B. The covenants and/or mutually agreed upon project outputs that will be subject to high level semester review and discussion between the implementing agencies and AID are the following:

1. The GOE covenants to appointment a full-time, qualified economist or agricultural economist as the Technical Director of the Policy Analysis Unit and to staff the PAU with appropriate and qualified personnel, as described in the approved staffing plan.

2. The GOE covenants to appointment a full-time, qualified economist or agricultural economist as the Project Coordinator.

3. The GOE covenants to establish the Technical Committee as the unit responsible for project implementation with the authority required to achieve implementation objectives. The Technical Committee will be composed by the six Technical Activity Managers. The Technical Committee will be assisted in its management and administrative functions by a small Project Support Unit.

4. The GOE covenants to develop and submit to the Frente Económico policy statements on agricultural price policy and public sector investment priorities for productivity growth in agriculture. Approximately one policy paper in each of the first two years of the project extension is anticipated. The GOE and AID will discuss and review the planning for the policy statements and the specific work scopes that describe each policy statement.

5. The GOE covenants to formally establish each project activity as an operational unit within its respective institution (if it is not already) with an appropriate budget line item. Further, the GOE covenants to provide the recurrent budgetary resources for personnel, operating costs, goods and services, and capital items required for the continued execution of each activity for three years after the end of this project.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title and Number: Agriculture Sector Reorientation 518-0051

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Goal:</u></p> <p>To enhance economic growth, provide a stable and low cost food supply, and improve export performance through increased reliance on private sector initiatives.</p>	<ol style="list-style-type: none"> 1. Aggregate production of 21 major commodities increased by 30% by 1995. 2. Rural income increased by 10% by 1995. 	<ol style="list-style-type: none"> 1. Official MAG production records. 2. National accounts and census/survey data on incomes. 	<ol style="list-style-type: none"> 1. Continued GOE support for production and market oriented development of agricultural sector. 2. Favorable weather conditions. 3. Favorable export market conditions for Ecuadorian agricultural products. 4. Increased GOE investment in agricultural research, extension and education.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Purpose:</u></p> <p>To realign agricultural sector policies to create a policy environment and set of incentives which promote increased production and productivity through reliance on market signals for resource allocation and private investment.</p>	<ol style="list-style-type: none"> 1. Reduced government intervention in pricing of agricultural commodities, as determined by the following: <ol style="list-style-type: none"> a. Number of agricultural commodities subject to price controls reduced from 16 to 3 by 1993. 2. Reduced government intervention in marketing of agricultural inputs, services, and products, as determined by the following: <ol style="list-style-type: none"> a. Among wholly government owned parastatals, 3 will have been reorganized, with significant reduction in their scope of activities. 	<ol style="list-style-type: none"> 1) MAG program documents 2) Evaluation 	<ol style="list-style-type: none"> 1. Political and social stability. 2. No significant change of GOE priorities during project life. 3. Relative economic stability.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	<p>3. Realignment of food subsidy policies and procedures with the objective of increasing efficiency (thereby reducing costs) of targeting low income consumers completed by 1993.</p>	<p>1) Project evaluation 2) GOE program documents</p>	
	<p>4. Realignment of structure of incentives for production of agricultural commodities, including: pricing, policies, credit and investment policies, and research and education priorities.</p>	<p>1) GOE program reporting documents 2) Project Evaluation</p>	

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENT I - POLICY FORMULATION AND IMPLEMENTATION			
1. Strengthen MAG Policy Formulation Capability			
a. Strengthen MAG Policy Formulation Capability.	a1) PAU unit officially reorganized a2) Permanent staff positions in place a3) Unit included in budget a4) Funding for outside staff budgeted for 1991.	a1) MAG official organization chart a2) MAG approved staffing plan a3) MAG budget a4) MAG budget	
b. PAU functional.	b1) 24 situation and outlook reports. 12 analyses of natural resources and inputs and 3 in depth studies. (ACPDs) completed by PAU. b2) A PAU briefing for the Minister and subsecretaries is conducted at least once a month. b3) PAU receives 30-40 requests for problem analysis from upper Ministry management per year by second year of extension. b4) Calendar of anticipated events is published annually and distributed to MAG management.	b1a) Copies of completed studies b2a) Quarterly reports b2b) Minister's schedule b3a) Quarterly reports b3b) Written requests/memos b3c) PAU work log b4a) Copy of distributed calendar	

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
c. Staff trained and capable of independent analysis	c1) At least two workshops held each year. c2) ACPDs, analyses and situation and outlook reports completed with minimal technical assistance by end of second year of project extension.	c1) Quarterly reports c2a) T.A. schedule c2b) Eval. of analyses in 2nd and 3rd years	
d. Policy implementation plans completed	d1) Implementation plans completed for each policy adopted.	d1) Copies of implementation plans	
2. Strengthen Private Sector Policy Analysis Capability			
a. Agricultural Policy Institute Strengthened.	a1) IDEA restructured a2) Staff hired a3) Activities budgeted a4) Adequate financing secured by EOP to assure continued operation	a1) IDEA budget and records	1. Successful fundraising effort is launched and sustained.
b. Policy issues analyzed	b1) No less than 3 studies completed each year	b1a) IDEA records, b1b) Quarterly reports b1c) Copies of studies	
c. Public interest in and knowledge of agricultural policy stimulated.	c1) One essay contest held each year.	c1a) Newspapers c1b) Copy of announcement	

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
d. Private Sector	c2) No fewer than two major forums/workshops held each year with minimum attendance of 50 persons at each.	c2a) Quarterly reports c2b) Copies of proceedings c2c) Attendance lists	
	c3) No fewer than two guest lecturer presentations held each year.	c3a) Quarterly reports c3b) Disbursements c3c) Announcement of presentations	
	c4) All reports, studies, research papers, essays and proceedings sponsored by IDEA publicized and disseminated.	c4) Copies of reports	
	d1) Three scholarships awarded and recipients work on Ecuador policy analysis for thesis and return to work for IDEA after completion of degree work.	d1a) Quarterly reports d1b) Disbursements d1c) Copies of thesis d1d) Evaluation	
	d2) No less than 80% of studies financed performed wholly or in part by in-country Ecuadorian professionals.	d2a) Copy of reports d2b) Disbursements d2c) Contracts	
	d3) Survey of existing policy analysis capability completed.	d3) Copy of survey	
	d4) Policy library enhanced.	d4) Consultant reports Site visits	

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
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COMPONENT II - AGRICULTURAL INFORMATION SYSTEM DEVELOPMENT

1. Market News Reporting System

System Established

- | | |
|---|---|
| a1) Market news unit formally established within the Subsecretariat for marketing, staff officially transferred to unit, and budget included in MAG budget. | a1) MAG budget |
| a2) Board of Users appointed by Minister and through regular meetings takes active role in design and use of system. | a2) Minutes of meetings |
| a3) Procedures and data forms enhanced. | a3) Copy of procedure statement and forms |
| a4) Additional market reporters trained and stationed at markets. | a4) Quarterly reports |
| a5) Market news reported daily from markets. | a5) Daily info log |
| a6) Market news unit widely disseminates daily, weekly, and semi-weekly reports through written and broadcast media. | a6) Copy of media records |

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	a7) Systematic reporting on at least 12 commodities by EOP	a7) Market news reports	
2. Crop and Livestock Reporting			
a. CLRB reorganized	a1) CLRB formally created in Information Directorate, staff transferred, budget included in MAG budget.	a1) MAG budget	
	a2) Information sharing agreement signed between MAG and INEC.	a2) Copy of agreement	
b. Reporting system improved	b1) Commodity survey instruments enhanced.	b1) Survey instruments	
	b2) Sample frames for each commodity improved.	b2) Unit files	
	b3) Staff trained in use of instruments.	b3a) Quarterly reports b3b) Evaluation	
	b4) Surveys scheduled and logistical arrangements made.	b4a) Schedules, evaluation b4b) Evaluation	
	b5) Information transferred from INEC to CLRB within ten weeks of survey start.	b5) CLRB records	

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	b6) Systematic reporting on at least 12 commodities by EOP.	b6) Market news reports	
	b7) CLRB disseminates national totals within one week of receipt of INEC information.	b7) National media, CLRB documents	
	b8) Schedule developed and met for dissemination of survey information.	b8) Schedule	
	b9) Procedures developed for information dissemination	b9) CLRB files	
	b10) 19 commodities included in reporting system by EOP	b10) Evaluation	
6. Agroclimatic Impact Assessment System			
INAHMI system improved	a1) Number of monitoring stations increased to 75 by EOP	a1) Quarterly reports	
	a2) 8 phenological studies completed.	a2) Quarterly reports	

(1455M)

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
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Inputs:

(U.S. \$000)

	<u>G</u>	U.S. <u>L</u>	<u>GOE</u>	<u>IDEA</u>
Technical Assistance	6,843		390	
Training and Scholarships	1,029	278	50	180
Computer Equipment		690		15
Other Equipment			30	
Publications		300	25	100
Workshops Etc.	257			97
Administrative Support and Supplies and Salaries	621		2,677	256
Vehicles			90	
Evaluation	330			
Coordination	878			
Contingencies	<u>742</u>			
	10,700	1,400	4,170	861

(1455M)

DISTRIBUTION OF AID FUNDS (US\$)
Illustrative Budget

ANNEX B

ITEM	YEAR 1	YEAR 2	YEAR 3	TOTAL
I. Policy Analysis & Dialogue				
1. <u>Policy Analysis Unit</u>				
a. Training	11,000	11,000	11,000	33,000
b. Technical Assistance				
Long Term	84,568	84,568	0	169,136
Short Term	45,000	47,250	49,614	141,864
Subtotal	140,568	142,818	60,614	344,000
II. Agric. Information System				
2. <u>Market News Service</u>				
a. Training	6,000	6,000	6,000	18,000
b. Technical Assistance				
Short Term	15,625	16,375	0	32,000
Subtotal	21,625	22,375	6,000	50,000
3. <u>Crop and Livestock Reporting System</u>				
INEC				
a. Training	32,000	36,625	16,000	84,625
b. Technical Assistance				
Short Term	97,249	101,000	33,076	231,325
DE/MAG				
c. Training	11,000	11,000	11,000	33,000
d. Technical Assistance				
Short Term	15,000	15,750	8,000	38,750
Subtotal	155,249	164,375	68,076	387,700
4. <u>Agroclimatic Impact Assess</u>				
MAG				
a. Operating Costs	30,000	30,000	15,000	75,000
b. Training	11,000	11,000	11,000	33,000
c. Technical Assistance				
Short Term	75,000	78,500	24,806	178,306
INAHMI				
d. Training	9,330	9,330	9,334	27,994
Subtotal	125,330	128,830	60,140	314,300

ITEM	YEAR 1	YEAR 2	YEAR 3	TOTAL
<u>5. Project Mgmt. & Admin.</u>				
a. Coordinator	165,000	173,250	0	338,250
b. Technical Assistance				
Short Term	15,000	15,750	0	30,750
c. Evaluation	0	0	60,000	60,000
Subtotal	180,000	189,000	60,000	429,000
GRAND TOTAL	622,772	647,398	254,830	1,525,000

FINANCIAL PLAN FOR THE EXTENSION PERIOD -- PROJECT 518-0051
PLAN FINANCIERO PARA EL PERIODO DE LA EXTENSION DEL PROYECTO 518-0051
 (U.S. DOLS. 000)

ACTIVITIES/ACTIVIDADES	--- Funds To Be Added During Extension --- --- Fondos Que Se Aumentarán Durante La Extensión ---		
	AID	GOE	PL-480
1. Immediate Policy Agenda Plan de Políticas Inmediatas	0	0	0
2. Strengthen Policy Capacity in MAG Fortalecer la Capacidad para establecer Políticas en el MAG	344.0	402.6	221.0
3. Policy Analyses Private Sector Análisis Politiacas Sector Privado	1,775.0 *	0	0
4. Market News System Sistema de Información de Mercado	50.0	569.0	120.0
5. Crop & Livestock Data Datos sobre Cosechas y Ganaderia	387.7	363.0	127.5
6. Agroclimatic Data Datos Agroclimáticos	314.3	328.6	128.6
7. Computer Systems Sistemas de Computación	0	393.3	189.7
8. Project Coordinator Coordinador del Proyecto	338.3	0	0
9. Evaluations/Audits Evaluaciones/Auditorías	60.0	0	0
10. Contingencies Contingencias	0	575.3	273.4
11. Project Man. & Fin. Adminis. Direc. Proyecto y Admin. Finan.	30.7	203.0	229.6
TOTAL	3,300.0	2,835.2	1,289.9

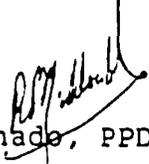
* Funded under a separate Cooperative Agreement with IDEA.
 Financiado dentro de un Convenio Cooperativo separado con IDEA

TOTAL DISTRIBUTION OF AID FUNDS. PROJECT 518-0051
 DISTRIBUCION TOTAL DE FONDOS DE LA AID, PROYECTO 518-0051
 (U.S. DOLS. 000)

ACTIVITIES/ACTIVIDADES	Prior Oblig.	---GRANT--- Current Oblig.	Total Oblig.	---LOAN--- Total Oblig.
1. Immediate Policy Agenda Plan de Políticas Inmediatas	1,292.5	0	1,292.5	0
2. Strengthen Policy Capacity in MAG Fortalecer la Capacidad para establecer Políticas en el MAG	1,289.8	80.0	1,369.8	6.0
3. Policy Analyses Private Sector Análisis Políticas Sector Privado	2,194.0 *	0	2,194.0	0
4. Market News System Sistema de Información de Mercado	373.0	10.0	383.0	33.0
5. Crop & Livestock Data Datos sobre Cosechas y Ganadería	1,027.0	60.0	1,087.0	25.0
6. Agroclimatic Data Datos Agroclimáticos	457.5	50.0	507.5	336.0
7. Computer Systems Sistemas de Computación	472.0	0	472.0	000.0
8. Project Coordinator Coordinador del Proyecto	681.5	125.0	806.5	0
9. Evaluations/Audits Evaluaciones/Auditorías	87.7	0	87.7	0
10. Contingencies Contingencias	0	0	0	0
11. Project Man. & Fin. Adminis. Direc. Proyecto y Admin. Finan.	0	0	0	0
TOTAL	7,875.0	325.0	8,200.0	1,400.0

* Includes US\$475,000 obligated to IDEA under a separate Cooperative Agreement with IDEA.
 Incluye US\$475,000 asignados dentro de un convenio Cooperativo separado con IDEA

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

Date: April 4 , 1990 
From: Patricio Maldonado, PPD
Subject: Agricultural Sector Reorientation Project
(518-0051) - Project Amendment Approval

PROBLEM

Your approval is required (1) to amend the project authorization in order to extend the life-of-project three years to July 31, 1993 and (2) to execute a Cooperative Agreement in the amount of US\$1.775 million with the Instit de Estrategias Agropecuarias (Fundación IDEA).

BACKGROUNDThe Agricultural Sector Reorientation Project:

Under the bilateral agreement with the GOE for the Agricult Sector Reorientation Project, AID signed a sub-agreement wi Fundación Ciencia to create an Agricultural Policy Institut (API) for implementation of Activity 3 of the project. Activity three involves creating policy analysis and dialog capability in the private sector. In February 1988, the AP separated from Fundación Ciencia to form the independent, non-profit, Fundación IDEA. In January 1989, AID signed a sub-grant with IDEA for US\$349,580. The purpose of the sub-grant is to strengthen the private sector's capability define and analyze agricultural policies, to promote dialog to formulate strategies for agricultural policy and marketi to improve knowledge of the sector through detailed studies pertinent topics and subsequent widespread diffusion of the results, and to train professionals who will help orient th private sector towards developing Ecuador's agriculture. T sub-grant expires July 30, 1990.

Activity 3 with IDEA progressed under the leadership of an Executive Director, a Technical Director, and a small administrative support unit.

More recently, IDEA has hired an Ecuadorian Ph.D. agricultu economist (who received his PhD from Michigan State Univers under an IDEA/AID scholarship) to direct its program in marketing and prices, is providing facilities for a second Ph.D. candidate to conduct his dissertation research

in-country, and currently has one Masters Degree student completing his coursework in Michigan. Prior to the contracting of the Ecuadorian agricultural economist in June, 1989, all IDEA studies were conducted by contracted consultants. There have been more than 20 such studies, focussing on marketing, agricultural inputs, conservation and management of fragile lands, cacao production and marketing, non-traditional agricultural exports, and the problems of low income families. To date, a significant amount of work has been accomplished towards understanding and quantifying the relationships among agricultural sector policies, fiscal policies, and macroeconomic policies, largely based on the work of Green, Scobie, and Whitaker -- consultants providing technical assistance under the Project.

Principal accomplishments include:

- The construction of a comprehensive and consistent data base;
- Documentation and quantification of the complex exchange rate and trade policy regime;
- Construction of a seven-sector model for agricultural policy analysis based on national income accounts and the country input-output matrix; and
- Computation of levels of nominal, effective, and true effective protection rates.

Evaluation:

A major evaluation of the Agricultural Sector Reorientation Project, including Activity 3, took place in March 1989. The evaluation concluded that IDEA has made a good, and in some ways even impressive, beginning. It has gained a reputation as an impartial, technical, and independent source for the analysis and debate of agricultural issues; provided technical support to the public sector on critical issues; and has promoted a series of studies, seminars, and publications that is credible and has been well received by both the private and public sectors. According to the evaluation, while these accomplishments represent a rapid and promising beginning, the future development, sustainability, and effectiveness of IDEA will require resolution of issues regarding program focus, technical capability, financial sustainability, and administrative structure. The evaluation found the program focus to be diluted - the scope of activities was too broad, and too much emphasis was given to pilot projects as opposed to policy analysis. The technical quality of the work done was reasonable, but tended to be descriptive/diagnostic in character as opposed to the analysis of policy options. The

evaluation found the financial sustainability of IDEA to be uncertain, in part because it provides a public service for which it would be counterproductive to charge its full development cost. Given the nature of its output - studies, analysis - it is not clear whether the private donation market will provide significant financial support. Hence, the administrative structure would need to evolve in line with the technical development to provide the support required to achieve an increased technical capability.

The evaluation recommended continued operational and endowment support to facilitate the technical and institutional development of IDEA but that this support be conditioned on staff professionalization, research program focus, development of productive relationships with policy making entities, and efforts towards financial sustainability. Specific recommendations include:

--Program focus should be narrowed to the areas of macroeconomics, prices and marketing, and natural resource policy. IDEA needs to achieve an identity as a policy analysis entity and this requires some degree of specialization. A long term work plan, directed towards key agricultural policy issues is essential.

--The technical quality and nature of the analysis and studies undertaken needs to be upgraded and focussed on the analysis of alternative policies. An in-house professional capacity is required as well as continued technical assistance to enhance technical quality.

--The real financial constraints and potentials need to be analyzed and a financial plan developed and adhered to over the planning horizon.

Mission Response:

Based on the findings and recommendations of the evaluation, IDEA presented a revised three-year program proposal to AID. The Mission believes that the Project goal and purpose remain valid and vital to the future agricultural development of Ecuador. Given this continued need and the considerable progress made on the Agricultural Sector Reorientation Project to date, the Mission considers that there is ample justification for extending the Project and providing additional financial support; hence, a Project Paper Supplement (PPS) was prepared. The IDEA portion of the PPS, based on its program proposal, was reviewed in the Mission twice, revised by IDEA and subsequently approved on December 2, 1989. Due to crucial staffing and budgetary support issues which remain outstanding with the Ministry of Agriculture on the activities it is responsible for implementing, the Mission decided to

delay approval of the PPS and to move ahead separately with the IDEA portion.

DISCUSSION

Negotiations on IDEA's Proposal:

IDEA's initial proposal was submitted to the Mission on October 31, 1989. The proposed program laid out clear objectives and specific activities in support of those objectives. The program focus is tightly defined to emphasize three program areas: (a) agriculture in the macroeconomy, (b) price policy and grain marketing, (c) natural resource policy. While the proposal clearly and satisfactorily addressed the evaluation recommendations regarding program focus and technical capability, issues remained concerning IDEA's financial sustainability and its administrative structure. These were the issues on which the project review committee focussed in its meeting on November 15.

Cost and Scope of the Program. The initial proposal requested US\$3.32 million in grant funding and US\$658,170 in local currency support for a total of US\$4 million over three years. The proposed program was considered overly ambitious and doubts were raised about IDEA's commitment, administrative capacity to carry out the program, and its ability to sustain the proposed level of activity once project support ended. The committee recommended that the program be scaled back to a level which IDEA could reasonably be expected to sustain once AID support ended.

Financial Sustainability of IDEA. An additional issue debated at length was the financial sustainability of IDEA. The proposal made no mention of financial resources which IDEA could contribute to the effort, including the proceeds from investments made with its endowment of \$300,000 in PL 480 funds which it received in August 1989.

Administrative Structure of IDEA. The program was considered staff intensive in that it called for three full-time economists, two senior technical staff and an executive director. Since the current executive director of IDEA does not possess the requisite training and experience in agricultural economics and it was not likely nor necessarily desirable that he relinquish his position, the Mission emphasized that the revised proposal satisfactorily address this issue. The proposal included roles for IDEA's General Assembly, Board of Directors, Executive Director, Groups of "high level national/and or international advisors to serve as 'sounding boards'", Program Leaders, a Program Review Committee and Consultative Committees. Because the relationships, responsibilities and lines of authority were unclear, the

committee recommended that an organizational diagram of IDEA and position descriptions/qualifications be included.

In a meeting held in the Mission on November 20, 1989 with IDEA's Executive Director and professional staff, the Mission explained its issues and provided guidance on addressing them in a revised proposal. At that time, the Mission conveyed that no PL-480 local currency funds would be available to increase IDEA's endowment.

IDEA's Final Proposal:

IDEA's revised proposal submitted on November 28, 1989 addressed Mission concerns. The Mission accepted and approved the proposal conditioned on further discussions with IDEA's Board of Directors to ensure that they were fully cognizant and in agreement with the details of the proposal. This meeting took place on December 7, 1989. As a further measure to ensure that IDEA remains committed to a policy analysis focus, the Mission decided that the current grant agreement with IDEA should be replaced with a Cooperative Agreement. As such, under the proposed program to be carried out under the Cooperative Agreement, the role of IDEA will be to:

-Contribute to public and private understanding of policy issues through the investigation and analysis of the impact of sectoral and macroeconomic policies on agricultural output, resource use, income, employment, and sector growth. Policy analysis will focus on constructing a comprehensive, quantitative analytical framework for analysis of the impact of macroeconomic, trade, exchange rate, fiscal, and commercial policies on sector performance as measured by agricultural production, household incomes, relative prices and food consumption. Appendix 1-A of IDEA's proposal includes an illustrative description of the research programs. ¶

-Identify and propose specific policy reform initiatives designed to improve resource use efficiency and sector performance based on policy analysis and research in the areas of agricultural and natural resource policy.

-Present policy alternatives and facilitate the development of a consensus among the entities involved in policy decision-making for the adoption of policy reform.

-Promote an informed dialogue among the diverse elements of the agricultural sector, both public and private, to discuss, promote, and evaluate the impact of policy reforms and their effects among different sectors and population groups.

-Promote, monitor, and evaluate the implementation of viable policy reforms in terms of improved sector performance and the management of natural resources.

-Promote the development of increased human resource capacity in agricultural economics and agricultural policy analysis.

The specific objectives of the three year program are to:

-Strengthen IDEA as a specialized, scientific, professional policy research institute capable of filling the role described above through the development, execution, and dissemination of high quality, relevant and useful applied policy research.

-Establish an institutional home and appropriate facilities for the conduct of applied policy research.

-Develop a core staff of applied policy analysts and researchers in the critical problem areas confronting the Ecuadorian agricultural sector--intersectoral relationships, marketing and prices, and natural resources.

-Establish national and international institutional, financial, and technical support linkages required to sponsor, assist, and evaluate the applied policy research program.

-Establish productive relationships with key public and private sector institutions involved in the formulation, debate, and execution of macroeconomic and agricultural sector policy.

-Seek opportunities to enhance the development of human resources in agricultural economics through the provision of scholarships for study abroad, research support in local universities, and establishment of relationships with local and external universities to promote increased and improved education and research in agricultural economics.

In order to attain the objectives described above, the IDEA professional staff will be restructured to include an Executive Director and three highly qualified policy analysts, one in each program area: macroeconomics, marketing and prices, and natural resources. One of the analysts will serve as Technical Director for IDEA, responsible for coordinating the preparation of the research programs, annual work plans, and assuring the technical quality and relevance of the research program. Through external technical assistance, a Senior Policy Advisor will be provided to work half-time at IDEA, principally on macroeconomic and marketing studies. A Joint Career Corps Natural Resources Economist also will be housed at IDEA and contribute to the Natural Resources Policy Research Program. The Executive Director will concentrate on institutional development issues, including expansion of the IDEA Assembly, creation of the Consultative Committees, and endowment fund raising. The roles and responsibilities of the Executive Director and the Technical Director have been delineated clearly in the proposal to ensure a commitment to quality policy analysis. Maintenance of this policy analysis function

will be incorporated into the Cooperative Agreement between AID and IDEA. The Financial/Administrative Director will be responsible for planning, budgeting, accounting, procurement and overall administrative matters.

The Cooperative Agreement with IDEA will be in the amount of \$1,775,000 over the three-year extension. AID's resources will fund the long-term Senior Policy Advisor who will be housed at and work one-half time at IDEA, principally on macroeconomic and marketing studies; A Joint Career Corps Natural Resources Economist who also will be housed at IDEA and contribute to the Natural Resource Policy research program.

Funding will also be provided for 4 person-months of external technical assistance per year, locally contracted studies, administrative staff and support costs, local and international travel, one vehicle, office equipment, and microcomputers, library development, publications, policy fora and seminars, three scholarships for study abroad to the M.S. level, nine-person months of short-term training abroad, stipends for work/thesis support programs, and support of joint training programs in agricultural economics with local universities.

IDEA's counterpart over the three years will be US\$455,500. These funds will support policy fora and studies, administrative personnel, office facilities, thesis support and local travel. IDEA's contribution will be generated primarily from studies which they will be contracted to perform. It is expected that beginning in the second year of the Cooperative Agreement, IDEA will obtain contracts for 3 studies per year (one in each area) at approximately \$35,000 dollars per study.

IDEA COOPERATIVE AGREEMENT BUDGET (US\$)

Activities	YR 1	YR 2	YR 3	Total
<u>AID Grant Funds</u>				
1. Policy Studies/ Fora/ Publications	87,000	87,000	87,000	261,000
2. Administration & Technical Staff	139,000	127,000	134,000	400,000
3. Office Facilities/ Library	24,000	25,000	26,000	75,000
4. Scholarships/ Training	101,000	96,000	22,000	219,000
5. Thesis Support/ Instructors	20,000	20,000	20,000	60,000
6. Intl. Travel	10,000	10,000	10,000	30,000
7. Technical Assist.	319,575	325,425	66,000	711,000
8. Office Equip/ Supplies	19,000	0	0	19,000
AID Total	719,575	690,425	365,000	1,775,000

Activities	YR 1	YR 2	YR 3	Total
<u>IDEA Funds</u>				
1. Policy Studies/ Fora/	0	90,000	90,000	180,000
2. Personnel/ Office Facilities	54,000	59,000	59,000	172,000
3. Annual Forum & Seminars	0	25,000	27,000	52,000
4. Office Equipment/ Supplies	5,000	3,000	3,000	11,000
5. Local Travel	13,500	13,500	13,500	40,500
IDEA Total	72,500	190,500	192,500	455,500
Grand Total	790,000	880,925	557,500	2,228,425

Of the total \$1,775,000 in AID funds, \$475,000 will be obligated at this time to cover expenses until January 30, 1991. Revisions to the budget shall be made in accordance with the Standard Provision of the Agreement entitled, "Revision of Agreement Budget". The funds obligated with this Cooperative Agreement will be distributed as follows:

ESTIMATED BUDGET (US\$)

Cost Element	Obligated Amount	Est. Additional	Total Est Amount
1. Policy Studies/ Forums/ Publications	45,000	216,000	261,000
2. Administration & Technical Staff	100,000	300,000	400,000
3. Office Facilities/ Library	12,000	63,000	75,000
4. Scholarships/ Training	54,000	165,000	219,000
5. Thesis Support/ Instructors	10,000	50,000	60,000
6. Intl. Travel	0	30,000	30,000
7. Technical Assist.	235,000	473,000	711,000
8. Office Equip/ Supplies	19,000	0	19,000
AID Total	475,000	1,300,000	1,775,000

Special attention will be given to building IDEA's endowment fund. The earnings in dollars on the initial PL-480 grant of \$300,000 will not be used for project expenses but will be allowed to accumulate and compound over the three year project extension period. IDEA will establish an overhead fee for all of its activities funded from other sources which will contribute to the endowment fund. In addition, an Associates program will be established, charging annual dues to individual and firm participants. The development of new business and other fund-raising activities will be the direct responsibility of the Executive Director with the assistance of the Board of Directors.

To ensure that IDEA focuses on policy analysis and institution building objectives, the Cooperative Agreement will include the following Substantial Involvement Understandings:

1. The annual research programs in each of the three program areas will be developed and submitted to AID for review and approval prior to the disbursement of funds for implementation of the programs. The research programs will describe objectives, outputs, and resources required, including technical assistance.
2. IDEA's staffing plan, including the names of core professional staff funded under the Cooperative Agreement will be submitted to AID for approval. The staffing plan will describe positions, qualifications, contracting procedures, and salary policy.
3. Prior to the disbursement of of any funds under the Agreement after February 1, 1991 or to the issuance by AID of documentation pursuant to which disbursement will be made, IDEA shall, except as the Parties may agree in writing, furnish to AID in form and substance satisfactory to AID:
 - a. evidence that a thorough financial analysis has been conducted and that based on the analysis, a five year financial plan for strengthening its endowment and achieving financial sustainability has been elaborated. The financial plan will be submitted to AID for review and approval.
 - b. evidence that office facilities adequate for IDEA administration and management, the Technical Directorate, data processing and computational facilities, technical support, technical assistance, and library facilities have been secured.
4. Prior to the disbursement of of any funds under the Agreement after August 1, 1991 or to the issuance by AID of documentation pursuant to which disbursement will be made, IDEA shall, except as the Parties may agree in writing, furnish to AID in form and substance satisfactory to AID, evidence that

the targets established in 3a. above, the plan financial plan for strengthening its endowment and achieving financial sustainability, have been achieved.

5. AID shall review and approve all sub-agreements and sub-contracts made under this Cooperative Agreement prior to disbursement of funds for implementation of such activities.

6. IDEA shall submit for AID approval the design of a scholarship program that describes selection criteria and processes, establishes a selection committee, and describes the plan and procedures for advertising and application.

7. AID shall review and approve all candidates selected for overseas training activities prior to disbursement of funds for this purpose.

8. IDEA agrees, except as AID may otherwise agree in writing, that it will take actions to comply with any and all recommendations which may result from the pre-award audit.

By the end of the project extension, the following conditions will exist:

-IDEA will be restructured, strengthened administratively, technically, and financially and will have a reputation as a first rate, professional, policy research institution;

-At least six major studies will have been completed, and their findings widely disseminated;

-Six major fora/workshops will have been held with minimum attendance of 50 persons at each;

-Three professionals will be trained in agricultural economics at the Masters Degree level;

-IDEA's policy library will be enhanced; and

-IDEA will have a core staff of economists trained at the Ph.D. and M.S. levels capable of identifying and analyzing policy options and proposing policy reforms.

Monitoring and Evaluation:

Annual work plans which include the research program, thesis support, planned seminars, etc., will be prepared by IDEA and will be reviewed and approved by IDEA's Board of Directors and USAID/Ecuador. The Executive Director will be responsible for the overall management of the organization but concentrate his efforts on the institutional development of IDEA, delegating authority on administrative and technical matters to the Administrative/Financial Director and Technical Director, respectively. The Executive Director of IDEA will be

responsible for preparing regular reports summarizing expenditures, Project activities and problems, progress in meeting fund-raising targets, quarterly progress reports detailing expenditures, achievements, problems and plans and activities undertaken to meet fund-raising targets; as well as annual reports summarizing the year's progress, achievements, problems and plans.

Program Concurrence:

The New Project Description for the Agricultural Sector Reorientation Project was presented and reviewed in Washington along with the Mission's FY 1991-92 Action Plan. The Mission was delegated authority to approve the PPS and amend the authorization to extend the life-of-project an additional three years and increase grant funding by an additional \$3.3 million. Specific guidance provided by AID Washington included the following: (1) that the PPS clearly identify the specific accomplishments to be achieved during the extension period, (2) that the PPS discuss how activities will be sustained following termination of project funding and (3) that the Mission re-examine the need for a full-time PSC Project manager and project administration costs which totalled US\$720,000. With regard to IDEA, the first two points have been addressed elsewhere in this document. Further refinements to the PPS occurred following submission of the NPD. Management and administration costs consisting of a project coordinator for two years, an evaluation and short-term technical assistance in planning and management systems now total US\$431,500.

The proposal from IDEA, as originally presented and revised on the basis of meetings and correspondence between the technical office and the recipient, represents the PID- and PFD-like documents required by AID. As provided in Handbook 13.2B.3.d., competition for assistance awards is not required for follow-on assistance awards intended to continue or further develop an existing assistance relationship. The program to be supported by the Cooperative Agreement is the second phase of activities initiated under a previous assistance award, namely, Operational Program Grant (OPG) No. 518-0051-G-SS-9003-00 awarded to the Fundación Instituto de Estrategias Agropecuarias for implementation of Activity 3 of the Agricultural Sector Reorientation Project. In accordance with HB13.2B.4., this memorandum provides the justification of a noncompetitive award for review by the Regional Contracting Officer as the official grant officer. It should be further noted that, pursuant to HB13.2B.2.e., the requirement for competition is considered to be met when assistance awards are based on prescribed eligibility requirements and selection procedures for special assistance programs as in the case of Mission-funded Cooperative Agreements to registered private voluntary organizations for field programs such as the proposed Cooperative Agreement to IDEA.

The budget allowance has been received (STATE 070083). The Congressional Notification (CN) requirement for an initial obligation of up to \$800,000 expired on March 9th (STATE 078826). The initial obligation to be made via the Cooperative Agreement is within this level at \$475,000.

AUTHORITY

A New Project Description (NPD) was included in the Mission's FY91-92 Action Plan. Program concurrence was provided and authority to approve the project modifications was delegated to the field in STATE 076476.

Pursuant to Handbook 3, Ch13.D.3., modifications following PP approval must be documented for the files, with the type of documentation determined by the significance, scope and complexity of the proposed project modification. This Action Memorandum and the accompanying Project Authorization Amendment serve as documentation to the files of the proposed project modification.

RECOMMENDATION

That you sign (1) below indicating your approval, (2) the Project Authorization Amendment, and (3) the attached PIO/T requesting the Regional Contracting Officer (RCO) to negotiate a Cooperative Agreement with IDEA for implementation of the Project.

Approved: *F. Maldonado*
Disapproved: _____
Date: 4/9/90

Attachments:

- (1) Project Authorization Amendment
- (2) STATE 076476, Program Concurrence cable
- (3) STATE 078826, Congressional Notification information
- (4) IDEA Proposal

Clearances:

ANRO:FMaldonado (in draft) Date 3/27
 ANRO:DAlverson (in draft) Date 3/27
 ANRO:RPeters (in draft) Date 3/27
 RCO:JDunlap (in draft) Date 3/30
 RLA:ANewton (in draft) Date 3/28
 CONT:RGoughnour (in draft) Date 4/5
 DD:SSmith (in draft) Date 4/7/90

Drafted:PPD:DThomas:MT 3/12/90 (1603M)