PD-ABD-855

USAID/ECUADOR

FYs 93-94

PROGRAM OBJECTIVES DOCUMENT (POD)

AND

ACTION PLAN (AP)

PROGRAM OBJECTIVES DOCUMENT (POD)

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List of Acronyms

ANDE	National Association of Entrepreneurs
ANRO	Agriculture and Natural Resource Office
AOJ	Administration of Justice
AP	Action Plan
ARDN	Agriculture, Rural Development and Nutrition
AREEP	Agricultural Research, Education and Extension Project
ASDP	Agricultural Sector Development Program
ASRP	Agricultural Sector Reorientation Project
CAJ/FIU	Center for the Administration of Justice, Florida International University
CAPEL	Center for the Evaluation and Promotion of Elections
CARE	Cooperative for American Relief Everywhere
CGIAR	Consultative Group for International Agricultural Research
CLASP	Caribbean and Latin American Scholarship Program
CS	Child Survival
CUCI	Commercial Uniform Code of Industries
DA	Development Assistance
DGE	Disaggregated by Gender and Ethnicity
DI	Democratic Initiative
EAI	Enterprise for the Americas Initiative
EHR	Education and Human Resources
ELECT	Electoral Education and Civic Training
ESF	Economic Support Fund
ETIO	Export, Trade and Investment Office
FEDEXPOR	Federation of Ecuadorian Exporters
FFH	Financial Fund for Housing
FUNDAGRO	Foundation for Agricultural Research
GDO	General Development Office
GOE	Government of Ecuador
HCF	Health Care Finance
HEA	Health Account
HFPD	Health and Family Planning Division
IDB	Interamerican Development Bank
IDEA	Institute of Agricultural Studies
IESC	International Executive Service Corps
ILANUD	United Nations Latin American Institute for the Prevention of Crime and the Treatment of Offenders
INCAE	Central American Business Institute
INEC	National Institute of Statistics and Census
INIAP	National Agricultural Research Institute
M&E	Monitoring and Evaluation
MAG	Ministry of Agriculture
MSP	Ministry of Public Health
NSD-18	National Security Directive - 18

NTAE	Nontraditional Agricultural Exports
NTIE	Nontraditional Industrial Exports
NTX	Nontraditional Exports
OPG	Operational Program Grant
PN	Population and Nutrition
POD	Program Objectives Document
PPAS	Program Performance Assessment System
PPD	Program and Project Development
PSEE	Private Sector, Energy and Environment
RHUDO	Regional Housing and Urban Development Office
RTAC	Regional Technical Aid Center
SEC	Securities and Exchange Commission
SUBIR	Sustainable Uses for Biological Resources
USDA	United States Department of Agriculture
WASHED	Water and Sanitation for Ecuadorian Development

PROGRAM OBJECTIVES DOCUMENT (POD)

Section I

Introduction

PROGRAM OBJECTIVES DOCUMENT (POD)

SECTION I : INTRODUCTION

This POD/Action Plan culminates over a year's worth of effort on the part of USAID/Ecuador to consolidate the Mission Program under a new management framework. This effort, which we refer to us "The Ecuador Experiment", is consistent with recent Agency directions in management that places increased emphasis on concentrating resources in selected areas of priority program activity. The elements of USAID/Ecuador's new management approach are based on strategic planning principles which emphasize results-oriented management and accountability. The Mission has carried out an intensive process of focussing and defining objectives for the overall program, assigning management responsibility and designing new information systems to support the achievement of these objectives. We have developed consensus and a sense of commitment within the Mission and among our counterparts to the achievement of these objectives through the strategic planning process and the use of teams as a key element in the management system.

This process has been a profound and exhaustive one for all involved. USAID/Ecuador has set for itself a lofty goal and Mission staff have met the challenge with enthusiasm and dedication. The Mission aims to consolidate the portfolio around the areas of most significant program impact and to hold managers more accountable for systematically monitoring and reporting this impact. In addition to increased programmatic FOCUS, the mission also intends to achieve greater program INTEGRATION in order to maximize the use of Mission resources.

As a strategy to implement this experiment, the Mission has developed strategic objective (SO) teams which cut across the traditional management units of technical offices and involve key members of counterpart organizations. Several Mission and counterpart staff have membership on more than one SO team, which furthers the goal of sharing responsibility and coordinating activities which are naturally complementary to the achievement of the Mission's strategic objectives.

Another innovation is in the policy dialogue area. A sixth team, the policy reform team, parallels the five SO teams in managing the Mission's policy reform agenda, using a series of policy reform matrices developed by the team. This advances the goal of program integration using policy dialogue as a cross cutting and unifying activity for the Mission's overall program.

While none of this is entirely new to AID, the changes in the USAID/Ecuador program reflect an intensified commitment to achieve quality programming and measurable results. In preparing this year's POD/Action Plan, we are to some degree handicapped by this year's Bureau guidance which more serves the needs of missions just

beginning the strategic planning process than ours, whose efforts are more advanced. USAID/Ecuador already selected and described the rationale for our objectives for the next five years in last year's Action Plan. In this document, we present the same basic framework for the Mission's program with an outlook from now through 1997, with the modifications and refinements that have resulted from the past year's intensive efforts.

There is work still to be done, particularly in the area of our strategy for strengthening democratic institutions, and in developing indicators and designing information collection activities in other strategic areas. To a degree, the Mission views this POD/Action Plan as one which will be a "rolling design" for the future of USAID/Ecuador's program. For example, we are only now, after more than a year's work, beginning to understand the changing nature of information management that our new strategic management approach will impose on the Mission as well as on our counterparts. Resources will need to be reallocated and perhaps additional resources will be required, in order to fully implement a Program Performance Assessment System that delivers the right kind of information to the right level of management at the right time. However, we in USAID/Ecuador believe there is a good story to tell about our impact on the development of Ecuador, and we are committed to telling that story through creative management of people, resources and information.

Section II

Overview of the Environment for Development in Ecuador (FY-92 to FY-96

SECTION II : OVERVIEW OF THE ENVIRONMENT FOR DEVELOPMENT IN ECUADOR

Ecuador today is at a crossroads. The country's rapid economic growth, witnessed in the 1970s during the oil boom, simply could not be sustained. The significant economic distortions created, including the adoption of an import-substitution model with the government at the commanding heights, impeded the workings of a free market economy. Since then, successive civilian governments have been either unwilling or unable to liberalize the economy. The "gradualist" approach adopted by the present Borja government, which has locked the economy in annual inflation rates of 50%, has lost its momentum, although recent economic measures, some adopted to support an IMF Standby agreement, offer some promise.

Despite a modern veneer, Ecuador remains a poor country with a weak institutional base, heavily skewed income distribution and access to basic services, fragile democratic institutions, and a geographic cleavage that permeates all aspects of political and economic life. For us, forging a consensus for economic and social change, and strengthening basic, primarily private, institutions that provide equitable and sustainable access to services, presents both a formidable challenge and an opportunity. The timing is auspicious--the front-runners in the upcoming May presidential elections are firmly committed to a "fast-track" economic liberalization. Over the past year, we have established a unique credibility in economic policy issues that has led the major candidates to seek the USAID's assistance in formulating their economic and social programs. We anticipate having significant influence with the new government that belies our status as small donor but argues persuasively for increased funding levels.

We are optimistic about the future outlook for this country's economy. The wave of increased interest in free-market principles and in regional integration has certainly not escaped Ecuador. Important reforms with far-reaching implications have indeed been recently adopted. These include tariff reforms and the reduction of import prohibitions; tax reforms that should increase revenues; a new maquila law; the signing of the Trade and Investment Framework Agreement with the U.S.; increased interest rates that are now positive in real terms; labor reforms that reduce the power of the entrenched organized unions; and, a new foreign investment law that encourages direct foreign investment. New laws currently being presented to Congress include Export Facilitation, which will establish the "ventanilla unica", and a Monetary Regime law. However, we recognize that there is a wide chasm between the formal promulgation of legislation and the capability and willingness of bureaucratic agencies to implement effectively the new laws. Again, this is where USAID's challenge, as well as our capability as a donor agency, lies.

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Ecuador is now taking actions to come under the Andean Trade Preference Act and the Enterprise for the Americas Initiative (EAI), including the issue of resolution of the compensation to US owners of Guayaquil's expropriated electric company. Additional areas, however, must still be addressed. One of the major issues to be resolved is a renegotiation of Ecuador's very large commercial debt. External debt negotiations have thus far proven unsuccessful. With an IMF program and a Paris Club agreement now in place, negotiations for a partial debt buy-back have been renewed.

Oil revenues will decline during the next ten years as petroleum resources become depleted. Ecuador is just beginning to understand the need to promote an outward-oriented growth model. It must diversify its export base, and we are convinced it has demonstrated the potential to expand significantly exports of both agricultural and industrial nontraditional products. For this reason, establishing the policy and institutional basis for expansion of exports, trade and investment is a high Mission priority for the next decade. Although much has recently been accomplished on the policy front, much remains to be done. We have recently helped to create a new private sector foundation, the Fundacion Ecuador, as the lead institution promoting exports and investments in Ecuador. The Fundacion's Board of Directors is a very high-level, influential group that covers the country's geographic and political spectrum.

In our strategic planning exercise, we asked the question of why we should devote resources to increase small farm income. The answer was obvious. Agriculture remains the most important sector of Ecuador's economy and its contribution to the nation's economy will increase in the next decade as oil resources are depleted. Well-established USAID agricultural research, extension and education, as well as agricultural policy analysis programs that will be sustained in the future demonstrate the great potential for increases in small farmer production and productivity, introduction and expansion of agricultural products for export, and the creation of both on and off-farm employment. Agricultural development over the coming years will be vital to Ecuador's equitable economic growth.

After twelve consecutive years of civilian rule, Ecuador's democratic institutions remain very fragile. Unlike other Latin American democracies that often suffer from an unduly strong executive branch, Ecuador's legislature plays an inordinately strong, and frequently negative and highly partisan, role in shaping an effective economic and social program. Political parties are still weak, characterized by ill-defined ideologies, shifting allegiances and strong identification with a particular leader. The result has been a proliferation of parties with a populist orientation.

Section III

Strategic Objectives: Selection, Rationale, Implementation

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Two critical democratic institutions--the justice and electoral systems--must be improved and made more responsive to the public's needs if confidence in democracy is to be enhanced. Recent attitudinal surveys indicate that Ecuadorians have much greater confidence in relatively authoritarian institutions such as the military, than in civilian institutions. An assessment of the criminal justice system performed by CAJ/FIU and ILANUD documented the weakness in the criminal justice system. A number of working group meetings with public and private legal professionals have been held to create a constituency for change, and we are now preparing an AOJ strategy that reflects that consensus.

The Mission is justifiably proud of its achievements in the primarily private sector provision of quality family planning services. We will now concentrate our efforts over the longer term on making the institutions we have established financially sustainable when USAID assistance ends. Similarly, as we work with the public sector to make the delivery of basic health services more effective and efficient, our mandate is to create innovative fee for service health care financing models that address the need for quality and sustainable services.

While Ecuador has one of the greatest levels of biodiversity in the world, its natural resource base is eroding quickly. Over the next several years, we must not only slow the loss of this biodiversity, but also promote the non-destructive management of all resources in and around protected areas. Our work in this critical area has just begun with a consortium of NGOs, headed by CARE.

The recent pre-San Antonio narcotics summit meeting held in Quito served to heighten the interest of GOE officials in the problem of drug trafficking in Ecuador. Ecuador will continue to share with the U.S. the belief that illegal drugs must be controlled and their influence checked. The problem of Ecuador as a transshipment point for drugs and precursor chemicals and as a venue for money laundering is likely to become worse in the next several years. The institutions that are mandated to control drug trafficking are ill-equipped, often corrupt, and ineffective. Ecuador has requested a doubling of U.S. assistance to combat all levels of drug related activity. While we acknowledge funding limitations, we believe Ecuador deserves an allocation of NSD-18 antinarcotics resources.

To sum up, the nature of our program, as well as the way we do business, has changed and will continue to change during the next five to seven years. We are no longer in the "retail" business. We have focussed our program to concentrate our efforts in those areas in which our limited financial and staff resources will permit us to have a measurable impact. We have designed a quality program that focusses on a few key program objectives and a core portfolio that addresses these objectives. Recognizing the weakness of this country's public sector institutions, we will

continue to "privatize" our program, to nurture private organizations that offer more effective alternatives to public sector delivery of services and to choose our public sector activities selectively. Our program has become increasingly policy-based. Our challenge in the next five years is to build a sustainable consensus for policy change in Ecuador. While this is not an easy task, we believe we are uniquely poised to make a difference. Our long-term impact depends less on a large infusion of AID funds than our ability to stimulate and focus the policy debate. As a fairly small Mission, we believe innovative programming is essential to our success.

The following Section which presents the Mission's programs by means of SOs reflects our strategic plan to have a measurable, significant positive impact on Ecuadorian development.

SECTION III : STRATEGIC OBJECTIVES: SELECTION, RATIONALE, IMPLEMENTATION

A. Selection and Rationale

1. Strategic Objective # 1 (SO 1) **Increased trade and employment in nontraditional exports**

The choice of SO 1 is based on the Mission's perception of the weaknesses as well as the opportunities in the Ecuadorian economy. A paramount weakness is the economy's dependence on oil export revenues. Fifty percent (50%) of the GOE's budget comes from this source. Oil reserves are expected to be depleted early in the 21st century and, thus, it is vital for the long-term health of the country to develop alternative sources of revenue. The rest of the export sector is mostly based on two principal products, bananas and shrimp. Diversification of exports will help to offset fluctuations in the prices and export volumes of these commodities. Exports are extremely important given the small size of the Ecuadorian market.

In terms of opportunities, Ecuador will benefit through three mechanisms by developing the capacity to export: the Andean Free Trade Zone, the Andean Trade Preference Act and the Enterprise for the Americas Initiative. These opportunities have already prompted the GOE to adopt reforms to ease investment and improve regulations regarding exports. An example is the Export Facilitation Law which reduces the processing of export licenses from 3 to 4 weeks to less than 15 minutes. The Andean free trade zone will entail selected duty-free trade among Andean countries, from which Ecuador is likely to benefit especially in the agro-industrial area.

Finally, the Mission will continue working toward this SO to build on success. Last year, nontraditional exports increased by $30 million. As examples, the rise in flower exports alone was from $13 million to over $19 million; and after Colombia, Ecuador is the world's second largest exporter of passion fruit concentrate. On the industrial side, the response to some of the reforms has also been positive. In 1991, the number of Maquila operations grew from 4 to 22. USAID/Ecuador can take credit for these successes through our on-going projects and policy dialogue.

SO 1 is complementary to the Mission's other SOs. Projects under this SO will open up new income opportunities for small and medium farmers (SO 2), since many of the nontraditional exports are likely to come from agro-industry. Experience to

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date has shown that small farmers in Ecuador are highly involved in producing passion fruit, melon and other nontraditional products. This is in sharp contrast to Peru and Bolivia where many small farmers are involved in producing coca leaf. The SO 2 project activities will lead to increased employment and more disposable family income to purchase health care services (SO 3). Also, employment in nontraditional exports to date, such as in producing flowers, has especially benefitted women. Economic growth can help avoid discontent that threatens democracy (SO 4). Finally, creating employment and increasing exports from agro-industry will help arrest the expansion of the agricultural frontier into tropical forests by providing profitable alternatives to such expansion (SO 5).

The outlook for achieving this SO looks promising. The two leading political candidates for the presidency have voiced strong support for major trade reforms. Importantly, the private sector has shown a new dynamism and committed itself to actions for trade reform. There is coverage of some economic or trade reform in the media almost every day. In the recent dialogue with the public sector on the Export Facilitation Law, the Federation of Exporters (FEDEXPOR), the National Association of Businessmen (ANDE) and various chambers of commerce and industry vigorously lobbied with the GOE and Congress and were involved in redrafting and negotiating the law. AID recently brought in an expert on stock exchange development from the Securities and Exchange Commission whose recommendations were accepted by a private/public presidential commission and were incorporated in the Capital Markets Law which will be presented to the Congress in late March.

This initial experience in reforming legislation which affects free-markets will be expanded in the future to cover the overall legal, judicial and regulatory environment (LRJ).

2. <u>Strategic Objective # 2 (SO 2)</u> **Increased income on small and medium farms from selected commodities**

Since last year's Action Plan, the Mission has reviewed the rationale for and definition of SO 2. The rationale for this SO, rephrased as "Increased Income on Small and Medium Farms from Selected Commodities," remains as valid today as it was a year ago. If achieved, the SO will contribute to the LAC Bureau Objective of broad-based, sustainable economic development and to the Bureau Sub-Objectives of increased economic opportunities for the economically disadvantaged, and a vigorous private sector response.

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Why should the Mission have a strategic objective focused on agriculture and increased farm income among smaller farmers at a time of diminishing Agency resources and the concomitant need to do fewer things and do them well? First, agriculture is still the most important sector of Ecuador's economy, accounting for 18 percent of GDP (24 percent of GDP including processed agricultural goods) in 1990 and 45 percent of employment in 1987. This contribution is likely to increase over the coming 10-15 years as the country's oil resources are depleted and the opening of Ecuador's economy (already in progress) to trade with other Andean countries and the rest of the world enables Ecuador to exploit its comparative advantage in agriculture. Growth in agriculture will benefit not only those involved in agricultural production but also agricultural processors, suppliers of agricultural equipment and inputs, providers of transportation, financial and other services, and producers of consumer goods whose products are purchased by rural people. In addition, as agricultural production and productivity increase, Ecuadorian consumers should benefit through stable or falling real prices of food. In short, agricultural development over the coming years will be vital to Ecuador's economic health.

Second, achievement of the SO will mean that some of Ecuador's poorest people, including women, will benefit. For example, activities focussing on dissemination of improved agricultural technologies to small farmers will take into account gender-specific roles in agricultural operations. Also, the potential for benefitting small farmers will be a criterion for selection of specific commodities to receive attention under the SO.

Third, achievement of the SO will contribute to other Mission SOs. Increased productivity of selected commodities (higher yields) will help take the pressure off biologically diverse forested areas by increasing production on already cultivated lands (SO 5). In addition, increased production and productivity should lead to enhanced exports of some commodities as well as greater employment opportunities derived from such exports (SO 1).

The wording of SO 2 was arrived at after careful consideration. The SO team chose to emphasize changes in income, recognizing that income is difficult to measure, because income is a better indicator of changes in the well-being of people than, say, production or productivity. Small and medium farmers rather than farmers in general are targeted in the SO to give prominence to equity. Selected commodities rather than all commodities are highlighted to recognize that the Mission will need to focus its resources in order to achieve impact, particularly in the technology area.

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In an effort to consolidate its agricultural portfolio and better focus its resources on SO 2, the Mission terminated its financing of the Land Titling Project in December 1991 following the completion of the pilot phase of this redesigned project. However, to ensure that AID investments in development of the improved rural land titling and registration system produced under the project are not lost, the Mission agreed to the temporary use of some food aid local currency to help establish a private, non-profit organization to provide technical assistance for the installation of the land titling system by local governments. In addition, the Agriculture Sector Reorientation Project will pick up the policy and legal work related to rural land markets.

All three of the projects through which activities are currently being carried out in support of SO 2 will terminate by the end of CY 1994. As discussed in the Action Plan accompanying this POD, a single new project beginning in FY 93 is proposed to replace these projects while maintaining the policy and technology-related activities necessary to achieve our program outputs and SO. The portfolio will be further consolidated within a couple of years.

3. Strategic Objective # 3 (SO 3) **Increased use, effectiveness, and sustainability of family planning and selected health services**

The recent public attention placed on issues facing the health care system indicate that many key leaders understand the need for a modification, if not an end to, traditional state-dominated provision of free health services. Recognizing the political sensitivity of the issue, USAID and public and private sector institutions must now address the following questions: what are the politically and financially viable alternatives; what are the equity and efficiency implications; and, what are the cost-effective implementation mechanisms that can make these alternatives work?

The Mission's governing assumption is that, in order to achieve the broader goal of reducing infant and maternal mortality, critical changes must occur in the way health care resources are generated and distributed. Thus USAID begins with a slight modification of the strategic objective stated in last year's Action Plan, focussing on selected health services rather than the Ministry of Health's (MOH) organizational definition of "maternal and child health". The Mission's continued emphasis on maternal and child health is

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evident from the selection of program performance indicators. Nevertheless, we will use this modification to the SO to demonstrate to the GOE the Mission's intention to concentrate on policy issues surrounding health care financing, and not limit our assistance strictly to the delivery of MOH services.

In the past year, the MOH has been hampered by the need to respond quickly to a severe cholera outbreak, a series of debilitating strikes, and reductions in budget allocations from the Ministry of Finance. Despite these constraints, there are reasons to believe the timing is auspicious for major changes in the health sector. The current Minister of Health has identified resource allocation, decentralization, and labor strife as the three most important impediments to an improved health care system. The efficacy of the present health financing (i.e. "no-fee") policy is being openly debated. The Minister has taken an important first step to "privatize" services by allowing two provincial hospitals to be managed by the private sector on an experimental basis. The individuals selected by the Presidential candidate front-runners as their potential Ministers of Health have already directly requested USAID assistance in devising new health care financing models, and we have held extensive discussions with them. In addition, the World Bank is designing a large Health Sector Credit which, if strongly conditioned on the adoption of fundamental policy and institutional changes, would greatly complement our efforts in the sector.

A lot has been accomplished in the past year in support of our objective of promoting the increased use and sustainability of family planning services. The private sector institutions which have pioneered the introduction of quality services in Latin America have formulated strategies that will ensure these organizations will endure when AID financing ends, without sacrificing quality or their mandate to expand services to the presently under-served rural and indigenous populations. Public and private sector providers formed an Information, Education, and Communication (IEC) Committee to coordinate activities. Perhaps most significantly, through the use of bilateral non-project assistance (NPA) with the Ministry of Finance, a number of policy and institutional changes are in process to ensure, inter alia, that: 1) sufficient resources are allocated to public sector agencies to provide quality services; 2) a population council composed of both the public and private sectors is established to formulate population policies; 3) the GOE procures contraceptive commodities with its own resources; and, 4) ties with the private sector for training, logistics, and other services are strengthened.

The USAID is responding to the health care financing policy issue with a new project planned for FY 94. The new Health

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Care Financing project will increase the sustainability of selected health services by improving efficiencies in the public sector and increasing the involvement of the private sector. Project design activities have already been initiated through the Child Survival Project with a focus on generating baseline data, supporting policy dialogue, and interacting with potential members of the next administration. Similarly, the USAID response includes health care finance on the Mission's policy agenda. Specifically, the issues to be addressed include greater participation by the private sector and reform of legal and regulatory constraints to enhanced private sector involvement in the provision of health services.

4. Strategic Objective # 4 (SO 4) **Improved responsiveness of selected democratic institutions with greater citizen participation**

While democracy is taking root in Ecuador, as evidenced by three free presidential elections since 1978, its existence is far from guaranteed. The institutions that uphold democracy through protection of citizens' rights, such as the justice and electoral systems, are weak. Opinion polls have revealed that Ecuadorians value strong, authoritarian institutions such as the military and have little confidence in the executive and legislative branches of government. Other South American countries have not been immune to anti-democratic forces, as demonstrated by coup attempts in Venezuela and Argentina. In reality, the political system is "laissez-faire" with only nominal democracy but no structures to guarantee citizens' rights or respond in a timely fashion to citizens' expressed preferences. Without this backbone, the democratic system could collapse.

In our previous SO, the objective was to "strengthen democratic institutions." We decided that this was both difficult to assess and perhaps not the best overall focus to guide the democratic initiative in Ecuador. Strong institutions may not necessarily be either responsive to the needs of the citizens nor have their legitimacy depend on broad participation. For that reason, the Mission decided to refine its SO to better reflect our interest in helping to make Ecuadorian institutions--primarily but not exclusively the justice and electoral systems--more responsive to citizens' needs. For us, "responsiveness" means that an institution strives to deliver a service equitably, effectively, efficiently, and sustainably. Citizens participate willingly because they believe the system is fair and credible. While we have admittedly established a high standard, we believe the new SO represents a significant accomplishment that is both achievable and within the

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manageable interest of the USAID. Another key to the SO is that the USAID plans to work with "selected institutions". Clearly, such a focus is necessary to order to achieve and measure our impact.

While this is a new area for the Mission, we have learned a great deal over the past year about how both the justice and electoral systems currently function, and the kind of fundamental changes that are required to improve them. In both areas, we have begun the process of creating a general awareness that reform is essential, and forging a consensus for change among opinion and policy leaders. An Administration of Criminal Justice Assessment, drafted by CAJ/FIU and ILANUD, gave us an extraordinary opportunity to present to the public a critical analysis of the justice sector with recommendations for structural changes. The document has served as a basis for continuing comprehensive dialogue among the legal community, in formal working group discussions in Quito and Guayaquil with the full participation and support of the President of the Supreme Court. The assessment will also guide our development of a strategy for working to improve the administration of justice in Ecuador, including justice relating to the trying of narcotics cases. In addition, we will sign a cooperative agreement with ILANUD to draft new codes in civil and criminal law.

We will focus our efforts on the "demand side", creating the basis for greater citizen participation in pressing claims for more responsive institutions, through our new Ecuadorian Development Scholarship Program (CLASP II) and our University Textbook Distribution Program (RTAC II). The idea is to equip actual and potential leaders with new skills and knowledge, as well as to expose them to democratic values and market-oriented economic theory, that will create a new and broader constituency for structural change of democratic institutions.

We recognize that there is some risk involved by taking a leadership role in a highly visible, political area. To some extent, the risk is attenuated by "internationalizing" our involvement, i.e. using respected international agencies (e.g. ILANUD, CAPEL) as implementing organizations.

5. Strategic Objective # 5 (SO 5) **Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas**

Ecuador has one of the highest concentrations of biological diversity in the world. It is uniquely rich in endemic species threatened by extinction. Many species have become

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extinct, and immediate action is needed if thousands more are not to become extinct in the next decade. Ecuador's unique concentration of ecological diversity, along with cultural diversity, in a very small area offers a special opportunity for developing creative solutions to a global problem. A recent publication lists ten biodiversity "hotspots" (limited to the lowland humid tropics) for the world and four for Latin America. Three of these hotspots fall at least partially in Ecuador and one entirely in Ecuador. If the "hotspots" did not exclude arid and upland areas, Ecuador would probably have three more.

In response to this situation, the Mission, in cooperation with environmental NGOs and the GOE, developed a natural resources strategy in 1990. The essence of the strategy is to address the problems underlying natural resources conservation, such as lack of economic opportunity and inappropriate policies, while also addressing the "symptoms" by assisting in managing natural forests.

In the strategic planning exercise undertaken by the Mission last year, the SO team decided that the challenge of protecting Ecuador's natural resource base and especially its wealth of flora and fauna was a worthy goal for the Mission. There are many reasons why: Ecuador's largely agricultural economy is dependent on its natural resources base; the diverse biological resources we protect now may be important to Ecuador's prosperity, as well as to humankind's well-being, in the future; the United States has well-trained individuals and environmental groups that give us a comparative advantage as a donor in this area; and USAID/Ecuador now has a project in place that may develop models for addressing the complex problem of biodiversity loss that could be applied in other countries.

In the past year, these basic motives for choosing this strategic objective have not changed and in fact there is even more reason for us to be working in this area. The GOE is showing more interest in environmental protection, Presidential elections scheduled in 1992 may produce an administration willing to adapt lessons learned from our activities, and our counterparts have embraced the strategic planning and performance evaluation process. In addition, Congress and environmental groups in the United States remain concerned that AID involve itself in the conservation of biological diversity per Sections 118 and 119 of the Foreign Assistance Act.

The Mission's medium-term strategy consists of four program outputs that are designed to bring improvement in socioeconomic conditions in ways which improve the state of resource management and therefore ease pressure on

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biodiversity resulting from the continued expansion of the agricultural frontier. This success depends on the assumption that the pathway to non-destructive resource management can be compatible with high diversity, and can increase incomes for local residents. The SO tree assumes that selected activities will bring about an increase in the land area under non-destructive management practices, and that biodiversity will not be lost in any significant amount. This assumption will be constantly tested and the knowledge gained will be valuable for the Mission's natural resources portfolio.

Policy dialogue will continue to be an important element of our strategic objective. The Mission is about to bring to closure its assessment of the policy constraints impeding effective stewardship of natural resources, and will actively promote the findings in policy dialogue activities with both the public and private sectors.

6. Policy Dialogue Agenda

USAID/Ecuador considers its policy dialogue activities to be of prime importance. As the overview to this document notes, Ecuador pursued a non-sustainable, import-substitution strategy for a decade, a strategy supported by a web of legal and regulatory restrictions that in the end led to stagnation. Clearing away the web in order to free private initiative is vital to achieving sustainable, broadly-based economic growth.

In establishing the policy reform agenda for the medium term, the Mission has utilized information obtained from high-level dialogue with the public and private sector bodies who are charged with making policy and who will further promote the reform process in the future. As a result, despite the transition year due to presidential elections and the new government taking office on August 10, 1992, the Mission views its policy reform agenda as reasonably fixed for the next five to seven years.

The Mission's policy reform agenda is expressed in policy reform matrices for the five strategic objectives and in the general policy reform matrix. At the center of the agenda are the structural reforms necessary to foster an aggressive pursuit of increased trade and investment supportive of President Bush's Enterprise for the Americas Initiative (EAI) and approval for the Andean Trade Preference Act. The matrix approach has been useful in helping the Mission identify common thrusts in policy reform among its five strategic objectives.

There has been significant progress in breaking away from Ecuador's import substitution model and its associated price

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controls and price distortions. The Mission has actually had an impact by participating in preparing reform laws already approved, or in the process of being approved, in Congress. Under SO 1, Trade and Investment Project personnel participated in the efforts to reform the outdated 1938 Labor Code which discouraged business investment; in setting up a one-stop shop ventanilla única at the Central Bank; and in the drafting and presentation to the Ecuadorian Congress of an Export Facilitation Law designed to expedite the exporting process. Activities under the Agricultural Sector Reorientation Project are breaking down the "myth" of agrarian reform by making public research findings which show negative effects on agricultural production. Under SO 4, the CAPEL/ELECT Project is supporting the GOE's efforts to improve the 1992 presidential election process. Under the general policy reform objective, the Policy Dialogue Support Project has provided technical assistance for improving the draft of the Monetary Reform Law and promoted delicate public-private sector negotiations toward reaching a consensus.

B. Implementation Strategy

This section will provide a brief overview of each strategic objective in terms of the activities that will contribute to each. A much more detailed description of the strategic objectives can be found in the Action Plan, Section IA, Refinements in Strategic Objectives/Performance Indicators.

1. SO 1

The SO, its program outputs and supporting projects comprise a well-coordinated effort to increase trade and employment in nontraditional exports. The outputs are: 1) Greater product diversification in nontraditional exports; 2) Increase in investment in nontraditional export industries; 3) Improvement in the trade and investment climate; and, 4) Increase in foreign exchange earnings from tourism. Projects and their activities in support of these program outputs are described below. By 1994, USAID will consolidate the trade and investment activities into two projects, the Trade and Investment Project (T&I) (518-0094) and the Trade Policy Reform Program (TRP) (518-0110). Activities currently carried out under the Nontraditional Agricultural Export Project (NTAE) (518-0019) will be folded into the T&I Project.

The Nontraditional Agricultural Export Project (NTAE-518-0019) and the Trade and Investment Project (T&I-518-0094) will contribute to PO 1, by diversifying agricultural and industrial exports and by increasing production. Activities

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include: technology transfer in production, processing and marketing; promotion efforts, including participation in fairs and a market information service; enhancement of quality control; and stimulation of provision of export services by private firms and training in export marketing.

Toward PO 2, T & I Project activities as conducted by International Executive Service Corps (IESC) and the Fundación Ecuador include: the development of an Ecuadorian capability in investment promotion; privatization and capital markets development; promotion of joint ventures; IESC technical assistance and use of investors' network; and, production of informational material and training.

Under the T&I Project, the Fundación Ecuador will be coordinating the private sector's policy reform effort with the GOE in order to improve the trade and investment climate, the third program output of SO 1. Areas to be addressed will be: exchange rate liberalization, elimination of trade restrictions, implementation of privatization and a capital markets law, tariff reform, implementation of maquila/free zone laws, improvement of the labor code, opening up competition in transportation, reforming laws related to foreign investment, and streamlining procedures which regulate trade. The Trade Policy Reform Program will complement these efforts by providing technical assistance to the GOE in reform areas and dollar disbursements for achieving policy conditionality. Local currency will fund both private and public sector trade and investment-related activities.

The T &I Project will also include activities to promote tourism to Ecuador. Historical/cultural, adventure, and eco-tourism, as well as investment in tourism infrastructure will be promoted, taking into account environmental and other concerns. Problems discouraging tourism, such as robberies in historical, Quito will be addressed.

2. SO 2

The two principal projects under SO 2 are generating a series of activities directly supportive of the following program outputs: 1) reduced distortions in priority markets; and 2) increased efficiency of production and processing of selected commodities.

The Agricultural Sector Reorientation Project (518-0051) (ASRP) currently contributes to the first program output. The ASRP seeks to institutionalize a sustainable capacity for agricultural policy analysis in both the public and private sectors. In the public sector, the emphasis is on the

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analysis and reporting of crop projections and commodity, including sector performance analysis, in order to improve short-term policy analysis and decision-making by the Ministry of Agriculture and farmers. In the private sector, the emphasis is on policy studies and dialogue leading towards policy reforms, through an Ecuadorian think tank called IDEA. A cooperative relationship has been established between the MAG and IDEA in pursuit of improved agricultural policies, with IDEA providing policy analysis in such areas as trade liberatization and grain marketing. The Mission intends to encourage the continuation of this relationship.

The Research, Extension and Education Project (518-0068) (REEP) contributes to the second program output by attempting to institutionalize FUNDAGRO as an NGO capable of serving as a catalyst in the establishment and operation of an improved agricultural research, extension, and education system. During its short existence, FUNDAGRO has already become a force in Ecuadorian agriculture, stimulating development and transfer of more productive technologies to small farmers through collaborative arrangements with many different Ecuadorian and international REE Organizations.

The ASRP, REEP, and the Agricultural Education Projects are also helping to improve Ecuador's pool of well-trained professionals and agricultural policy and scientific agriculture. Meeting this need is crucial to attaining the SO and its program outputs.

As these projects are completed, a new project, the Agricultural Sector Development Project, will continue to fund similar activities allowing the program outputs and SO to be achieved.

3. <u>SO 3</u>

All of the projects that contribute to SO 3 will provide inputs to the following three program outputs: 1) increased number of users of family planning and selected health services; 2) improved policy and institutional environment for long term sustainability of family planning and selected health services; and 3) effective utilization and improved quality of family planning and selected health services. Activities in support of these program outputs are described below under the category of their respective Project titles. The purpose of the Health and Family Planning Project (518-0084) is to increase the use, effectiveness, and sustainability of family planning services in Ecuador. It will address all three program outputs by strengthening family planning NGOs in order to improve their institutional sustainability, by promoting reform in the public sector,

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especially of policy and resource allocation, and by improving communications in order to expand service delivery to specific target sub-groups that have exhibited high levels of unmet demand or are of high health risk.

The Child Survival and Health Project (518-0071) will improve the effectiveness of child survival programs in eight provinces with the greatest potential for infant mortality reductions so as to reduce neonatal mortality as well as rural/urban mortality differentials. The Project contributes to the first and second program outputs through improved logistics and training and decentralized management in the public sector and through financing of selected private sector initiatives in health financing.

The purpose of the Water and Sanitation for Health Project (518-0081) is to strengthen the Ecuadorian Institute of Sanitary Works' capability to assist rural communities in eight provinces to: 1) install cost effective, technologically appropriate safe water supply systems; 2) use the water and latrines to improve family health status; and 3) maintain and improve the system in the future. Thus, it contributes to program outputs 2 and 3.

4. <u>SO 4</u>

With the authorization of a new Strengthening Democratic Institutions Project in FY 93, and in addition to ongoing projects of an educational nature (the RTAC and CLASP Projects), SO 4 project activities will support the achievement of the following program outputs: 1) Improved operation of the justice system, and 2) Leaders and potential leaders equipped with and applying new skills and knowledge. Project activities leading to achievement of the third program output of SO 4, the improved operation of the electoral process, are currently set to end in July 1992 but with the possibility of being extended further if the Mission feels the results of the first phase warrant continuation.

Toward the first program output, the Mission is initially funding a small project to be undertaken by the United Nations Latin American Institute for the Prevention of Crime and the Treatment of Offenders (ILANUD). The Administration of Justice Project (518-0115) will result in drafts of proposed new civil and criminal codes and procedures, including those that relate to narcotics cases. These drafts will provide a basis for continued dialogue between informal groups active in the AOJ sector, USAID and the GOE, and should lead to approval by the GOE of one or more of these drafts. A study of the informal system of justice will help to frame project assistance to develop alternative forms of conflict resolution

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in order to relieve pressure on the overburdened judicial system. Selected support to public and private law schools will help them to restructure their courses to reflect changes contained in the adopted codes and procedures. Additionally, scholarship assistance will be made available to permit more women and persons of indigenous background to attend law school.

Other projects under SO 4 that have been initiated this past year are the Regional Technical Aid Center II project (RTAC II) (518-0095) and the Ecuadorian Development Scholarship Program (CLASP II) (518-0091), both of which contribute to the second program output relating to leadership. The first project will strengthen "potential leaders" by making up-to-date textbooks available for the first time to both professors and university students, including within the next year, textbooks on Western economic theory, marketing and political science. The second project will target "leaders and potential leaders" (70% from disadvantaged groups) for training in the U.S. in order to both make them more effective in their local organizations and to expose them to free-market and democratic principles.

In support of SO 4's third program output in the electoral area, the Mission authorized and started the Electoral Education and Citizen Training Project (ELECT) (518-0109). ELECT is an effort to ensure free and fair elections in 1992 through CAPEL, an organization based in Costa Rica which specializes in improving Latin American electoral processes. The project provides technical assistance to improve election processes and supports media efforts to impress upon citizens the importance of voting in an attempt to reserve the trend of recent years toward lower numbers of voters and greater null ballots. While this project will run through July 1992, positive results from 1992 election performance may indicate the usefulness of extending project activities to further improve elections processes for the 1994 bi-elections and the 1996 presidential election. Such a continuation of election activities would be funded as a component of the FY 93 Strengthening Democratic Institutions project.

5. SO 5

The Sustainable Use of Biological Resources Project (518-0069) (SUBIR) includes a number of project activities that contribute to SO 5's four program outputs, which aim to: 1) Establish mechanisms which generate income and employment from non-destructive use of resources in selected communities; 2) Strengthen local community, governmental, and non-governmental organizations' ability to plan and administer programs and monitor resource status, 3) Develop, test, and promote

technologies in selected communities which improve the ability of individuals and enterprises to manage resources, and 4) Improve policies governing resource use in and a round protected areas. SUBIR is organized under five components that relate to the program outputs as described below.

The organizational development component involves strengthening rural communities and private, public and non-governmental organizations that implement natural resources conservation activities. As such, it contributes to the second program output. The second Project component, protected areas management, consists of developing management plans for each of the three pilot phase parks and contributes to program output 1. The development of ecotourism, SUBIR's third component, will develop the potential of each park as an ecotourism market, constructing ecotourism interpretative centers and developing literature such as trail guides. Thus, this component contributes to the first and second program outputs. The fourth Project component, seeking to improve the use of land and biological resources in the buffer zones, is based on the premise that by improving the productivity and sustainability of resource use around protected areas, pressure to convert wildlands within and near them to agricultural activities will be reduced, in support of program output 1. The fifth SUBIR component concerns research and monitoring. The provision of baseline data and monitoring, the identification of economically valuable plant species, and the analysis of the socio-economic aspects of resource management will support the third and fourth program outputs.

In addition to SUBIR, the grant to the Charles Darwin Foundation (518-0107) supports efforts to mitigate human impacts and conserve the biological diversity of the Galapagos Islands, Ecuador, and thus contributes to the second and fourth program outputs of SO 5.

STRATEGIC OBJECTIVE No. 1

LAC BUREAU OBJECTIVE

Support the achievement of broadly-based, sustainable economic growth

LAC BUREAU SUB-OBJECTIVES

Encourage economic policies that promote investment, productive employment, and outward oriented diversification

Encourage a vigorous private sector response

MISSION STRATEGIC OBJECTIVE

Increased trade & employment in non-traditional exports

PROGRAM OUTPUTS

- Greater product diversification in non-traditional exports
- Increase investment in NT export industries
- Improvement in the trade and investment climate
- Increase in foreign exchange earnings from tourism

PROGRAM ACTIVITIES

- Technology transfer in production, processing, and marketing.
  Promotion campaigns; participation in fairs; market information service.
  High value exports identified; quality control enhanced.
  Private export services firms established; training in export marketing.
- Joint ventures promotion.
  Business tours and IESC technical assistance and use of investors' network.
  Publications & training.
  Capital markets development.
  Privatization transactions.
- Reform export and trade regulations; labor and foreign investment laws.
  Maquila and FTZs promoted.
  Privatization and break-up of state monopolies by parastatal enterprises.
  Improved transportation regulations, including air transport agreements.
- International tourism campaign.
  Publications & training.
  Nature oriented tourism.
  Coordination of entities involved in tourism increased.
  Problems discouraging tourism addressed.

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STRATEGIC OBJECTIVE No. 2

LAC BUREAU OBJECTIVE

Support the achievement of broadly-based, sustainable economic growth

LAC BUREAU SUB-OBJECTIVES

Encourage a vigorous private sector response

Encourage increased economic opportunities for the disadvantaged

MISSION STRATEGIC OBJECTIVE

Increased income on small and medium farms from selected commodities

PROGRAM OUTPUTS	Reduced distortions in priority markets	Increased efficiency of production and processing of selected commodities
PROGRAM SUB-OUTPUTS	Improved agricultural policy, institutional and legal environment established	Improved production and processing technologies adopted
PROGRAM ACTIVITIES	Development of a sustainable public and private institutional capacity in agricultural policy analysis and decision-making. Provision of information, analyses, proposals, draft laws, related dialogue. Establishment of sustainable agricultural information systems. Improvement of human resources in agricultural information and policy analysis.	Dissemination of improved technologies by extension agents. Development and validation of new technologies. Strengthening of agricultural research and extension institutions. Improvement of human resources in agricultural production.

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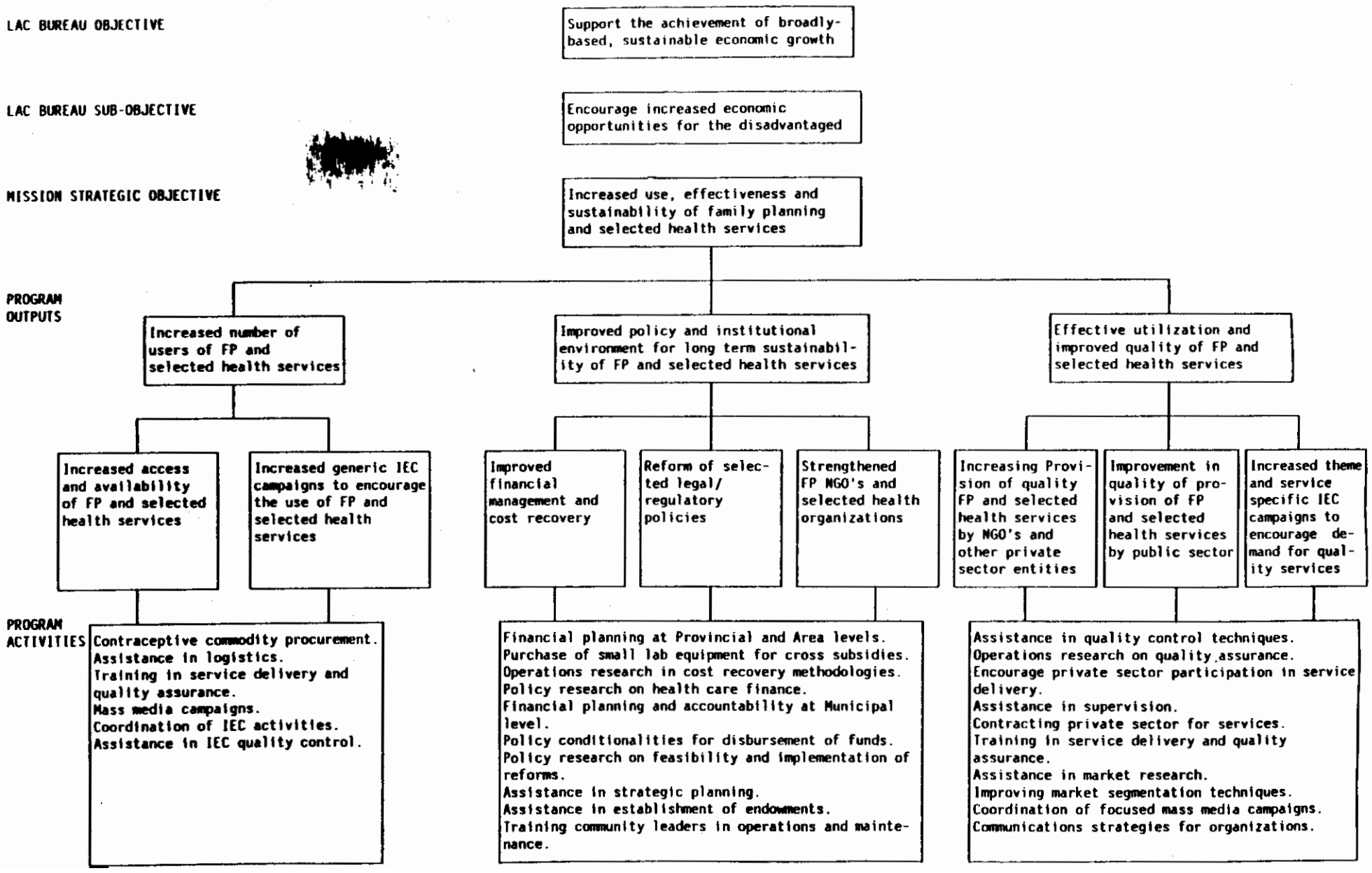
STRATEGIC OBJECTIVE No. 3



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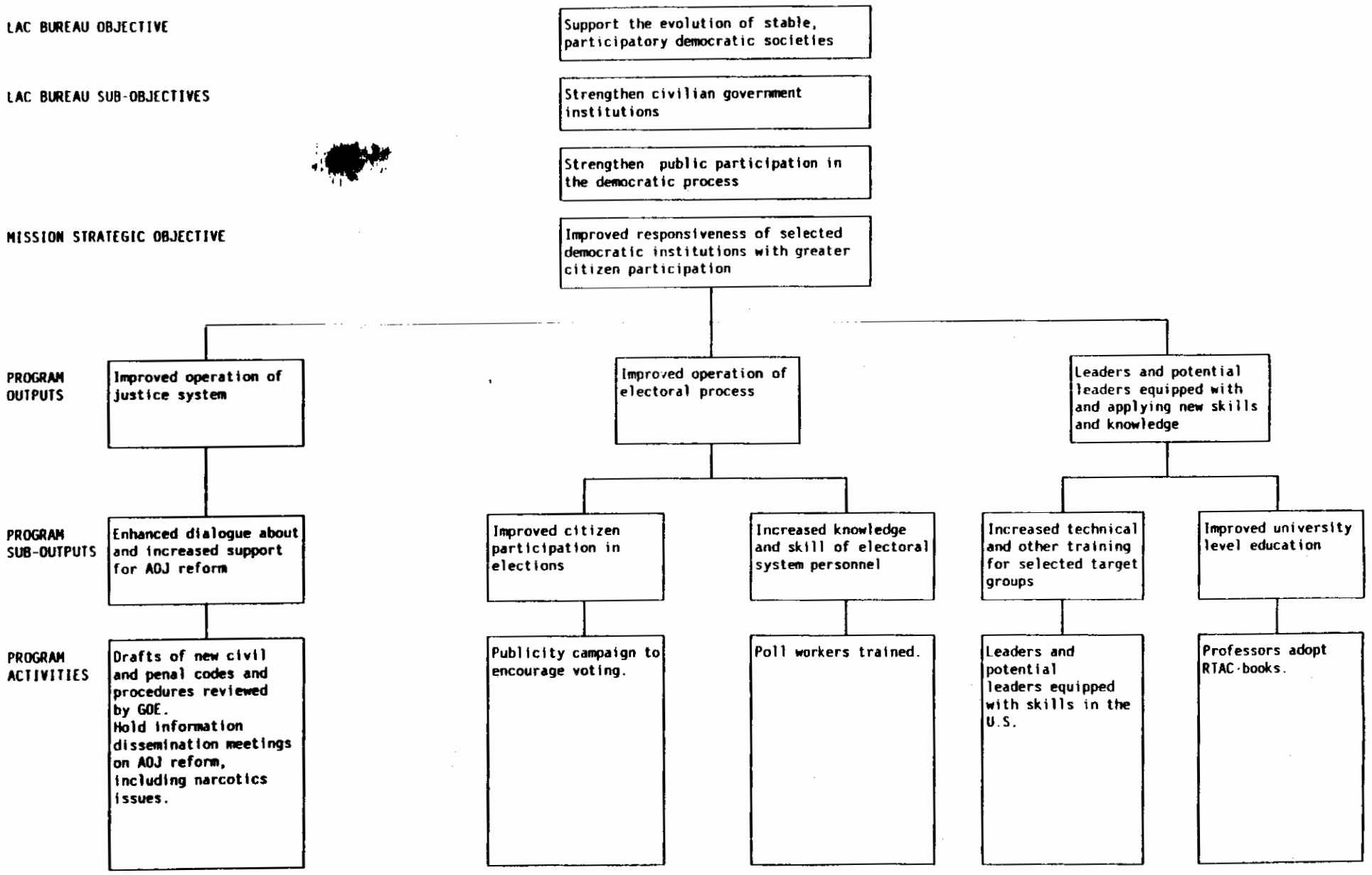
STRATEGIC OBJECTIVE No. 4



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STRATEGIC OBJECTIVE No. 5

LAC BUREAU OBJECTIVE

Support the achievement of broadly-based, sustainable economic growth

LAC BUREAU SUB-OBJECTIVE

Encourage preservation and sustainable use of the natural resource base

MISSION STRATEGIC OBJECTIVE

Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas

PROGRAM OUTPUTS

- Establish mechanisms which generate income & employment from non-destructive use of resources in selected communities
- Strengthen local community, governmental & non-governmental organizations' ability to plan/administer programs & monitor resource status
- Develop, test, & promote technologies in selected communities which improve ability of individuals & enterprises to manage resources
- Improve policies governing resource use in and around protected areas

PROGRAM ACTIVITIES

- Increase tourism.
  Increase local participation in tourism.
- Strengthen community organizations.
  Maintain biodiversity within protected areas.
  Improve human resources.
  Improve management of Galápagos biological resources.
- Improve farm production & income.
  Maintain forests & intensify & diversify agriculture.
  Improve scientific knowledge.
  Evaluate the economic potential of biological resources.
- Support conflict resolution.
  Reduce colonization.

6. Policy Dialogue Agenda

The pursuit of the Mission's policy reform agenda in the medium term will continue to depend upon the successful implementation of the Policy Dialogue Support Project and will be significantly furthered by the new policy reform matrix which coordinates the principal policy activities under each strategic objective.

The current involvement of the Policy Dialogue Support Project in the preparation of an options agenda for the next government bodes well for the Project's ability over the next five years to continue its high-level dialogue activities. In coordination with the Fundación Ecuador and the principal local organizations involved in sectoral policy analysis and dialogue, these activities will continue to seek consensus on the pace and scope of macroeconomic reforms. In keeping with the project rationale, INCAE will also continue to train those mid-level public sector officials who are responsible for implementing the policies which the Mission hopes to see reformed. Responding to the lack of opportunity in Ecuador to pursue Masters Degrees in economics, the Project aims over the next eight years to finance the study of 100 qualified university graduates at INCAE's campus in Costa Rica. Finally, having provided training in empirical methodologies for junior researchers from key institutes involved in data production, in the years to come the project will turn to directly coordinating the efforts of the institutes themselves.

Complementing the efforts of the Policy Dialogue Support Project, the policy reform matrix provides an important degree of Mission-wide program integration. Ongoing discussions with members of different strategic objective teams and with selected counterparts are bringing about a great deal of discussion which transcends the individual teams and maximizes the use of Mission resources. Team- managed and led like the strategic objectives, the policy reform matrix allows the Mission to exercise its comparative advantage as a central coordinating body for concerted policy reform activities. For example, coordination with IDEA to take advantage of its expertise in the analysis of agricultural sector policy strengthens both the second and fifth strategic objectives.

Developed through a series of consultations with each of the strategic objective teams and updated as the teams continued to refine their objectives, the policy reform matrix consists of three parts: 1) an overview sheet which lists the general policy reform area of each of the five major strategic objectives, 2) five separate matrices for each of the SOs which detail more specifically the reforms to be targeted, and 3) a general policy reform matrix for policy initiatives which

cannot be assigned to any one SO and which in part will be addressed under the Policy Dialogue Support Project.

The matrix itself is based on an expanded stakeholder analysis which covers the main players, the target reforms, and the Mission's office responsible. Vertically, within each objective-specific matrix, policy reform activities are prioritized according to the importance of the specific policy in contributing to the achievement of the SO. Horizontally, from left to right across the top of each matrix, are written the following headings which represent the identification criteria: "LAC/Mission objective," "Specific policy reform," "What is needed," "What has been done to date," "Expected results," "Who benefits," "Who loses," "Who has power," "AID Office Responsible," "AID Leverage," and "Donor Coordination."

Most identification criteria are self-explanatory. The first four columns locate the policy reform within the strategic objective and identify its current status, which is dynamic and will require constant monitoring. The next column describing the likely effects of the implemented policy reform is key in the identification of stakeholders listed in the following two columns, "who benefits" and "who loses." The remaining four columns list those local organizations and international donors interested and/or involved in the policy reform, identify the responsible AID office, and estimate the likelihood that AID efforts alone will result in the actual policy reform.

LAC/MISSION OBJECTIVES AND POLICY REFORM MATRIX

VERSION 03-09-92

LAC/MISSION STRATEGIC OBJECTIVE	GENERAL POLICY REFORM AREA	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
Broadly-based sustainable economic growth and strengthened, more stable democracy										
1. Increased trade and employment in non-traditional exports	Outward-oriented, market-driven economy	Reform laws and improve economic environment	Tariff, tax, maquila, & labor reform legislation passed, monetary reform law in Congress	Increased business activity, exports, and productive employment	Exporters, business sector, labor	Inefficient firms, labor unions in the short term	GOE, business sectors, IFIs, labor unions, pol. parties	EHO/ PFD	Significant	World Bank, IMF, UNDP, GTZ, IDB
2. Increased income on small and medium farms from selected commodities	Agric. prices, state agric. enterprises & agric. research, extension, and education (REE)	Free agric. prices, reform SOAE's, increase private & public REE investment	Price controls not enforced for most food products, reform proposals written for SOAE's in IDEA & ASRP	Initial higher food prices followed by greater production & marketing efficiency to lower food costs	farmers in general, most consumers	Subsidized food consumers & employees of SOAE's	President, Congress, MAG, labor unions,	ANRO	Good	GTZ, FAO, IDB, World Bank
3. Increased use, efficiency and sustainability of family planning and selected health services	MOH commitment to family planning, administrative & user fees for health services	MOH commitment to family planning, administrative & user fees for services	Family planning program in place, urban and rural water and sewer program in place	Improved health conditions	Country, especially mothers and children	No losers	GOE, business sectors, IFIs, labor unions, pol. parties	FHO	Significant	UNICEF
4. Improved responsiveness of selected democratic institutions with greater citizen participation	Justice reform & electoral process	Reform justice system, increase electoral participation, & address gender concerns	Penal procedure code being revised	Strengthened democratic processes and institutions, political leaders held more directly accountable to pop.	Country, (esp. groups which are effectively excluded from the formal political arena)	Sectors who benefit from corruption and inefficiency	Supreme Court, GOE, Congress	GDO	fair	GTZ, Italian government
5. Stem loss of biodiversity and accelerate trans. from resource mining to management in/around selected prot. areas	Improve management of natural resources & protection	Enact natural resource management code and eliminate colonization laws	Studies completed on management of natural resources	Growing awareness of need for natural resource protection	Country (including future generations)	Small & medium size lumber companies	MAG, lumber industry, PVOs, indian groups	ANRO	Significant	Inter-American Development Bank

LAC/MISSION ECONOMIC REFORM OBJECTIVES

LAC/MISSION OBJECTIVE	SPECIFIC POLICY REFORM	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS OR OUTCOME	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
1. Increased trade & employment in non trad. exports										
	a) Exchange rate liberalization	Market determined exchange rate	Insufficiently small, weekly devaluations	End to anti-export bias, greater trade	Exporters, labor	Importers	FEDEXPOR, Fun. Ecuador, MICIP	EEID/ PPD	Poor	World Bank, IMF
	b) Elimination of trade restrictions	Reduction of red tape, quantitative restrictions and prohibitions	Elimination of prior import deposits, prohibitions of 600 imports and licensing requirements on 500	More trade, greater foreign exchange earnings	Exporters, importers, labor and farmers	Contraband groups	MICIP, FEDEXPOR, currently protected industry	EEID/ PPD	Significant	World Bank, IMF
	c) Implementation of a capital markets law	Taxes favoring equity capital vs debt	Draft prepared and edited by Central Bank	Increased domestic investment	Corporations and equity investors	Nobody	BCE, Congress, Superintend. of Companies	PPD/ EEID	Fair	IFC, SEC
	d) Tariff Reform	Harmonize with other reforms (i.e. exchange rate), Andean Common Market	Implementation of 1990 Tariff Reform; Andean tariffs to zero in July 1992	Improved domestic cost structure	GOE, exporters	Protected industries	GOE, JUNAC chambers of industry	PPD/ EEID	Significant	World Bank, IMF
	e) Privatization Framework	Passage of Privatization Law	Open discussion of need for such law	Increased investment and efficiency of service provision	Country	Redundant officials who who are fired	Presidency, Congress, fund. Ecuador	EEID/ PPD	Excellent	IDB
	f) Legal environment conducive to investment	Major LRJ reform	Nothing	Increased investment	Country	Corrupt Politicians	Presidency, Congress, fund. Ecuador	EEID/ U.S. Emb.	Poor	IDB
	g) Maquila/free Zone labor regimes	Promote laws both abroad and in the country	Passage of Maquila and free Zone laws, and establishment of first maquila industry	Greater investment (in new maquila firms) and lower sub and unemployment	Labor, business	Labor unions of formal sector	Labor unions, MICIP, FEDEXPOR	PPD/ EEID	Significant	Jica
	h) Transportation liberalized for exports	"Open Skies Policy," reform of cargo reserve law	Bill submitted to Congress	Increased competitiveness of country's exports	Exporters, importers, consumers	State enterprises, trans. unions	DAC, trans. unions, state enterprises	EEID	Fair	ILAIS
	i) Reduce taxation and procedures governing foreign investment	Reform taxes and implement investment law	Tax reform in effect	Increased foreign investment	Business sector, labor, GOE, tax payers	Tax evaders, civil servants who lose jobs	MICIP, GOE	PPD/ EEID	Significant	GTZ, USAID, IDB
	j) Streamlining procedures which regulate trade	Establishment of "ventanilla unica" (one stop shop)	Proposal discussed & defective bill submitted to Congress	Increased exports	Country	Redundant officials who are fired	MICIP, fund. Ecuador and Congress	PPD/ EEID	Excellent	

LAC/MISSION OBJECTIVES AND POLICY REFORM MATRIX

LAC/MISSION STRATEGIC OBJECTIVE	GENERAL POLICY REFORM AREA	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
Broad-based sustainable economic growth and strengthened, more stable democracy										
2. Increased income on small and medium farms from selected commods.										
	a) Exchange Rate	Unification of exchange rate at market equilibrium rate	Differential between official & free market rate less than 5%, sucre overvalued by approximately 10-15%	Improved resource allocation, greater incentives for exports & efficient import substitution	Exporters, agricultural producers, farm laborers	Importers, consumers of imported goods	Monetary board, trade associations, and the Presidency	EEID/ PPD/ AMRO	Good	IMF, World Bank
	b) Tariffs	Lower tariffs and make them uniform across sectors	Tariff reforms being discussed in MICIP, MAG, MOF, Presidency	Improved resource allocation, end to anti-export bias, increased trade, lower prices	Producers who use imports subject to high tariffs, and most consumers	Producers and employees of protected industries	MICIP, MOF, MAG, FEDEXPOR, industrial associations	EEID/ PPD/ AMRO	Good	IMF, World Bank, EEC, JUNAC
	c) Non-tariff barriers	Elimination of import prohib., prior license requirements and other NTBs	Import prohibition removed on 600 items, prior license requirements eliminated for 550 items.	Improved resource allocation, increased trade, lower prices	Producers who use prohibited imports and most consumers	Producers and employees who had access to prohibited imports	MICIP, MOF, MAG, FEDEXPOR, industrial associations	EEID/ PPD/ AMRO	Good	IMF, World Bank, GTZ, EEC, JUNAC
	d) Agricultural and food prices	Reform Consumer Defense Law, adopt free market prices	Discussion papers on Consumer Defense Law Reform developed in the ASRP and IDEA	Improved resource allocation, higher initial food prices, greater production	Agricultural producers, priv. marketing sectors & most consumers	Consumers who had access to low controlled food prices	MICIP, MOG, (interventes) MAG, MOF, Agr. Prod. Assoc.	AMRO/ EEID/ PPD	Good	World Bank, FAO

LAC/MISSION OBJECTIVES AND POLICY REFORM MATRIX

LAC/MISSION STRATEGIC OBJECTIVE	GENERAL POLICY REFORM AREA	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
Broad-based sustainable economic growth and strengthened, more stable democracy										
2. Increased farm income on small & medium farms from selected commodities (continued)										
	e) State-owned Agricultural Enterprises (SOAE's)	Privatize ENPROVIT, ENAC, FERTISA, ENSEMILLAS and create prod. & price info sys.	Discussion papers on reform of SOAE's developed in the ASRP and IDEA, public agric. info.system initiated in ASRP	Improved resource allocation, greater marketing efficiency and improved private sector decision making	Private marketing sector, most producers and consumers	Privileged recipients of subsidies and information	MOF, MAG, agricultural production associations and the Monetary Board	ANRO	Good	World Bank, FAO, GTZ
	f) Land market	Security of tenancy, ease of transfer via sale or rental, & land tax/bank	Creation of prototype land titling and registration system (CATIR)	More efficient land use, increased agr. production, less environmental degradation	Small and medium sized farmers & rural laborers	Land speculators and IERAC employees	MAG, Congress, Presidency, IERAC & DINAC	ANRO/ ETIO	Good	None
	g) Agricultural Research, Extension and Education (REE)	Increased public and private investment in REE	Creation and expansion of FUNDAGRO, INIAP autonomy law ready to submit to Congress	Increased agric. production & incomes to lower food prices & envir. degradation	Country	None	INIAP, Pres., Congress, MAG, FUNDAGRO and producer grps	ANRO	Significant	CGIAR groups IDB, PROTECA, GTZ, COTESU, FAO
	h) Agricultural Capital Market	Eliminate interest rate subsidies on agric. credit & fixed margins	BNF interest rates have been increased toward market rates	More credit to agriculture, more private lending, more savings generated	Producers without access to credit subsidies & the agricultural financial system	Producers who had access to subsidized credit (minority)	MAG, BNF, rice producers, IMF, World Bank, and the Monetary Board	ANRO/ PPD/ ETIO	Good	World Bank, IMF

LAC/MISSION OBJECTIVES AND POLICY REFORM MATRIX

LAC/MISSION STRATEGIC OBJECTIVE	GENERAL POLICY REFORM AREA	WHAT IS [illegible]	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
Broad-based sustainable economic growth and strengthened, more stable democracy										
3. Increased use, efficiency, and sustainability of family planning and selected health services										
	a) Implement policy for the decentralization of the provision of health services	Clarify policy & strengthen MOH provincial offices, administration and budgeting procedures	Establishment of long term assistance team and preliminary visits to selected provinces	Availability of maternal and child health care at all (operating) sites	Women & children, provincial offices of MOH	Central Ministry	Minister of Health, public sector labor unions	GDO	Fair	PAHO, World Bank
	b) Health financing	Sector overhaul, involving both private and public sectors	Some policy dialogue	More cost efficient health services	Population at large	Public sector institutions (IESS)	MOF, Medical College, MOH labor unions, private sector leaders	GDO, ETIO	Poor at present (project design in process)	World Bank
	c) Increased resource allocation for family planning from own resources	Establish line item related to family planning & appropriate level of funding and present it to Congress	Preliminary research for appropriate levels and signed agreement with MOH	Improved access to and use of modern contraceptive methods	All women of reproductive age	Anti-family planning special interest groups	MOF, Catholic Church, Family Planning PVOs, Congress, Medical College	GDO	Significant	UNFPA
	d) Implementation of Population Policy	Provide CONADE with skills and technical knowledge to implement policy	Policy Dialogue with CONADE leadership	Improved access to family planning	All women of reproductive age	Anti-family planning special interest groups	MOF, Catholic Church, Family Planning PVOs, Congress, Med. College	GDO	Significant	UNFPA

LAC/MISSION OBJECTIVES AND POLICY REFORM MATRIX

LAC/MISSION STRATEGIC OBJECTIVE	GENERAL POLICY REFORM AREA	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
Broad-based sustainable economic growth and strengthened, more stable democracy										
4. Improved responsiveness of selected democratic institutions with greater citizen participation										
	Adoption of new criminal and civil legal codes and procedures	Drafts of new civil and penal codes and procedures; GOE review of these codes	Negotiations with ILANUD for technical assistance	Speedier civil and criminal proceedings, including those relating to narcotics cases, and more transparent judicial system	Society in general with more transparent system, litigants in suits	Some lawyers, corrupt judges	Supreme Court, Association of Judicial Employees, Congress, lawyers groups	GDO	Fair	To be determined

LAC/MISSION OBJECTIVES AND POLICY REFORM MATRIX

LAC/MISSION STRATEGIC OBJECTIVE	GENERAL POLICY REFORM AREA	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS	WHO LOSES	WHO HAS POWER/ INFLUENCE	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
Broad based sustainable economic growth and strengthened, more stable democracy										
5. Stem loss of bio-diversity and accelerate trans. from resource mining to management in & around selected protected areas										
	a) Implementation of natural resources management laws (e.g. adequate protection of selected national parks)	Technical assistance and training in the demarcation of parks and the strengthening of NGOs	SUBIR approved, agreements signed between GOE, CARE, and AID	Natural Park System that protects biological diversity & offers sustainable economic activity (ecotourism, maintenance of native peoples' livelihood)	Country, private sector, tourist companies, natural heritage for future generations	Colonists and poachers	MAG, Ministry of Energy and Mines, Petro-Ecuador, military, general public, local environmental NGOs, indigenous groups	ANRO	Significant	CARE, World Bank, IDB
	b) Environmentally sound oil exploration and exploitation	Monitoring and enforcement, some technical assistance	Dialogue initiated between AID and oil companies	Minimum damage to environment and rehabilitation actively implemented	Country, indigenous groups, natural heritage protected for future generations	Certain oil companies	Oil companies, international and local environmental NGOs, GOE	ANRO	Significant over LOP	World Bank, IDB FAO, UNDP
	c) Environmental Law	Congress to pass law, GOE to implement	Fundación Natura draft of the law submitted by President to Cong.	More coherent, realistic GOE policy toward environment	Country, natural heritage for future generations	Various bureaucracies	Fundación Natura, local environmental NGOs, GOE	ANRO	Fair	World Bank
	d) Mining activities implemented in an environmentally sound manner	Enforcement of Mining Law	Dialogue started with Subsecretary of the Environment within the Ministry of Energy and Mines	Minimum damage to environment and rehabilitation actively implemented	Country, indigenous groups, natural heritage for future generations	Certain mining companies	MAG, small companies, Ministry of Energy and Mines	ANRO	Fair	Local environmental NGOs, World Bank, IDB

LAC/MISSION ECONOMIC REFORM OBJECTIVES

LAC/MISSION OBJECTIVE	SPECIFIC POLICY REFORM	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS OR OUTCOME	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
General Policy Reform Objective	a) Reduce fiscal deficit	IMF stand-by, expenditure control & increased revenues	Long negotiations with IMF, tax reform, reduction of expendit.	Lower inflation	Country, especially urban poor	GOE, contractors	MOF, President, IMF	PPD	Poor	IMF
	b) Privatization of state enterprises	GOE commitment to privatization	CFN selling firms owned by the state, more participation by private housing sector (financial & construc)	Smaller public sector deficit and improved efficiency; increased inflation in the short term	Country, especially the urban poor	Redundant public sector workers	Congress, MOF MOF, private investors, BCE	PPD/ ETID/ RHUDO	Poor	World Bank, IMF, Inter-American Dev. Bank, UNDP
	c) Performance based management for state enterprises	Reform of laws and policies regulating state enterprise	Discussions concerning the closing of ENAC & ENPROVIT	Smaller public sector deficit and improved efficiency	Higher inflation in short term better services for customers	Nobody	Public sector unions, GOE	PPD/ ETID	Poor	World Bank, IMF, UNICEF, IDB, UNDP
	d) Eliminate oil revenue earmarks for the military	Legal reform (i.e. the Hydrocarbons law)	Nothing	Increased revenue for investment	Country	Military	Military, Congress	PPD/ ETID	Poor	World Bank, IMF
	e) Depoliticize GOE budgetary process	Plan and rationalize process by which budget is defined	Attempt has been made to reduce dependency of the Central Bank	Lower inflation	GOE, country	Regional and specific interests	Congress	PPD/ ETID	Poor	
	f) Reduce subsidies (i.e. gasoline, electricity)	Promote internat'l pricing of public commod. and serv res	Gas prices at 50% of int'l prices & monthly electric. rates up 3%	Higher inflation in the short term, lower GOE deficit	Country	Medium, high income groups	Congress, MOF, MOE	PPD/ ETID	Fair	World Bank, IMF
	g) Tight Monetary Policies	GOE, Central Bank commitment to more decisive control of money supply	Gradual tightening of money supply	Lower inflation and economic downturn	Country	Speculators	Business Sectors, GOE	PPD/ ETID/ RHUDO	Fair	IMF, World Bank
	h) Financial liberalization	Monetary Board regulations on interest rates, exchange rates, etc.	Gradual increase in Central Bank interest rates to market level, dialogue with credit unions and S&L's	Improved allocation of resources, increased savings	Savers, and small and medium businesses who do not have access to credit	Informal financial intermediaries	Monetary Board, Chambers of Agriculture and Industry	PPD/ ETID/ RHUDO	Fair	IMF, World Bank
	i) Credit Subsidies	Complete elimination	Almost entirely eliminated	Improved allocation of resources	Population, well managed firms	Groups that enjoy subsidized credit	Monetary Board, Chamb. of Ag. & Ind.	PPD/ ETID/ RHUDO	Fair	IMF, World Bank

LAC/MISSION ECONOMIC REFORM OBJECTIVES										
LAC/MISSION OBJECTIVE	SPECIFIC POLICY REFORM	WHAT IS NEEDED	WHAT HAS BEEN DONE TO DATE	EXPECTED RESULTS	WHO BENEFITS OR OUTCOME	WHO LOSES	WHO HAS POWER	AID OFFICE	AID LEVERAGE	DONOR COORDINATION
General Policy Reform Objective (cont)										
	j) Reduction of Central Bank credit to public and private sectors	GOE (Central Bank, Min. of Finance) continues to limit extension of credit	Substantial progress during the last two years	Higher interest rates	Economy, private sector	Subsidized groups and industrial groups	Monetary Board, private sector	PPD/ ETID/ RHUDO	Fair	IMF, World Bank
	k) Reform of Monetary Law	Limit control of the Central Bank over monetary policy	Reform law has been presented to Congress	Private banking system less dependent on Central Bank which is then run more efficiently	Country	Civil servants, Asociación de Bancos	Congress, GOE	PPD	Fair	IMF, World Bank
	l) Appropriate external debt policy	Completion of external debt renegotiations and debt reduction program	Lengthy, unproductive discussions	Improved current account balance	Country	No losers	GOE, Monetary Board, IFI's, commercial banks	PPD	Fair	IMF, World Bank
	m) Labor reform	New Labor Law	Law passed by Congress and signed by President	Increased employment higher growth	Business and workers (especially informals)	Traditional formal sector labor unions	Labor unions, GOE, Congress Prod. Chamber	PPD/ ETID	Fair	
	n) Elimination of trade restrictions	Reduction of quantitative restrictions and prohibitions, adoption of one-stop export window	Elimination of prior import deposits, prohibitions of 600 imports and licensing requirements on 500	More trade, greater foreign exchange earnings	Exporters, importers, labor, farmers	Contraband groups	MICIP, FEDEXPOR, currently protected industry	ETID/ PPD	Signif-icant	World Bank IMF
	o) Reform legal, regulatory and judicial environment	New law/laws that make markets "free", studies and public relations campaign	Labor, tax, and tariff reforms passed. Trade and capital markets legislation in the works.	Efficient "free markets"	Business and consumers	Groups having monopoly power	GOE, Production Chambers	PPD/ ETID	Fair	World Bank

C. Resource Requirements

The strategic framework laid out above is designed to better focus the scarce development assistance resources that are available to the Mission in fewer areas of concentration where USAID/Ecuador feels it can have a greater pay-off in terms of its developmental impact.

At the end of the POD period the Mission expects to have a highly concentrated portfolio, with fewer projects and higher efficiency under each and every management unit. Consistent with this emphasis on focus and concentration, following is a brief discussion of the nature and level of resources proposed by the Mission for the achievement of each of its five strategic objectives:

1. SO 1

The achievement of rapid and sustainable, broadly-based economic growth and the implementation of trade related policy reform, are central to the Mission's development assistance agenda for Ecuador. In this context the country needs strong donor support to become an active and competitive participant in the Andean Common Market, as well as the world market, and to take advantage of the benefits that it could derive from the Enterprise for the Americas Initiative (EAI). Accordingly, to support this key strategic objective the Mission is proposing an adequate, albeit modest mix of resources, including trade policy reform oriented ESF assistance, that will provide more credibility to "our place and role at the table" and will contribute to the achievement of a greater impact in improving the policy framework for increased trade, investment and employment in Ecuador. This will provide the GOE with the resources to implement policy reforms already legislated as a result of AID-funded T.A. and negotiations by AID counterparts.

For the period covering the POD time horizon of FY 92 through FY 96, the Mission proposes to invest approximately $ 13.7 million in DA, principally for technical assistance in non-traditional export production and marketing institution-building, and $ 34.0 million in ESF to promote needed trade related policy reform. Local currency generations from ESF amounting to $ 20.0 million will be invested in activities directly related to enhancing trade policy and increasing trade and employment, including the establishment of endowments for local foundations and NGOs that are key players in the sector. Counterpart contributions (both public and private) are expected to be $2.7 million during the same period.

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The Interamerican Development Bank (IDB) will support the trade sector through an Export Diversification Loan amounting to $80.0 million, that will help the Ecuadorian private sector expand its export base.

2. SO 2

Agriculture remains the most important sector of Ecuador's economy, principally because it provides the largest source of export earnings for the country an income for the rural population, and it will become even more important as the country's oil resources are depleted in the next decade. The Mission has designed a science-based development assistance program in this sector that is intended to improve production, productivity and income for small and medium farmers. To achieve this objective, the Mission is proposing a combination of DA, food assistance, and local currency generations from ESF and food aid programs, in order to promote and implement the required policy changes and technology transfer.

For the period FY 92 through FY 96, the Mission proposes to invest approximately $ 10.3 million in DA, for technical assistance, and $ 22.5 million in Section 416 food aid to support our SO 2 policy and technology-based program. Local currency generations from ESF and food assistance amounting to $ 30.5 million will be invested in agriculture and rural development activities and in the financing of counterpart contributions for AID and other donor projects. Local counterpart funding (both public and private) is expected to be $ 5.7 million during the same period.

3. SO 3

As stated above, Ecuador has made important progress in improving the quality and efficiency of, and access to, health and family planning services available to its citizens. The Mission's programmatic emphasis under this strategic objective is to consolidate the gains made in these areas by working towards making public and private services more institutionally and financially sustainable. To this effect, the Mission proposes a combination of DA project and non-project assistance principally aimed towards the technical and financial viability of health and family planning institutions, and the improved quality and increased effective use of their services by the population. Local currency generations from ESF resources will also support public and private sector efforts to improve the country's human capital.

For the period FY 92 through FY 96, the Mission proposes to invest approximately $ 17.5 million in DA for technical assistance in institution building, and $ 8.0 million in ESF local currency generations in activities designed to support

the efforts of public and, principally, private sector organizations to achieve the technical and financial sustainability that will enable them to continue to provide critical health and family planning services to the population. Counterpart contributions (both public and private) are expected to be $ 27.0 million during the same period.

The World Bank proposes to support the sector through a Health Sector Credit Program amounting to $ 96.0 million to begin in July 1992.

4. SO 4

The USAID development assistance strategy in this area is to use DA resources and local currency generations from ESF to support the efforts of selected democratic institutions to be more responsive to the needs and expectations of citizens and thus increase public confidence

For the period FY 92 through FY 96, the Mission proposes to invest approximately $14.4 million in DA, and $4.0 million in ESF local currency generations for technical assistance and related commodities designed to: improve the administration of justice; strengthen the electoral processes; increase the availability of university textbooks; provide increased training opportunities for local leaders; and improve the administrative capacity of selected municipalities. Counterpart contributions (both public and private) are expected to be $ 1.3 million during the same period.

5. SO 5

The Mission's strategy under this program objective is to address the causes of natural resource degradation and the constraints to conservation while focusing on the management of natural forests and biodiversity. To achieve this objective, the Mission is working with a group of NGOs and educational and scientific institutions to involve rural populations in an effort to save Ecuador's fragile natural resources base for future generations. USAID/Ecuador proposes to utilize DA resources to promote needed policy reform in the sector and to finance technical assistance, education and commodities, plus local currency generations from ESF, which combined will contribute to the achievement of this strategic objective.

For the period FY 92 through FY 96, the Mission proposes to invest approximately $ 8.0 million in DA, and $ 4.0 million in ESF local currency generations, for policy reform, technical

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assistance and commodities designed to protect Ecuador's biodiversity through the active participation of the population in buffer zones of selected national parks. Under this strategic objective USAID/Ecuador is working directly with the centrally funded Coastal Resources Management Project, to which the Mission will contribute $250 thousand during the Action Plan period. Trust funds for the environment from the EAI constitute a potential source of funds for this objective. The exact level will be determined once Ecuador becomes eligible for participation in the EAI. Counterpart contributions (both public and private) are expected to be $ 2.0 million during the same period.

6. Policy Dialogue Agenda

The USAID/Ecuador development assistance program places a heavy emphasis on macroeconomic and sectoral policy reform that are required for the achievement of its strategic objectives. The Mission's program can be characterized as a "policy-based" assistance effort dealing with policy dialogue as a cross-cutting issue with highly targeted treatment. Of particular interest to the Mission is the notion of creating the environment for an informed consensus-building process that contributes to policy formulation through better communication and understanding of policy issues between the public and the private sectors. Policy analysis, events for the discussion of policy issues, formal and informal education, publications, etc., all form part of the Mission's policy dialogue agenda. These activities will be funded through DA funds, conditionality tied to ESF balance of payments support, and local currency generations from ESF resources. In addition, although very difficult to quantify are the day-to-day, non-financial efforts of individuals in the Embassy and the USAID Mission, and their dialogue with the public and private sectors, labor unions, the media, universities, etc. We expect that these efforts will contribute to the achievement of USAID/Ecuador's policy reform objectives through a high-pay-off, low-investment approach.

For the period FY 92 through FY 96, the Mission proposes to invest approximately $ 1.8 million in DA, $ 11.0 million in ESF balance of payments support tied to conditionality, and $ 2.0 million in ESF local currency generations. DA and ESF local currency resources will be utilized to: organize policy discussion workshops, seminars and other fora for the informed debate of policy issues; conduct policy studies and analysis; produce journals and other policy related publications; implement long-term training programs in economics, etc.

These activities will be designed to achieve the type of consensus building on policy issues as discussed above. Counterpart contributions (both public and private) are expected to be $ 0.5 million during the same period.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly–based, sustainable economic growth.
Sub–Objective: 1. Encourage economic policies that promote investment, productive employment and outward oriented diversification.
2. Encourage a vigorous private sector response.

Mission Strategic Objective 1: Increased Trade and Employment in Non–Traditional Exports

Indicator	Unit	Base–line		Target 1995			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
1. Gross annual FOB value of NT exports	(million US $)	309.8	90	500	95		339.9 (1)	12	380	12	ECB
2. Employment in sectors with strong NTXs.	%			%250 (overall)	95		TBD		%125 (overall)		PROEXANT INEC
31 agroindustry, food processing		89.6	89								
32 textiles & apparel		95	89								
33 wood & wood prods.		111.1	89								
38 metal products		84.1	89								
63 restaurant & hotels		104.4	89								

(1) Gross annual FOB value NTX target 1991 was 329.7 Million.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

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Mission Strategic Objective 1: Increased Trade and Employment in Non-Traditional Exports

Indicator	Unit	Base-line value	Base-line date	Target 1995 value	Target 1995 date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.1: Greater product diversification in non-traditional exports.											
1. Number of NTX prods. (5-digit-CUCI categ.) with annual FOB value over $500,000	Nbr. of NTX products	69	12/ 90	110	12/ 95		76	12 91	85	12 92	ECB FEDEXPOR
Program Output 1.2: Increase investment in non-traditional export industries.											
1. Amount of new foreign investment in NTX sectors:	US$ (000)			14000 (overall)					11500 (overall)		E.C.B. MICIP
31 agroindustry, food processing		3795	90		12		TBD	12		12	
32 textiles & apparel		382	90								
33 wood & wood prods.		145	90								
38 metal prods.		2530	90								
63 restaurants & hotels		1372	90								

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

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Mission Strategic Objective 1: Increased Trade and Employment in Non-Traditional Exports

Indicator	Unit	Base-line value	Base-line date	Target 1995 value	Target 1995 date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.3: Improvement in the trade and investment climate.											
1. The export/import license processing time is reduced from 3-4 weeks to less than 2 days	Specific policy dialogue targets	NONE	12 91	Ventanilla unica, sim-plification of all process, elimination of exp./imp. licenses.	12 95		NONE	12 91	Ventanilla Unica	12 92	FEDEXPOR ANDE PROEXANT GOE
2. Fundación Ecuador established and serv-ing as lead private sector organization in coordinating trade and investment promotion programs	Specific policy dialogue targets	NONE	12 91	Establishment of FE to become the umbrella Inst. in the nation to promote Expt. + Foreign and national Investment. Reform of Economic model of development.			NONE	12 91	To become established to access US AID programs & funds. Agreement with FEDEX. ANDE, INCAE CHAMBER OF PROD.	12 92	F.E. ETIO GOE ANDE, ICAE, FEDEXPOR F.ECUADOR

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

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Mission Strategic Objective 1: Increased Trade and Employment in Non-Traditional Exports

Indicator	Unit	Base-line value	Base-line date	Target 1995 value	Target 1995 date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
3. Implementation of foreign investment related laws including streamlining of procedures	Specific P/D targets	Partial reform Andean Pact Agreement Decision 291 GOE Decree Nbr. 06.	12 91	Equal treat-ment to foreign & nat. investment & freedom of repatriation of capitals. Free competit. of transport. services.	12		NONE	12 91	Elimination of authoriz. & differences on taxation and transp. restrictions.	12 92	F.E. FEDEXPOR MICI ECB ANDE GOE
4. Reduction of quan-titative trade restric-tions and prohibitions.	Specific P/D targets.	Reduction of number of items from reserved and prohibited list by Andean Pact Agreem.	12 92	Total elimin-ation of exp. restrictions, requirements, quotas, taxes and reduction of imports tariff & list of exceptions to be minimal.	12 95		Trade restriction & tariffs partial reduction export faci-litation law. Maquila and F.T.Z. law.	12 91	Export facilit. law. Revision of laws, regul-ations, and decrees that limit free mkt. competition in expt/impt. products.	12 92	F.E. FEDEXPOR ANDE CH. OF COM. GOE

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly–based, sustainable economic growth.
Sub–Objective: 1. Encourage economic policies that promote investment, productive employment and outward oriented diversification.
2. Encourage a vigorous private sector response.

Mission Strategic Objective 1: Increased Trade and Employment in Non–Traditional Exports

Indicator	Unit	Base–line		Target 1995			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
Program Output 1.4: Increase in foreign exchange earnings from tourism.											
1. Number of foreigners entering with tourist visas, by gender.	Nbr. of tourists by (000)	Men 184 Women 116 Total 300	89	Men 240 Women 160 Total 400	95		To be deter–mined.	91	To be deter–mined.	92	INEC MOFA/GOE

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
Sub-Objective: 1. Encourage a vigorous private sector response.
2. Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 2: Increased income on small and medium farms from selected commodities.

Indicator	Unit	Base-line (1)		Target 1995 (2)			Current Year 1991 (3)			1992 Target (4)		Data source
		value	date	value	date	Revised	value	% ^	date	value	date	
1. Gross real income per ha. from:	1990 Su-cres. (Millions)				1995							
a. Banana		1.86	1990	2.14			5.28	183.8		1.97		MAG, INEC-SEAN.
b. Coffee		0.14		0.16			0.07	-51		0.15		
c. Cocoa		0.22		0.25			0.18	-16.6		0.23		
d. Sugarcane		0.47		0.55			0.58	21.8		0.5		
e. African palm		0.76		0.88			0.47	-37.8		0.81		
g. Cotton		0.47		0.54			0.56	17.9		0.5		
h. Rice (unmilled)		0.46		0.53			0.35	-23.1		0.49		
i. Barley		0.14		0.17			0.08	-45.8		0.15		
j. Hard corn		0.16		0.19			0.16	-4		0.17		
k. Soft corn		0.13		0.15			0.15	14.6		0.14		
l. Potato		0.75		0.86			0.71	-5.6		0.79		
m. Soybean		0.4		0.46			0.42	4.6		0.43		
n. Wheat		0.14		0.16			0.1	-30.9		0.15		
o. Cassava		0.37		0.43			0.36	-3.9		0.4		
p. Milk (5)		362,333		416,683			419,000	15.6		384,073		
TOTAL		0.57		0.65			0.7	22.9		0.6		

(1) Baseline data are the averages of 1988-90.
(2) Target data assume a 15 percent increase over the baseline data.
(3) The 1991 data are preliminary values which will be adjusted when official data becomes available.
(4) The 1992 data assume a 6 percent increase over the baseline data.
(5) Milk is measured in gross real income (1990 Sucres, millions).
Note: Values calculated by multiplying the total gross real incomes by the percentage of area in each crop in farms of 20 ha. or less. These percentages values are: banana(50), coffee(50), cocoa(50), sugarcane(50), african palm(50), cotton(56), rice(39.1), barley(61.9) hard corn(46.7), soft corn(72.5), potato(53.2) soybean(25.6), wheat(65.6), cassava(66), milk(50).

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
Sub-Objective: 1. Encourage a vigorous private sector response.
2. Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 2: Increased income on small and medium farms from selected commodities.

Indicator	Unit	Base-line (1)		Target 1995 (2)			Current Year 1991 (3)			1992 Target (4)		Data source
		value	date	value	date	Revised	value	% ^	date	value	date	
2. Gross real income accruing to farms of 20 ha. or less.	1990 Su-cres. (Millions)		1988 thru 1990		1995							MAG, INEC-SEAN.
a. Banana		133,317		153,315			274,443			141,316		
b. Coffee		28,781		33,098			16,222			30,508		
c. Cocoa		36,123		41,541			28,765			38,290		
d. Sugarcane		10,542		12,123			12,854			11,174		
e. African palm		22,281		25,624			13,303			23,618		
g. Cotton		8,196		9,425			9,063			8,687		
h. Rice (unmilled)		48,499		55,774			34,909			51,409		
i. Barley		4,764		5,478			2,687			5,050		
j. Hard corn		20,997		24,146			19,816			22,257		
k. Soft corn		17,441		20,057			19,173			18,487		
l. Potato		20,471		23,541			18,367			21,699		
m. Soybean		8,678		9,980			10,236			9,199		
n. Wheat		3,499		4,024			2,659			3,709		
o. Cassava		6,068		6,979			5,834			6,433		
p. Milk		181,167		208,342			209,500			192,037		
TOTAL		550,824		633,447			677,831			583,873		

(1) Baseline data are the averages of 1988-90.
(2) Target data assume a 15 percent increase over the baseline data.
(3) The 1991 data are preliminary values which will be adjusted when official data becomes available.
(4) The 1992 data assume a 6 percent increase over the baseline data.
Note: Values calculated by multiplying the total gross real incomes by the percentage of area in each crop in farms of 20 ha. or less. These percentages values are: banana(50), coffee(50), cocoa(50), sugarcane(50), african palm(50), cotton(56), rice(39.1), barley(61.9) hard corn(46.7), soft corn(72.5), potato(53.2) soybean(25.6), wheat(65.6), cassava(66), milk(50).

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2. Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 2: Increased income on small and medium farms from selected commodities.

Indicator	Unit	Base-line		Target 1995			Current Year 1991 (1)			1992 Target		Data source
		value	date	value	date	Revised	value	% ^	date	value	date	
Program Output 1.1: Reduced distortions in priority markets.												
1. Nominal protection rate on importable products (1):	%											
a. Rice		-25.8	1990	0			-24.5			-12		MAG, CENTRAL BANK
b. Hard corn		-5.8	1990	0			-6.5			0		
c. Soybean		8.4	1990	0			-7.9			0		
d. Wheat		28.8	1990	0			-15.8			-7		
e. Barley		47.7	1990	0			-15.6			-7		
f. Palm oil		-1.7	1990	0			-13.6			-7		
g. Soybean oil		-7	1990	0			-13.6			-7		
h. Sugar		-9.4	1990	0			21.4			10		
i. Cotton		-22.7	1990	0			-17			-8		
2. Nominal protection rate on exportable products:	%											
a. Banana		-24.2	1990	0			-22.4			0		
b. Coffee		-40.6	1990	0			-53.6			0		
c. Cacao		-4.4	1990	0			-10			0		
3. Fertilizer tariff.		5% ad valorem.	1990	5%			5%			5%		MAG, CENTRAL BANK
4. Seed tariff.				5%			5%			5%		
5. Growth rate of improved seed consumption (selected commodities).		-1.6% p.a.	1980 - 1990	2.5%			N/A			1.0%		MAG
6. Land sales in Salcedo and Jujan counties (number).		TBD		40% increase over 1991			TBD			10% increase over 1991		CATIR

(1) 1991 data are preliminary. Soft corn, cassava and milk are not included in this table because these products are not highly tradable in their fresh form, and therefore, nominal protection rates are not easily calculable.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
Sub-Objective: 1. Encourage a vigorous private sector response.
2. Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 2: Increased income on small and medium farms from selected commodities.

Indicator	Unit	Base-line value	Base-line date	Target 1995 value	Target 1995 date	Revised	Current Year 1991 value	% ^	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.2: Increased efficiency of production and processing of selected commodities.												
1. Increased efficiency in productivity. (dairy) (1)												FUNDAGRO's baseline study; Program coordinator.
a. Milk production	Lt/cow/yr	931	1988	1853			1450			1620		
	Lt/ha/yr	745	1988	2780			1595			2106		
b. Calf mortality	Percent	25	1988	3			8			5		
c. Coffee yields (2)	Kg/ha	370	1988	606			N/A			500		FUNDAGRO's baseline study; field reports
d. Cassava processed (3)	MT	1000	1988	3000			1767			2000		UAPPY monitoring

(1) In 1988 there were about 400 cows receiving FUNDAGRO assistance; in 1991 6667 cows (both producing and non producing).
(2) Production from total area under cherry coffee yields was converted to dry (oro) coffee, using a convertion rate of 0,53; sample had a heavy representation of Jipijapa coffee growers. In 1988 there were 200 ha of coffee on farms receiving Fundagro assistance; in 1991 1270 ha.
(3) The main focus of the cassava program is on improved processing. The performance indicator chosen allows for follow-up but does not capture the fact that, as part of being an efficient small industry, cassava processing by the UAPPY has diversified in order to meet market demand. It started producing whole flour, and now it also produces starch for human consumption, industrial starch, bagasse and other cassava products. Nevertheless, the amount of cassava processed apears as the only indicator which allows measurement on a continuous basis.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly based, sustainable economic growth.
Sub-Objective: Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 3: Increased use, effectiveness, and sustainability of family planning and selected health services.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
1. Contraceptive Prevalence Rate (CPR).	rate	53	1989	60	1997		54	06	55	06	Nat'l Survey
2. Total Fertility Rate .	rate	3.6	1989	3	1997		3.4	06	3.3	06	Nat'l Survey
3. Infant Mortality Rate.	rate	49	1989	45	1997		46	06	47	06	Nat'l Survey
4. Maternal Mortality Rate.	rate	22	1989	15	1997		21	06	20	06	Nat'l Survey
5. Coverage of Health Services.	%	65	1989	80	1997		68	12	71	12	MSP stats.
6. Percentage cost recovery of selected family planning NGO's.	%	35	1989	65	1997		39	08	45	08	Finan. audit.
7. percentage of national budget allocated to health	%	4	1991	7	1997		4	12	4.5	12	Nat'l budget

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly based, sustainable economic growth.
Sub-Objective: Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 3: Increased use, effectiveness, and sustainability of family planning and selected health services.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
Program Output 1.1: Increased number of users of family planning and selected health services.											
1. Percent of population under age 1 that is fully immunized.	%	51	1988	80	1994		60	12	65	12	MSP stats.
2. Percent of women of reproductive age that are immunized from tetanus toxoid.	%	20	1987	60	1994		38	12	45	12	MSP stats.
3. Contraceptive use by women between ages 15-25 who are married.	%	45	1989	60	1997		48	08	51	08	Inst. report
4. Contraceptive use by men.	%	2	1989	5	1997		2.5	08	2.8	08	Nat'l stats.
5. Rural poulation with access to water and sanitation.	%	17	1982	49	1993		42	12	45	12	MSP stats.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly based, sustainable economic growth.
Sub-Objective: Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 3: Increased use, effectiveness, and sustainability of family planning and selected health services.

Indicator	Unit	Base-line value	Base-line date	Target value	Target date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.2: Improved policy and institutional environment for long term sustainability of family planning and selected health services.											
1. Capital funds established by selected family planning NGO's.	$	0	1991	500,000	1997		0	08	100,000	08	Financ. audit
2. NGO clinics self sufficient.	No.	20	1991	35	1997		20	08	22	08	Inst. stats.
3. FP commodity purchase by public sector.	–	NO	1991	YES			NO	12	PARTIAL	12	Inst. stats.
4. Selected provinces and its areas establishing budget procedures.	No.	0	1991	8	1997		0	12	3	12	Inst. stats.
5. Technical and Administrative delegation to provincial levels.	No.	0	1991	8	1997		0	12	3	12	Inst. stats.
6. Local water boards organized and operating.	No.	0	1991	5	1997		0	12	2	12	Inst. stats.
7. Public clinics with fee for service.		NO	1991	YES	1997		0	N/A	0	N/A	Inst. regs.
8. Health budget allocated to preventive care.	%	15	1991	35	1997		15	N/A	15	N/A	Finan. audit
9. Private administration of public hospitals.	No.	0	1991	4	1997		0	N/A	0	N/A	Inst. stats.
10. Operating costs of municipal water systems.	%	TBD		TBD							

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly based, sustainable economic growth.
Sub-Objective: Encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective 3: Increased use, effectiveness, and sustainability of family planning and selected health services.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
Program Output 1.3: Effective utilization and improved quality of family planning and selected health services.											
1. Commodities correctly stored.	%	TBD									Sup. visits.
2. Correct knowledge and use of oral rehydration salts.	%	TBD									
3. Use of modern contra-ceptive methods.	%	40	1989	50	1997		42	06	43	06	Nat'l survey
4. Technical water norms updated.	No.	TBD									
5. water systems rehabili-tated.	%	0	1991	50	1993		0	12	30	12	Inst. stats.
6. Population with appro-piate hygiene behavior.	%	0	1991	80	1993		0	12	60	12	Inst. stats.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the evolution of stable, participatory democratic societies.
Sub-Objective: 1. Strengthen civilian government institutions.
2. Strengthen public participation in the democratic process.

Mission Strategic Objective 4: Improved responsiveness of selected democratic institutions with greater citizen participation.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
1. Senior levels of government review, revise and pass proposed revision(s) of selected legal codes/ procedures.		TBD (To Be Determined)		TBD			TBD		TBD		TBD
2. Principal electoral agencies respond to citizen/NGO concern about electoral processes.		TBD		TBD			TBD		TBD		TBD
3. perceived confidence in legal system.		TBD		TBD			TBD		TBD		TBD

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the evolution of stable, participatory democratic societies.
Sub-Objective: 1. Strengthen civilian government institutions.
2. Strengthen public participation in the democratic process.

Mission Strategic Objective 4: Improved responsiveness of selected democratic institutions with greater citizen participation.

Indicator	Unit	Base-line value	Base-line date	Target value	Target date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.1: Improved operation of justice system.											
1. New civil and penal codes procedures drafted.		TBD		TBD			TBD		TBD		TBD
2. Citizen support for AOJ reform.		TBD		TBD			TBD		TBD		TBD
3. Number of information dissemination meetings held.		TBD		TBD			TBD		TBD		TBD
4. No. of law schools that change curriculum as a result of adoption of new codes.		0		TBD			0		TBD		TBD
5. No. of women and indigenous receive law school scholarships.		0		TBD			0		TBD		TBD

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the evolution of stable, participatory democratic societies.
Sub-Objective: 1. Strengthen civilian government institutions.
2. Strengthen public participation in the democratic process.

Mission Strategic Objective 4: Improved responsiveness of selected democratic institutions with greater citizen participation.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
Program Output 1.2: Improved operation of electoral process.											
1. Percentage of correctly marked ballots.		TBD		TBD			TBD		TBD		TBD
2. percentage of registered voters voting.		TBD		TBD			TBD		TBD		TBD
3. Percentage of elegible voters registered to vote.		TBD		TBD			TBD		TBD		TBD
4. Number of polling personnel trained.		TBD		TBD			TBD		TBD		TBD
5. Quality of electoral process.		TBD		TBD			TBD		TBD		TBD

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the evolution of stable, participatory democratic societies.
Sub-Objective: 1. Strengthen civilian government institutions.
2. Strengthen public participation in the democratic process.

Mission Strategic Objective 4: Improved responsiveness of selected democratic institutions with greater citizen participation.

Indicator	Unit	Base-line value	Base-line date	Target value	Target date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.3: Leaders and potencial leaders equipped and applying new skills and knowledge.											
1. Proportion of participants reporting more involvement or effectiveness in community, professional and/or institutional activities.	%	0		80%	96		0		0		CLASP II Surveys
2. Number of participants exposed to democratic activities and organizations in the U.S.		0		245	96		0		60		CLASP II Files
3. Number of people trained.		0		245	96		0	12	60	12	CLASP II Files
4. Number of professors adopting RTAC texts.		TBD	3/92	TBD			TBD		TBD		RTAC II Survey
5. Percentage of students in served fields buying one or more books.		TBD	3/92	TBD			TBD		TBD		RTAC II Survey
6. Number of subject areas in which text books introduced.		20	3/92	TBD			0	12	TBD		RTAC II Files

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic development.
Sub-Objective: Encourage preservation and sustainable use of the natural resource base.

Mission Strategic Objective 5: Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
1. Change in abundance &distribution of species indicating diversity.		To be determined	12/92	To be determined	3/93		0		To be determined		Inventory of key species.
2. Change in land cover in and around selected protected areas.		To be determined	12/92	To be determined	3/93		0		To be determined		Remote sensing, aerial photography.
3. Percent of land area under non-destructive management in & around selected communities.		To be determined	12/92	To be determined	3/93		0		To be determined		Survey of land use practices in & around selected com.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic development.
Sub-Objective: Encourage preservation and sustainable use of the natural resource base.

Mission Strategic Objective 5: Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas.

Indicator	Unit	Base-line value	Base-line date	Target value	Target date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.1: Develop, test, and promote technologies in selected communities which improve ability of individuals & enterprises to manage resources.											
1. Progress in R&D program.											
a. # of research studies disseminated.		0	1992	5	1995		0		0		Research report from SUIR MIS.
b. Indicator species identified/tracked.		0	1992	To be determined.	3/93		0		To be determined.		Research reports.
c. Study areas identified/tracked.		0	1992	To be determined.	3/93		0		To be determined.		Research reports.
2. # of new or existing technologies identified, adapted & promoted.		0	1992	To be determined.	3/93		0		To be determined.		Technical reports, extension agent workplan.
a. protected areas.		0	1992	TBD	3/93		0		TBD		Progress reports.
b. agriculture, livestock, forestry.		0	1992	To be determined.	3/93		0		To be determined.		
3. Change in # of persons DGE in selected communities using resource management technologies.		0	1992	35% of community members using technologies	1995		0		0		Structured interview with farmers in selected comm.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic development.
Sub-Objective: Encourage preservation and sustainable use of the natural resource base.

Mission Strategic Objective 5: Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas.

Indicator	Unit	Base-line		Target			Current Year 1991		1992 Target		Data source
		value	date	value	date	Revised	value	date	value	date	
Program Output 1.2: Strengthen local community, governmental & non-governmental organizations ability to plan/administer programs and monitor resources.											
1. Number of participating local organizations & the effectiveness of their stewardship over resources.		0		53	1995		0		9		Periodic reports, project files.
2. Change in number of local residents DGE participating in activities of local organizations.		0		35% of total community residents	1995		0		10% of total community residents		Activity attendance records and a knowledge, attitude practice survey of a sample of community members.
3. Change in area under active encroachment.	Mgmt plans for protected areas	N/A		3	1995		0		1		MAG status reports; census of population in the protected area, aerial photography.

Table 1.1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: ECUADOR

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic development.
Sub-Objective: Encourage preservation and sustainable use of the natural resource base.

Mission Strategic Objective 5: Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas.

Indicator	Unit	Base-line value	Base-line date	Target value	Target date	Revised	Current Year 1991 value	Current Year 1991 date	1992 Target value	1992 Target date	Data source
Program Output 1.3: Establish mechanisms which generate income & employment from non-destructive use of resources in selected communities.											
1. Percent of persons disaggregated by gender & ethnicity (DGE) with income from tourism.	N/A	N/A	3/92	To be determined.	3/93		N/A		To be determined.		Household survey of in-come sources in and around selected communities.
2. Percent of persons DGE with income from non-destructive resource use.	N/A	N/A	3/92	To be determined.	3/93		N/A		To be determined.		
Program Output 1.4: Improve policies governing resource use in and around protected areas.											
1. Progress in formulating, adopting, & implementing sets of policies governing: forests, oil industry, pro-perty rights, protected a-reas, private sector.											
a. formulated		0	1992	4	1993		0		1		IDEA annual reports.
b. adopted		0	1992	3	1994		0		0		Laws passed by congress.
c. implemented		0	1992	2	1995		0		0		SUBIR's an-nual report in conflict re-solutions.

Table 2.1: STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Country: ECUADOR

Strategic Objective 1: Increased trade and employment in Non–Traditional Exports

Other **Activity**:

Program Outputs	Activities	Source of Support Title	No.
1. Greater product diversification in non–traditional exports.	Technology transfer in production, processing and marketing. Promotion campaigns; participation in fairs; market information service. High value exports identified; quality control enhanced. Private export firms established; training in export marketing.	NTAE and TRADE AND INVESTMENT	518–0019 518–0094
2. Increase investment in NT export industries	Joint ventures promotion. Business tours and IESC technical assistance and use of investors network. Publications & training. Capital markets development. Privatization transactions.	NTAE and T&I	518–0019 518–0094
3. Improvement in the trade and investment climate	Reform export and trade regulations; labor and foreign investment laws. Maquila and FTZs promoted. Privatizations and break–up of state monopolies by parastatal enterprises. Improved transportation regulations, including air transport agreements.	NTAE and T&I. PROGRESEC (INCAE) Trade Reform Program.	518–0019 518–0094 518–0110
4. Increase in foreign exchange earnings from tourism.	International tourism campaign. Publications & training. Nature oriented tourism. Coordination of entities involved in tourism increased. Problems discouraging tourism addressed.	T&I, SUBIR, FEPROTUR	518–0094

Table 2.1: STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Country: ECUADOR

Strategic Objective 2: Increased income on small and medium farms from selected commodities.

Other Activity:

Program Outputs	Activities	Source of Support Title	No.
1. Reduced distortions in priority markets.	Development of a sustainable public and private institutional capacity in agricultural policy analysis and decision-making. Provision of information, analyses, proposals, draft laws, related dialogue. Establishment of sustainable agricultural information systems. Improvement of human resources in agricultural information and policy analysis.	Agricultural Sector Reorientation Project	518-0051
2. Increased efficiency of production and processing of selected commodities.	Dissemination of improved technologies by extension agents. Development and validation of new technologies. Strengthening of agricultural research extension institutions. Improvement of human resources in agricultural production.	Agricultural Research, Extension and Education Project Agricultural Education II Project	518-0068 518-0082

Table 2.1: STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Country: ECUADOR

Strategic Objective 3: Increased use, effectiveness, and sustainability of family planning and selected health services

Other **Activity**:

Program Outputs	Activities	Source of Support Title	Source of Support No.
1. Increased number of users of family planning and selected health services.	Contraceptive commodity procurement. Assistance in logistics. Training in service delivery and quality assurance. Mass media campaigns. Coordination of IEC activities. Assistance in IEC quality control.	Health & Family Planning Water & Sanitation For Ecuadorian Development. Health & Child Survival	518-0084 518-0081 518-0071
2. Improved policy and institutional environment for long term sustainability of family planning and selected health services.	Financial planning at provincial and area levels. Purchase of small lab equipment for cross subsidies. Operations research in cost recovery methodologies. Policy research on health care finance. Financial planning and accountability at Municipal level. Policy conditionalities for disbursment of funds. Policy research on feasibility and implementation of reforms. Assistance in strategic planning. Assistance in establishments of endowments. Training community leaders in operations and maintenance.	Health & Family Planning Water & Sanitation For Ecuadorian Development. Health & Child Survival Health Care Finance Urban Shelter & Infrastructure HG Loan	518-0084 518-0081 518-0071 518-0113 518-0076 518-HG-007

Table 2.1: STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Country: ECUADOR

Strategic Objective 3: Increased use, effectiveness, and sustainability of family planning and selected health services

Other **Activity**:

Program Outputs	Activities	Source of Support Title	No.
3. Effective utilization and improved quality of family planning and selected health services.	Assistance in quality control technique. Operations research on quality assurance. Encourage private sector participation in service delivery. Assistance in supervision. Contracting private sector for services. Training in service delivery and quality assurance. Assistance in market research. Improving market segmentation techniques. Coordination of focused mass media campaigns. Communication strategies for organizations.	Health & Family Planning Health & Child Survival Water & Sanitation For Ecuadorian De-velopment. Urban Shelter & Infrastructure	518-0084 518-0071 518-0081 518-0076

Table 2.1: STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Country: ECUADOR

Strategic Objective 4: Improved responsiveness of selected democratic institutions with greater citizen participation.

Other Activity:

Program Outputs	Activities	Source of Support Title	No.
1. Improved operation of justice system.	Drafts of new civil and penal codes and procedures reviewed by GOE. Hold information dissemination meetings on AOJ reform.	Administration of Justice Project	518–0115
2. Improved operation of electoral process.	Publicity campaign to encourage voting. Poll workers trained.	Electoral Education & Civic Training Project.	518–0109
3. Leaders and potential leaders equipped with and applying new skills and knowledge.	Leaders and potential leaders equipped with skills in the U.S. Profesors adopt RTAC books.	Ecuadorian Development Scholarship Program. (CLASP II) Regional Technical Assistance Center (RTAC II)	518–0091 518–0095

Table 2.1: STRATEGIC OBJECTIVE PROGRAM OVERVIEW

Country: ECUADOR

Strategic Objective 5: Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas.

Other **Activity**:

Program Outputs	Activities	Source of Support Title	No.
1. Establish mechanisms which generate income & employment from non-destructive use of resources in selected communities.	Increase tourism. Increase local participation in tourism.	Sustainable Uses For Biological Resources Project	518-0069
2. Strengthen local community, governmental & non-governmental organizations ability to plan/administer programs & monitor resource status.	Strengthen community organizations. Maintain biodiversity within protected areas. Improve human resources. Improve management of Galapagos biological resources.	Sustainable Uses For Biological Resources Project Charles Darwin Foundation Project. Environmental Education III Project. Parks & Peril Project.	518-0069 518-0107 518-0079
3. Develop, test & promote technologies in selected communities which improved ability of individuals & enterprises to manage resources.	Improve farm production and income. Maintain forests & intensify & diversify agriculture. Improve scientific knowledge. Evaluate the economic potential of biological resources.	Sustainable Uses For Biological Resources Project Charles Darwin Foundation Project. Environmental Education III Project. Parks & Peril Project.	518-0069 518-0107 518-0079
4. Improve policies governing resource use in and around protected areas.	Support conflict resolution. Reduce colonization.	Agricultural Sector Reorientation Project Environmental Education III Project. Policy Dialogue Support Project. Parks & Peril Project.	518-0051 518-0079 518-0089

TABLE 3

USAID/ECUADOR

FYs 93/94 ACTION PLAN

ESTIMATED FUNDING REQUIREMENTS AND SOURCES

STRATEGIC OBJECTIVE No. 1

USAID ECUADOR STRATEGIC OBJECTIVE:

Increased trade and employment in non-traditional exports

FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	2,707,881	3,046,001	3,800,941	2,100,000	2,100,000
ESF	0	10,000,000	8,000,000	8,000,000	8,000,000
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	2,707,881	13,046,001	11,800,941	10,100,000	10,100,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	458,000	761,500	475,000	525,000	525,000
P.L. 480 TITLE II	0	0	0	0	0
P.L. 480 TITLE III	0	0	0	0	0
ESF	1,000,000	8,500,000	3,500,000	3,500,000	3,500,000
SUBTOTAL	1,458,000	9,261,500	3,975,000	4,025,000	4,025,000

STRATEGIC OBJECTIVE No. 2

USAID ECUADOR STRATEGIC OBJECTIVE:

Increased income on small and medium farms from selected commodities

FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	1,110,000	2,673,999	2,400,000	2,080,000	2,080,000
ESF	0	0	0	0	0
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	1,110,000	2,673,999	2,400,000	2,080,000	2,080,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	1,836,270	1,674,470	1,420,140	400,000	400,000
P.L. 480 TITLE II	0	0	0	0	0
P.L. 480 TITLE III	0	0	0	0	0
ESF	0	2,000,000	2,000,000	2,000,000	2,000,000
SUBTOTAL	1,836,270	3,674,470	3,420,140	2,400,000	2,400,000

STRATEGIC OBJECTIVE No. 3

USAID ECUADOR STRATEGIC OBJECTIVE:

Increased use, effectiveness and sustainability of family planning and selected health services

FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	5,289,600	5,043,048	4,085,112	1,570,000	1,570,000
ESF	0	0	0	0	0
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	5,289,600	5,043,048	4,085,112	1,570,000	1,570,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	9,162,477	8,711,749	4,876,479	2,042,220	2,420,510
P.L. 480 TITLE II	0	0	0	0	0
P.L. 480 TITLE III	0	0	0	0	0
ESF	0	2,000,000	2,000,000	2,000,000	2,000,000
SUBTOTAL	9,162,477	10,711,749	6,876,479	4,042,220	4,420,510

STRATEGIC OBJECTIVE No. 4

USAID ECUADOR STRATEGIC OBJECTIVE:

Improved responsiveness of selected democratic institutions with greater citizen participation

FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	3,720,519	3,558,294	2,950,000	2,070,000	2,070,000
ESF	0	0	0	0	0
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	3,720,519	3,558,294	2,950,000	2,070,000	2,070,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	316,574	66,574	254,074	254,074	250,000
P.L. 480 TITLE II	0	0	0	0	0
P.L. 480 TITLE III	0	0	0	0	0
ESF	0	1,000,000	1,000,000	1,000,000	1,000,000
SUBTOTAL	316,574	1,066,574	1,254,074	1,254,074	1,250,000

STRATEGIC OBJECTIVE No. 5

USAID ECUADOR STRATEGIC OBJECTIVE:

Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas

FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	2,020,000	1,903,658	1,063,947	1,530,000	1,530,000
ESF	0	0	0	0	0
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	2,020,000	1,903,658	1,063,947	1,530,000	1,530,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	505,000	475,914	265,986	382,500	382,500
P.L. 480 TITLE II	0	0	0	0	0
P.L. 480 TITLE III	0	0	0	0	0
ESF	0	1,000,000	1,000,000	1,000,000	1,000,000
SUBTOTAL	505,000	1,475,914	1,265,986	1,382,500	1,382,500

USAID ECUADOR POLICY REFORM AGENDA:

FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	30,000	50,000	600,000	550,000	550,000
ESF	0	5,000,000	2,000,000	2,000,000	2,000,000
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	30,000	5,050,000	2,600,000	2,550,000	2,550,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	91,250	91,250	91,250	91,250	91,250
P.L. 480 TITLE II	0	0	0	0	0
P.L. 480 TITLE III	0	0	0	0	0
ESF	0	500,000	500,000	500,000	500,000
SUBTOTAL	91,250	591,250	591,250	591,250	591,250

USAID ECUADOR TARGETS OF OPPORTUNITY:					
FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	122,000	725,000	100,000	100,000	100,000
ESF	0	0	0	0	0
CENTRAL BUREAU DA					
SUBTOTAL	122,000	725,000	100,000	100,000	100,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	100,000	250,000	30,000	30,000	30,000
P.L. 40 TITLE II	0	0	0	0	0
P.L. 40 TITLE III	0	0	0	0	0
ESF	0	0	0	0	0
SUBTOTAL	100,000	250,000	30,000	30,000	30,000
USAID ECUADOR COUNTRY TOTALS					
FUNDING SOURCES	FY-92	FY-93	FY-94	FY-95	FY-96
DA	15,000,000	17,000,000	15,000,000	10,000,000	10,000,000
ESF	0	15,000,000	10,000,000	10,000,000	10,000,000
CENTRAL BUREAU DA	0	0	0	0	0
SUBTOTAL	15,000,000	32,000,000	25,000,000	20,000,000	20,000,000
LOCAL CURRENCY					
HOST COUNTRY COUNTERPART	12,469,571	12,031,457	7,412,929	3,725,044	4,099,260
P.L. 40 TITLE II	0	0	0	0	0
P.L. 40 TITLE III	0	0	0	0	0
ESF	1,000,000	15,000,000	10,000,000	10,000,000	10,000,000
SUBTOTAL	13,469,571	27,031,457	17,412,929	13,725,044	14,099,260

FYs 93-94 ACTION PLAN

Section I

Status of Strategic Objectives

FYs 93/94 ACTION PLAN

SECTION I : STATUS OF STRATEGIC OBJECTIVES

A. Refinements in Strategic Objectives/Performance Indicators

1. SO 1

a. Process of Refinement

The original SO 1 statement, as presented in last year's Action Plan, was: Improved policy and institutional environment leading to increased trade, with emphasis on nontraditional exports. SO indicators were: Gross value of nontraditional exports; Number of new exported items in the nontraditional exports sector; and Amount of new foreign investment in exporting industries. In September, 1991, the SO team refined the SO 1 statement to read as follows: Increased trade and employment in nontraditional exports. The rationale for the modification was that "improved policy and institutional environment" are really inputs to achieving increased trade. The SO team also added "increased employment" to the SO statement to be more responsive to the goal of broadly-based economic growth and to address Ecuador's poor income distribution. At that time, the team decided to reclassify foreign investment from SO performance indicator to program output, since it is a means - not a measure - of achieving increased trade. Two SO performance indicators were selected: Gross annual FOB value of nontraditional exports; and Employment in sectors with high nontraditional exports. In order to measure the first indicator, FEDEXPOR obtains and analyzes monthly data from the Central Bank. The second indicator will be measured through an agreement between FEDEXPOR and the National Institute of Statistics and Census (INEC) for timely and desegregated data on employment.

b. Program Outputs

The SO 1 program outputs have also been refined during the last six months, and some refinement is still necessary, as discussed below. The final outputs are: 1) Greater diversification in nontraditional export products; 2) Increase in investment in nontraditional export industries; 3) Improvement in the trade and investment climate; and 4) Increase in foreign exchange earnings from tourism. During January and February, 1992 there were two major changes in the program outputs. The first was that the following output was eliminated: "Increase in production and employment in selected industries which export nontraditional items." It was felt that both production and employment were reflected at the SO level and will result from the other program outputs. The other change was that the indicator for increase in investment

was limited to foreign investment only, since there is reliable Central Bank data for foreign but not for total investment. Program outputs and their indicators are briefly discussed below.

Program Output # 1: Greater diversification in nontraditional exports (NTX).

The indicator is the number of NTX products (5-digit CUCI categories) with annual FOB value over $500,000. Data for this are easily obtainable from Central Bank and FEDEXPOR.

Program Output # 2: Increase in investment in nontraditional exporting industries.

The indicator for this output, for which data are obtained from the Central Bank, is simply the amount of foreign investment in NTX sectors. The SO team would prefer to measure the amount of total investment, but reliable data are not available. Foreign investment does not fully reflect progress in the trade and investment climate, or the support the Mission is providing in privatization and capital markets development, but it is an acceptable proxy measurement for total investment. During the next few months the SO team will address this issue. Perhaps indicators for privatization or capital markets development will be developed.

Program Output # 3: Improvement in the trade and investment climate.

For this PO, the Mission's trade policy agenda was taken into account. The agenda includes: exchange rate liberalization, elimination of trade restrictions, implementation of privatization and a capital markets law, tariff reform, implementation of maquila/free zone laws, improvement of the labor code, opening up competition in transportation, reforming laws related to foreign investment, and streamlining procedures which regulate trade. The indicators, at present, are: Export/import license processing time reduced from 3-4 weeks to less than one day; Fundación Ecuador established and serving as lead private sector organization in coordinating trade and investment program; Implementation of positive foreign investment-related laws including streamlining of procedures; and Reduction of quantitative trade restrictions and prohibitions.

Program Output # 4: Increase in foreign exchange earnings from tourism.

The indicator for this PO is the number of foreigners entering with tourist visas, by gender. This information is available from INEC. This PO is the least developed, since the Mission

is only beginning to tackle a tourism development strategy, under the Trade and Investment Project. The Mission cannot ignore Ecuador's tremendous tourism potential (as an "export") and the problems which must be overcome to develop that potential. Under the SO 1 team and in conjunction with the Trade and Investment Project and SUBIR Project (SO 5), a tourism development committee has been formed to examine within the next few months the most salient problems in developing tourism in Ecuador, and to define a comprehensive strategy, taking into account existing eco-tourism, cultural/historical tourism and adventure tourism.

2. SO 2

a. Process of Refinement

The SO statement has been revised very little from last year's Action Plan. The only change is to drop the phrase linking improved sectoral policy and technological change to increased income. Policy and technology are really means for achieving the SO, and the SO team incorporated them as program outputs (the definitions appear below). The SO now reads: "Increased income on small and medium farms from selected commodities". This objective is to be accomplished by means of project activities resulting in a) policy change favoring agricultural investment by smaller farmers, and b) increased production and productivity among these farmers made possible by their increasing investment and adopting improved technologies.

One major modification to the SO which would have required tracking income from all sources (farm and non-farm) at the household level was considered but then rejected. The SO team concluded that explicit reference to household-level income in the SO and its performance indicators was not essential for monitoring progress toward the SO, as more general indicators of income for the selected commodities would be adequate to measure SO achievement. However, the SO team also concluded that household-level data gathered by means of rapid rural appraisals or formal rural household surveys could provide valuable guidance in terms of a) "ground verification" at the household level of the aggregated income data embodied in the SO performance indicators, and b) facilitation of future decision-making related to interventions under several of the Mission's SOs (Nos. 1, 2, and 5 at least). The Mission will soon determine whether to pursue a rural household survey, taking into account the expected benefits versus costs as well as probable funds availability over the next few years.

The revised SO has two performance indicators: Gross real income per ha. from selected commodities; and Gross real income accruing to farms of 20 ha. or less from selected commodities. The first of these indicators replaces "amount

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of gross farm income from selected commodities in constant dollars" from last year's Action Plan. The new indicator enables us to account for improvements in yields for specific commodities and reflects the fact that it may be economically rational for a farmer to decrease area in a specific crop (e.g., coffee, given depressed world prices) if relative prices favor production of other commodities. Thus, gross income from a given commodity at the national level may fall due to reductions in total area and/or secular declines in relative prices for that commodity at the same time as gross income per ha. increases due to yield and/or quality improvements.

The second SO performance indicator replaces "on a bi-annual basis, the net farm incomes of small and medium farmers from selected commodities." The new indicator gets at the question of equity impact at the national level. The decision to define small and medium farmers as those with holdings of 20 ha. or less is somewhat arbitrary, since there is no universally accepted definition of "small" or "medium" farmer. Ideally, one would want to account for such factors as soil quality, intensity of input use (irrigation water, fertilizer, etc.), the value of the commodity produced (one ha. of roses vs. one ha. of wheat), etc., but data constraints presently make this impossible. As for last year's "equity" indicator, the Mission in collaboration with FUNDAGRO will soon determine whether it will be feasible and useful for program impact measurement purposes to devote scarce project resources to estimation of changes in net farm income of FUNDAGRO's client farmers (a small subset of all farmers producing milk, coffee, and cassava). If so, this data collection and reporting activity will be incorporated into the M and E plan.

b. Program Outputs

As stated in the POD, the achievement of the following two program outputs will support progress towards SO 2.

Program Output # 1: Reduced distortions in priority markets.

This output captures the effects of agricultural policy, institutional and legal reforms resulting from the program activities being carried out principally through the Agricultural Sector Reorientation Project. In general, we expect that the distortions as measured by nominal protection rates on the SO selected commodities and by various indicators (see Table 1.1) for fertilizer, seed and land will decline over the next few years. As these distortions fall, incentives for production of, and adoption of yield-enhancing technologies for, the SO selected commodities by smaller farmers should increase. A key assumption here is that exogenous factors, especially world market prices, do not

create disincentives for production and adversely impact on smaller farmer income at the same time that internal market distortions are being reduced.

Program Output # 2: Increased efficiency of production and processing of selected commodities.

The second PO captures the effects of adoption by smaller farmers of improved production and processing technologies. Adoption of these technologies will result from the program activities being implemented mainly through the Research, Extension and Education Project. It is important to note that the technologies being developed, extended and adopted under this project pertain primarily to FUNDAGRO's three priority commodities -- dairy, coffee, and cassava--, while the "selected commodities" of the SO number 15 and account for about 80 percent of agricultural GDP. The SO team's decision to expand the list of "selected commodities" beyond FUNDAGRO's priority commodities is based on our expectation that the policy PO will exert a significant influence on the agricultural sector as a whole and, therefore, that it is important to attempt to monitor income changes for a much broader group of commodities than those specifically targeted for technology gains by FUNDAGRO. In addition, it is possible that FUNDAGRO may in the near future modify the list of commodities for which it leads technology development efforts, and the Mission needs to anticipate such adjustments.

Finally, the Mission plans to continue its efforts toward achieving SO 2 once the current portfolio of agriculture projects (Agricultural Sector Reorientation; Research, Extension and Education; Agricultural Education) phases out through the new Agricultural Sector Development Program, an FY 1993 start. This Program will consolidate and modify to some extent the policy and technology activities now being implemented.

3. <u>SO 3</u>

a. <u>Process of Refinement</u>

The SO 3 team has achieved substantial refinement of the objective, outputs, and indicators. As mentioned earlier, a significant refinement in the strategic objective statement was from "maternal and child health services" to "selected health services" to reflect the broader impact which the team expects Mission funded efforts to achieve. While the team expects to maintain a principal emphasis on maternal and child health and family planning for the present, it will be gradually replaced by an emphasis on overall health care finance. The Health Care Finance Project, now in planning stages, will address systemic constraints within the health

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care system which affect other types of health services beyond maternal and child health. In addition, the team felt that this modification would enhance its dialogue and leverage with GOE counterparts by encouraging the involvement of sectors not concerned exclusively with maternal and child health. Finally, the team felt that broadening the objective to "selected health services" would allow it the flexibility to pursue emerging health priorities, such as environmental health concerns.

b. Program Outputs

Program outputs previously outlined for this strategic objective included increasing the supply of and demand for family planning services and maternal and child health services. The team felt that the concept of supply/demand reflected "use" indicators alone, and fell short on both sustainability and effectiveness. The team therefore decided to modify the program outputs: 1) to reflect the change in the strategic objective to focus on family planning and selected health services; 2) to better capture the subtleties of constraints to health care use, effectiveness, and sustainability which the Mission plans to target through its programs; and 3) to better capture the concepts of sustainability and effectiveness. The modified program outputs follow.

Program Output # 1: Increased number of users of family planning and selected health services.

Mission funded programs will seek to increase the number of users of services through both supply and demand side activities. The program will: 1) increase the access to and availability of family planning and selected health services provided by government health units, by NGOs, and by commercial providers in selected geographical areas and for selected population groups; and 2) increase generic information, education, and communications campaigns for encouraging the use of family planning and selected health services.

Program Output # 2: Improved policy and institutional environment for long term sustainability of family planning and selected health services.

This important program output involves promoting the sustainability of both public and privately funded provision of family planning and selected health services. The team expects that this output will be achieved through activities that: 1) improve the financial management and cost recovery of both public and private institutions, including increasing budget allocations to family planning and selected health

services in the public sector and increasing the levels of own generated incomes of the private sector; 2) promote reform of selected legal and regulatory policies, such as the decentralization of services, reversing the "no-fee" policy; and 3) support the institutional strengthening of selected family planning NGOs through improved management, cost containment and strengthened Boards of Directors, and of selected public sector health providers through improved supervision and logistic systems.

Program Output # 3: Effective utilization and improved quality of family planning and selected health services.

This program output encompasses both improvement of quality and effectiveness of services provided, as well as a more intelligent use of services by clients. In the health context, the term "utilization" refers not only to action by service users, but also to the quality and effectiveness of service provision. Health Care Finance encompasses the private sector component of the Health and Child Survival Project and the new Health Care Finance Project which is in the design phase.

Environmental Health encompasses the Water and Sanitation for Ecuadorian Development (WASHED) Project, the Urban Shelter and Infrastructure Project, and the Malaria Assistance Project. The malaria assistance project has now ended and a follow-on will not take place. Any assistance for vector biology control will be subsumed under an existing project. The type and extent of assistance (if any) will be determined following an evaluation during FY92. The two water and sanitation projects will continue for at least two more years. An evaluation of the WASHED project is planned for FY92. The SO team will revisit this activity after the evaluations, and decide whether longer term involvement is warranted. Such a decision will be based, among other things, on the changing epidemiological profile of Ecuador which is becoming increasingly urban and thus more and more burdened with urban and environmental health problems as principal causes of mortality and morbidity.

4. SO 4

a. Process of Refinement

Last year this strategic objective was "Strengthened Democratic Institutions With Greater Citizen Participation."

With great team effort and analysis of the range of options available under project activities and policy dialogue plans, this SO has been revised to: Improved responsiveness of

selected democratic institutions with greater citizen participation.

A great deal of refinement has been achieved for the program outputs and program sub-outputs. Indicators in the DI area, however, do not lend themselves to quantitative measurement as easily as other areas. Some of the best measures of progress toward democracy may be qualitative in nature rather than quantitative (e.g., an evaluation of the electoral process in the 1992 elections by USIS or CAPEL which includes a compendium of numbers, anecdotes and "reasoned evaluations"). With this caveat in mind, the SO 4 team has attempted to identify, wherever possible, quantitative indicators.

The first indicator reads: Senior levels of government review, revise and pass proposed revision(s) of selected legal codes/procedures. Since the primary purpose of the proposed new DI project is to develop a draft of proposed changes in legal codes and procedures for both the criminal and civil legal systems, significant progress in this area will have been achieved if at least one proposed revision (or set of revisions) moves all the way through the process of review, amendment, and "adoption into law." In the five to seven year time frame, that would be the "target" for this indicator. Interim measures of progress would be provided by USAID and its technical experts (ILANUD for the present) in terms of the number of revisions drafted, number of revisions reviewed, number of revisions amended/acted upon, and number of revisions "adopted into law."

The second indicator is: Principal electoral agencies respond to citizen/NGO concerns about electoral processes. It will be retained only if a decision is made to continue support for improvement of election processes. This indicator has the potential to be a positive way of measuring responsiveness to citizen needs. However, we recognize it needs more clarification in terms of both meaning and measurement. Special attention will be paid to desegregating data by gender and ethnicity whenever possible.

"Perceived confidence in the legal system" is the third indicator. It is well within the realm of possibility that selected legal institutions can be helped to become more responsive to citizens' needs. It is even possible for this increased responsiveness to be reflected in changing citizen perceptions as measured by surveys.

b. <u>Program Outputs</u>

Program Output # 1: Improved operation of justice system.

Since the DI project is currently in the design phase, this

program output, sub-output and its indicators will undergo the most intensive analysis and revision. In the course of designing and implementing the continuation of the DI project under FY 93 funding, a new program output, sub-output and a new set of results-oriented indicators will be developed as needed.

Program Sub-output # 1.1: 1) New civil and penal procedural codes drafted, 2) Citizen support for AOJ reform, as measured by the proposed survey, 3) Number of public information dissemination meetings held, 4) Number of law schools that change curriculum as a result of adoption of new codes, and 5) Number of women and indigenous receiving law school scholarships.

Program Output # 2: Improved operation of electoral process. (This program output will continue to be included only if the ELECT Project activities are extended under the new DI project).

There has been a continuing decline in the percentage of correctly marked election ballots. Since eligible voters are required to vote, this can represent either an honest error or a protest against the electoral system. The ELECT project seeks to improve both the credibility of the election and electoral process, and to improve the process itself through training electoral personnel. The indicator for this PO, Percentage of correctly marked ballots, will be measured against a baseline figure of the percentage of correctly marked ballots in the last presidential election.

Program Sub-output # 2.1, Improved citizen participation in elections, will be measured by the following indicators: 1) Percentage of registered voters voting, 2) Percentage of eligible voters registered to vote, and 3) Percentage of those not required to vote who nevertheless vote. These three potential measures of citizen participation appear to be conceptually valid measures. However, further work will have to be done to determine if they are feasible measures, and to determine if baseline data exists.

Program Sub-output # 2.2, Increased knowledge and skill of electoral system personnel, is associated with the project activity of training polling personnel. Indicators include the number of polling personnel trained and the quality of electoral process. Although more difficult and expensive (and impossible to reduce to a single number), the second indicator could provide useful information on whether training polling personnel improved their performance. What is intended in suggesting this indicator is that a CAPEL observation team would assess the "quality of the electoral process" on a number of variables, but paying special attention to the

performance of the poll workers.

Program Output # 3, Leaders and potential leaders equipped with and applying new skills and knowledge, will be measured by two indicators, 1) Proportion of participants reporting more involvement or effectiveness in community, professional and/or institutional activities, and 2) Number of participants exposed to democratic activities and organizations in the U.S. Both of these indicators would be assessed as part of the CLASP M & E process, a plan for which is currently under development. The first indicator would be measured through special surveys, focus groups and case studies. The second would be collected through the project reporting system. There is no baseline or target for either measure. The measures will be desegregated by gender and ethnicity.

Program Sub-output # 3.1 is Increased technical and other training for selected target groups, indicated by the number of people trained. Program Sub-output # 3.2, Improved university level education, will be measured by: 1) Number of professors adopting RTAC texts; 2) Percentage of students in served fields buying one or more books; and 3) Number of subject areas in which text books are introduced. Baseline data for all of these indicators will be available when the RTAC baseline survey is completed (approximately April 1, 1992). For indicator # 2, a tentative target of 40% of the students has been set; for indicator # 3, a tentative target of 20 subject areas has been established. However, both of these may need to be modified if the baseline data is substantially different from these targets.

5. SO 5

a. Process of Refinement

In last year's Action Plan, SO 5 read, "Sustainable use of biological resources in selected areas." This has been changed substantially for various reasons. The terms "sustainable", "conservation" and "preservation" are loaded with meanings of different significance to different groups concerned about the environment. Loss of biodiversity was thought to have more universal meaning. The Mission considered several options before deciding on stemming biodiversity loss as the central goal of the SO. The criteria for revising the SO were: 1) close relationship to the LAC Bureau Sub-Objective statement; 2) clarity of wording, i.e. avoiding ambiguity; 3) accurate representation of Mission program aims and project activity; and 4) verifiable statement of the environmental changes sought.

The term "biodiversity" as used in this SO is taken to mean the total assemblage of species of organisms and their genetic

material. The implication is that the greatest attention will be paid to those areas currently supporting the greatest number of species, i.e. the forests. The LAC Bureau objective is "Encourage preservation and sustainable use of the natural resource base." The Mission's strategic objective does both and is in some sense the same objective, more narrowly focused to fit the Ecuadorian context.

As a co-equal part of the SO, the Mission has chosen "accelerate a transition from resource mining to resource management." This part of the SO captures the importance of affecting a biophysical change in a way that addresses the cause of biodiversity loss and therefore that provides models for dealing with the problem on a nationwide and even global basis. USAID/Ecuador does not have the resources to prevent loss of biodiversity throughout Ecuador. Furthermore, there is a lack of knowledge of how best to manage tropical forests to achieve this result. Therefore, our objective is to test the hypothesis that if the resources currently in use are used more intensively and if they are managed for use over the long term, then biodiversity loss will be slowed as expansion of the agricultural frontier slows. It is important to consider these parts of the objective as co-equal at least until more evidence is gathered.

The FY 92-93 Action Plan stated that SO indicators would be: 1) Percentage of hectares conserved out of total hectares included in selected national conservation units; and 2) Percentage of hectares under sustainable use out of total hectares included in selected non-protected areas. The current SO indicators are a refinement of these. Given the critical dependence of the SO tree's conceptual validity on the assumed linkage between increasing land area under non-destructive management and slowing biodiversity loss, it is important that the biophysical indicators demonstrate this change.

SO Indicator # 1: Abundance and distribution of species indicating diversity.

This indicator for biodiversity is a group of species of plants and animals to be selected by SUBIR researchers during 1992. The main value of these key species will be in areas surrounding protected areas, i.e. the "buffer" zones which will be the testing ground for this assumption. The status of these species will be tested annually in selected sampling sites and compared with their status inside the protected areas at similarly designed sampling sites. This indicator is designed to show change at the local level in and around selected communities where project interventions are active so that induced change in land use and management practice can be correlated with biodiversity changes. However, in the

aggregate, the total change does serve to indicate status of overall biodiversity in and around the selected protected areas.

SO Indicator # 2: Change in land cover in and around selected protected areas.

This indicator shows change in two distinct areas, inside of protected areas, and outside in the buffer zone. This indicator relates to biodiversity in a direct way in that changes in land use from primary forest cover to agricultural use indicates a significant loss in diversity for the immediate area. Conversely, agricultural land which is abandoned and allowed to return to forest cover would represent a local gain in diversity, although not to the level of undisturbed primary forest. This indicator will not show whether or not land under management following SUBIR approved technical practices, is in fact, being better managed.

SO Indicator # 3: Percentage of land area under non-destructive management in and around selected communities.

The third indicator attempts to provide a number which captures an overall picture of the status of resource management. Since this number depends on a variety of data sources and estimates, it may need to be broken down into its various components. The most crucial component for testing the assumption described earlier comes from land in agriculture. In its early research, SUBIR will examine current agricultural practices to determine categories for agricultural crops and common practices which reflect the degree to which crops and practices "mine" or "manage" soils. Data on changes within the categories will provide valuable information on progress towards achievement. While this indicator will be an important test for the assumption of linkage to biodiversity maintenance, it will also provide evidence for the effectiveness of the program outputs (POs).

In summary, the correlation over time between all three indicators will test the assumption which is the foundation of the Mission's approach to slowing the loss of biological diversity. The correlation between the third SO indicator and the PO indicators will verify that Mission activities are having a measurable, positive impact on land and resource management. As the loss of biodiversity is likely to require years to measure, it is this second correlation which will provide the management tool for the Mission to use in guiding the direction of SUBIR. Baseline surveys and the collection of data will be conducted during 1992 to lay the foundation for tracking the above mentioned indicators. In next year's AP, this baseline will be given and targets set for the POD period.

b. Program Outputs

The POs that the Mission has been working with have been modified according to a set of criteria similar to the set guiding the evolution of the SO, namely: to improve clarity, reflect the evolving strategy of Mission natural resources activity, and to emphasize the human changes necessary to lead to the biophysical changes sought in the SO.

Program Output # 1: Establish mechanisms which generate income and employment from non-destructive use of resources.

This PO is intended to create ways that will provide financial incentives (profits, grants, fees, taxes, donations) for non-destructive resources management. The term "mechanism" is used to mean an arrangement which creates a self-renewing flow of incentives which does not depend on Mission sponsored activities. Such a mechanism may require an AID sponsored incubation period to develop, or it may arise from other sources via funding independent of AID (e.g. the Enterprise for the Americas and ecotourism marketing). The two indicators for this PO are the percentage of persons desegregated by gender and ethnicity (DGE) with income from tourism and the percentage of persons (DGE) with income from non-destructive resource use.

Program Output # 2: Strengthen local community, governmental and nongovernmental organizations' ability to plan/administer programs and monitor resource status.

The institutions selected would fall into two categories -- those involved with the management of protected areas, and those serving the communities around the protected areas. Indicators will reflect an improved ability to administer programs and also the effectiveness of the institution's activities. The first indicator for PO 2 is the number of participating local organizations and the effectiveness of their stewardship over resources. This indicator will use SUBIR data collection on levels of management self-sufficiency, program accomplishments, and monitoring of effectiveness of participating organizations. The data will be broken down into two groups--inside and outside of protected areas. The second indicator is the change in number of local residents (DGE) participating in activities of local organizations, which will use SUBIR data collection on nine model communities selected in and around the three protected areas. The third indicator is the change in area under active encroachment in the protected areas, which will reflect progress with the development and implementation of management plans for the three protected areas by the GOE.

Program Output # 3: Develop, test, and promote technologies

in selected communities which improve ability of individuals and enterprises to manage resources.

This PO consists of two complementary sub-outputs: the amount and quality of scientific knowledge on how to manage forest and land resources, and the adoption of that knowledge among communities. Consequently, there are two indicators--one for each. Since the development and testing of technical knowledge is a long process, there is an additional indicator for progress in the R&D program leading up to the point at which there are certified technologies ready for dissemination. The indicators for PO 3 are the following: 1) Progress in R&D program, as measured by the number of research studies disseminated and by the indicator species and study areas identified and tracked; 2) Number of new or existing technologies identified, adapted, and promoted for managing protected areas and agricultural activities, and 3) Change in the number of persons (DGE) in selected communities using resource management technologies.

Program Output # 4: Improve policies governing resource use in and around protected areas.

This PO will require a coordinated effort between SUBIR and IDEA. SUBIR plays a role in providing feedback on current policy constraints at the field level, and IDEA will conduct policy dialogue to resolve these constraints at the national level. PO 4's indicator is progress in formulating, adopting, and implementing sets of policies governing state forests, oil industry, property rights, protected areas, and private sector forestry.

STRATEGIC OBJECTIVE No. 1

BUREAU OBJECTIVE

Support the achievement of broadly-based, sustainable economic growth

BUREAU SUB-OBJECTIVES

Encourage economic policies that promote investment, productive employment, and outward oriented diversification

Encourage a vigorous private sector response

ION STRATEGIC OBJECTIVE

Increased trade & employment in nontraditional exports

PROGRAM PERFORMANCE INDICATORS

1. Gross (real value) of exports.
2. Employment engaged in production for export disaggregated by sex.

RAM
UTS

- Greater product diversification in nontraditional exports
- Increase investment in NT export industries
- Improvement in the trade and investment climate
- Increase in foreign exchange earnings from tourism

RAM
ICATORS

- Increase in number of exported products which exceed $500,000 in volume.
- Amount of new investment in nontraditional export sectors.
- Export-import license processing time reduced from 3-4 wk. to less than 1 day.
  F.E. established & serving as lead private organization in coordinating T&I promotion programs.
  Implementation of positive foreign investment tax laws including streamlining of procedures.
  Reduction of quantitative restrictions and prohibitions.
- Number of tourist visits to Ecuador disaggregated by gender.

STRATEGIC OBJECTIVE No. 2

LAC BUREAU OBJECTIVE

Support the achievement of broadly-based sustainable economic growth

LAC BUREAU SUB-OBJECTIVES

Encourage a vigorous private sector response

Encourage increased economic opportunities for the disadvantaged

MISSION STRATEGIC OBJECTIVE

Increased income on small and medium farms from selected commodities

PROGRAM PERFORMANCE INDICATORS

1. Gross real income per ha. from selected commodities.
2. Gross real income per ha. accruing to farms of 20 ha. or less from selected commodities.

PROGRAM OUTPUTS

Reduced distortions in priority markets

Increased efficiency of production and processing of selected commodities

PROGRAM SUB-OUTPUTS

Improved agricultural policy, institutional and legal environment established

Improved production and processing technologies adopted

PROGRAM INDICATORS

Nominal protection rate (%) on S.O. selected commodities.
Tariff rate (%) on fertilizer and seed.
Growth rate (%) of improved seed utilization for S.O. selected commodities.
Number of legal land sales in sample counties.

Milk production and processing technologies adopted.
Calf mortality (%).
Coffee yields (kg/ha.).
Cassava processed (MT).

STRATEGIC OBJECTIVE No. 3

LAC BUREAU OBJECTIVE

Support the achivement of broadly-based, sustainable economic growth

LAC BUREAU SUB-OBJECTIVE

Encourage increased economic opportunities for the disadvantaged

MISSION STRATEGIC OBJECTIVE

Increased use, effectiveness and sustainability of family planning and selected health services

PROGRAM PERFORMANCE INDICATORS

1. Contraceptive prevalence rate
2. Total Fertility rate
3. Infant and maternal mortality rate coverage of health services
4. Percent of cost recovery of selected family planning NGO's
5. Percentage of national budget allocated to health

PROGRAM OUTPUTS

- Increased number of users of FP and selected health services
  - Increased access and availability of FP and selected health services
  - Increased generic IEC campaigns to encourage the use of FP and selected health services
- Improved policy and institutional environment for long term sustainability of FP and selected health services
  - Improved financial management and cost recovery
  - Reform of selected legal/regulatory policies
  - Strengthened FP NGO's and selected health organizations
- Effective utilization and improved quality of FP selected health services
  - Increasing Provision of quality FP and selected health services by NGO's and other private sector entities
  - Improvement in quality of provision of FP and selected health services by public sector
  - Increased theme and service specific IEC campaigns to encourage demand for quality services

PROGRAM INDICATORS

Percent of population under age 1 that is fully immunized.
Percent of women of reproductive age that are immunized from tetanus toxoid.
Contraceptive use by women between ages 15-25 who are married.
Contraceptive use by men.
Rural population with access to water and sanitation systems.

Capital funds established by selected family planning NGO's.
Increase in number of NGO clinics self sufficient.
FP commodities purchased by public sector.
Selected provinces and their areas establishing budget procedures.
Technical and administrative delegation to provincial levels.
Local water boards organized and operating.
Public clinics with fee for service.
Health budget allocated to preventive care.
Private administration of public hospitals to water sanitation.
Operating costs of municipal water systems.

Commodities correctly stored.
Correct knowledge and use of oral rehydration salts.
Increase in use of modern contraceptive methods.
Technical water norms updated.
Water systems rehabilitated.
Increase in population with appropriate hygiene behavior.

STRATEGIC OBJECTIVE No. 4

LAC BUREAU OBJECTIVE

Support the evolution of stable, participatory democratic societes

LAC BUREAU SUB-OBJECTIVES

Strengthen civilian government institutions

Strengthen public participation in the democratic process

MISSION STRATEGIC OBJECTIVE

Improved responsiveness of selected democratic institutions with greater citizen participation

PROGRAM PERFORMANCE INDICATORS

1. Senior levels of government review, revise and pass proposed revision(s) of selected legal codes/ procedures.
2. Principal electoral agencies respond to citizen/NGO concern about electoral processes.
3. Perceived confidence in legal system.

PROGRAM OUTPUTS

Improved operation of justice system

Improved operation of electoral process

Leaders and potential leaders equipped with and applying new skills and knowledge

PROGRAM SUB-OUTPUTS

Enhanced dialogue about and increased support for AOJ reform

Improved citizen participation in elections

Increased knowledge and skill of electoral system personnel

Increased technical and other training for selected target groups

Improved university level education

PROGRAM INDICATORS

New civil and penal codes/ procedures drafted.
Citizen support for AOJ reform.
Number of information dissemination meetings held.
Number of law schools that change curriculum as result of adoption of new codes.
Number of law school scholarships for women and indigenous.

Percentage of correctly marked ballots.
Percentage of registered voters voting.
Percentage of eligible voters registered to vote.
Number of polling personnel trained.
Quality of electoral process.

Proportion of participants reporting more involvement or effectiveness in community, professional and/or institutional activities.
Number of participants exposed to democratic activities and organizations in the U.S.
Number of people trained.
Number of professors adopting RTAC texts.
Percentage of students in served fields buying one or more books.
Number of subject areas in which text books are introduced.

STRATEGIC OBJECTIVE No. 5

LAC BUREAU OBJECTIVE

Support the achievement of broadly-based sustainable economic development

LAC BUREAU SUB-OBJECTIVE

Encourage preservation and sustainable use of the natural resource base

MISSION STRATEGIC OBJECTIVE

Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas

PROGRAM PERFORMANCE INDICATORS

1. Change in abundance & distribution of species indicating diversity
2. Change in land cover in and around selected protected areas
3. Percent of land area under non-destructive management in & around selected communities

ROGRAM UTPUTS

- Establish mechanisms which generate income & employment from non-destructive use of resources in selected communities
- Strengthen local community, governmental & non-governmental organizations' ability to plan/administer programs & monitor resource status
- Develop, test, & promote technologies in selected communities which improve ability of individuals & enterprises to manage resources
- Improve policies governing resource use in and around protected areas

ROGRAM UTPUT NDICATORS

- Percent of persons disaggregated by gender & ethnicity (DGE) with income from tourism.
  Percent of persons DGE with income from non-destructive resource use.
- Number of participating local organizations & the effectiveness of their stewardship over resources.
  Change in number of local residents DGE participating in activities of local organizations.
  Change in area under active encroachment.
- Progress in R&D program
  Number of new or existing technologies identified, adapted & promoted.
  Change in number of persons DGE in selected communities using resource management technologies.
- Progress in formulating, adopting, & implementing sets of policies governing: forests, oil industry, property rights, protected areas, private sector.

6. Policy Dialogue Agenda

As in SO 4, indicators for measuring progress in policy dialogue do not readily lend themselves to quantitative measurements. However, progress and refinements in the policy dialogue agenda are now tracked by the policy matrix described in the POD. The matrix for each SO contains the policy change or environment required for achieving the program output. As some policy changes may affect two or more SOs simultaneously, the general policy dialogue team leader coordinates the policy dialogue activities among the five strategic objectives.

Progress towards achieving some of the SOs program outputs is already being made, as the Borja Administration is not acting like a "Lame Duck" government. Recently, progress was made in both the Increased Trade (SO 1) and the Increased Farm Income (SO 2) strategic objectives. The Central Bank of Ecuador recently opened up the "one-stop shop" which allows exporters to get a permit in about fifteen minutes on a 24-hour basis. The myth of the Agrarian Reform's supposed success was finally dispelled by a new and widely accepted study demonstrating that land in the Ecuadorian Sierra is not concentrated in the hands of the old landowning class but rather in the hands of privileged agrarian reform cooperatives whose members are prohibited from selling or otherwise transferring their land to individual ownership, and whose agricultural productivity suffers accordingly.

Moreover, in close coordination with SO team leaders, the Mission recently prepared an "Immediate Action Plan for 1992" which is designed to support the 1992 presidential election process in Ecuador. Under SO 4, the ELECT/CAPEL Project is providing software and training for staff of the Election Tribunal which is responsible for improving citizens' responsiveness to the election process. At the request of political parties of the major presidential contenders, the Trade and Investment Project will prepare an "Agenda of Options of Economic Reform" paper with relevant draft laws that will be used for implementing economic reform by the next GOE taking office on August 10, 1992. In support of the general policy agenda, the Policy Dialogue Support Project will hold a major international conference in March 1992 to discuss macroeconomic reform with the economic advisors of the main political parties. This project will then follow up with technical assistance composed of technical advisors and studies for the next government.

B. Program Performance

1. SO 1

Performance indicators under SO 1 show significant progress in the value of nontraditional exports (not including shrimp), which increased by $30.1 million in 1991, from $309.8 to $339.9 million. Fresh flowers alone increased by $6 million. Approximately half of this increase is accounted for by nontraditional agricultural exports (NTAE). However, it is important to note that increases in nontraditional industrial exports (NTIE) reflect developments in agro-industry. For example, tropical juices and fruit preserves increased by $2.8 million, while industrialized banana (flakes and puré) increased by $1.4 million. These specific NTAEs and agro-NTIEs received substantial assistance from USAID's NTAE Project. An important policy accomplishment was the approval of the export facilitation law which was drafted and lobbied for by USAID counterpart institutions. The Trade and Investment Project was just obligated in September, 1991 and its chief implementing institution is already involved in promoting privatization, policy dialogue, and conceptualizing its recommended economic plan, including reforms, which it will offer to leading political parties. All of this augurs well for future impressive performance under SO 1.

2. SO 2

During the past year, the Mission's SO 2 team worked to improve the SO performance indicators, the program outputs, and their indicators. While the SO remains focused on increased income on small and medium farms from selected commodities, the SO performance indicators were changed to better measure progress towards the strategic objective. As can be seen in Table 1.1, there was considerable variation in growth of real income per ha. and on smaller farms among the 15 selected commodities. Progress toward policy reform objectives was mixed, with the most forward movement in the areas of property registry and autonomy for the national agricultural research institute, INIAP. Draft laws for both areas are awaiting approval. Improvements in production efficiency for three selected commodities (dairy, coffee, cassava) continued. An external assessment of the Mission's agricultural technology program with FUNDAGRO, indicated that the program is basically on track. The evaluation team concluded, for example, that the Research, Extension and Education Project is generating relevant production and post-harvest technologies which are acceptable to and have been adopted by small and medium farmers. They also concluded that it is too soon to gauge the full impact on incomes, employment, and natural resource conservation.

3. SO 3

The overall program performance in SO 3 has continued to be positive. At the SO level, trend analysis indicates a continued decline in fertility and mortality while at the same time showing increases in contraceptive prevalence. At the program output/activity level, strengthened communications activities have resulted in increased demand for brand name contraceptives, which improve the effectiveness of family planning programs. Strengthened community level participation in operation and maintenance of rural water systems has resulted in water systems functioning correctly one year after installation. Several provincial level public health directorates now have the capacity to prepare area and provincial level annual programs, including budgeting, and target setting. A number of PVO family planning clinics exclusively for males has resulted in sharp increases in the number of male clients of family planning. The two major family planning NGOs are on their way to establishing endowments with their own resources and have established detailed plans for improving financial management for sustainability.

4. SO 4

The past year has been dedicated to the refinement of SO 4 and its performance indicators, the beginning of new projects, and most importantly, creating a better understanding of the weaknesses and requirements of judicial and electoral systems to make them more responsive to citizens' needs. Since the Mission is a newcomer in the field of administration of justice, our most important effort has been the Ecuador Administration of Justice Sector Assessment, performed by CAJ/FIU and ILANUD. As a result of the assessment, which received wide press coverage, the Mission identified a small, but influential group of citizens, including the President of the Supreme Court, who are committed to the reform of the Ecuadorian AOJ system, to help create a broadly-based consensus for judicial reform and provide advice to the Mission on future programming. In addition, the Mission commissioned an AOJ strategy document, signed a CA with CAPEL to establish the ground work for improvement of the electoral system, and initiated our Ecuador Peace Scholarship and RTAC textbook distribution programs.

5. SO 5

The Mission has nearly completed laying the groundwork for achieving SO 5. During 1991, the Sustainable Uses for Biological Resources (SUBIR) Project (518-0069) was authorized and the diagnostic phase, which involved a large team of

biological and social scientists assessing the baseline situation in the three pilot areas, has been carried out. A Monitoring and Evaluation Plan for the project which will help the Mission to measure SO 5 is complete. A grant to the Charles Darwin Foundation (518-0107) was authorized. An assessment of the policy constraints to meeting the SO is about to be completed. Finally, the SO team has reached consensus on clear, measurable program outputs, indicators and activities and thus is ready to begin gathering and analyzing data on progress.

C. Monitoring and Evaluation: Status and Plans

USAID/Ecuador has made significant progress in installing a Program Performance Assessment System (PPAS) this year. Since the submission of our previous Action Plan, the Mission has done the following: 1) continued the participatory strategic planning process initiated in our February 1991 Mission Retreat; 2) held a Mission-wide workshop on Monitoring and Evaluation (M&E) in September 1991 to train staff and counterparts in M&E techniques; 3) approved a new Mission Order on M&E; 4) developed guidance for SO team leaders on how to install the PPAS; and 5) written guidance to be used by SO teams and consultants in developing M&E Plans under the SOs. This guidance has resulted in a completed M&E Plan for SO 5 and draft elements of M&E Plans for SO 1 and 2. (A collection of all of USAID/Ecuador's PPAS documentation is available separately).

This has been a major Mission effort and required a substantial initial investment in staff time and program resources for consultants to assist with the strategic planning process and with designing the M&E plans. In the course of these activities it became apparent to all those involved that the PPAS represents a major shift in the management of Mission program and project information, one which will require a continuous process of learning and "front loading" to design or redesign project level information systems until the PPAS is finalized. The data requirements for SO and PO level indicators frequently impose a new burden on project staff and Mission officers whose previous experience with data collection and analysis may have been limited and focused at a different level, i.e., monitoring project implementation.

The higher order focus on project and program impact requires new data collection techniques, and new sources of data. In some cases, since the higher order data may be available only at the national or sectoral level, new analytical approaches are needed which allow for extrapolating from data that is available but only partially adequate for our purposes.

Within the next few months the Mission expects to have completed M&E Plans for each SO with the exception of SO 4, which will require more time to develop. These M&E Plans will be in a uniform graphic presentation and, in addition to describing discrete M&E activities to be carried out within projects, will outline required inter-project coordination and assign management responsibilities. Linking studies and program level evaluations will be described as well as any requirements for household income or opinion surveys. Costs and benefits will be key criteria for designing all M&E activities and identifying all information sources. In addition, the Mission plans to develop an approach to monitoring and evaluation policy dialogue activities, with assistance from AID/W, through buy-ins to one of the centrally-funded policy reform project. Monitoring the implementation and impact of our policy dialogue activities will also break new ground for project and Mission staff, requiring further program-funded technical assistance to develop appropriate and cost effective techniques.

Section II

Table 4
Country Performance Related to Bureau Objectives

Section III

Portfolio Analysis
New and Terminating Project/Non-Project Initiatives

BEST AVAILABLE

SECTION III : PORTFOLIO ANALYSIS: NEW AND TERMINATING PROGRAM ACTIVITIES

A. New Project Initiatives - Narrative

During FY 91, and the initial months of FY 92, the Mission has continued to work actively on the refinement of its five strategic objectives, program outputs and their corresponding indicators, as more fully described under POD Section III above. This effort will contribute during the Action Plan period to: 1) portfolio consolidation actions already underway; and, 2) reaffirming USAID/Ecuador's programmatic framework with emphasis on those activities where the Mission can have more impact and that are supportive of LAC Bureau Objectives and Sub-Objectives.

Accordingly, during FYs 93 and 94 the Mission intends to authorize a limited number of new projects and to extend and/or amend selected ongoing activities that are critical for the achievement of SOs 1, 2, 3 and 4, and for the advancement of its macroeconomic and sectoral policy dialogue agenda.

New program activities during the Action Plan period include: 1) Project 518-0105, Strengthening Democratic Institutions (note that this Project was already reviewed and approved as a FY 92 new start during the preceding AP exercise and that the Mission decided to defer its initiation to FY 93 and to refine the project description below); 2) Project 518-0111, Agricultural Sector Development Program; 3) ESF 518-0110, Trade Policy Reform Program; and 4) Project 518-0113, Health Care Financing. Extensions of ongoing activities during the Action Plan period, which involve PP Amendments in all cases, include: 1) Project 518-0076, Shelter Sector Technical Assistance; 2) Project 518-0094, Trade and Investment; and, 3) Project 518-0089, Policy Dialogue Support.

By limiting the number of new project starts and extending a few ongoing activities, the Mission intends to enhance the development impact of its limited program resources. USAID also wants to maintain an adequate level of flexibility to be responsive to the new GOE taking office on August 10, 1992 to the extent that resources permit and that any proposed initiatives from the new Government are fully consistent with our programmatic framework and objectives. Following is a brief discussion by fiscal year, by LAC objective and by Mission strategic objective, of the new projects and project extensions proposed by USAID/Ecuador:

FY 93 Projects

1. a. LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
   b. LAC Bureau Sub-Objective: Encourage economic policies that promote investment, productive employment and outward-oriented diversification.
   c. Mission SO 1: Increased trade and employment in nontraditional exports.
   d. **Mission Project: 518-0110, Trade Policy Reform Program** (New Project/ESF/NPA).

2. a. LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
   b. LAC Bureau Sub-Objectives: (1) Encourage a vigorous private sector response; and, (2) Encourage increased economic opportunities for the disadvantaged.
   c. Mission SO 2: Increased income on small and medium farms from selected commodities.
   d. **Mission Project: 518-0111, Agricultural Sector Development Program** (New Project).

3. a. LAC Bureau Objective: Support the evolution of stable, participatory democratic societies.
   b. LAC Bureau Sub-Objectives: (1) Strengthen public participation in the democratic process; and, (2) Strengthen civilian government institutions.
   c. Mission SO 4: Improved responsiveness of selected democratic institutions with greater citizen participation.
   d. **Mission Project: 518-0105 Strengthening Democratic Institutions** (New Project).

4. a. Other Mission Projects.
   b. Mission Project: 518-0076, National Shelter Delivery System Project (Project extension including a PP amendment).

FY 94 Projects

1. a. LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
   b. LAC Bureau Sub-Objectives: (1) Encourage economic policies that promote investment, productive employment and outward-oriented diversification.
   c. Mission SO 1: Increased trade and employment in nontraditional exports.
   d. **Mission Project: 518-0094, Trade and Investment Sector Program** (Project extension including a PP Amendment).

2. a. Mission Policy Dialogue Agenda.
   b. **Mission Project: 518-0089, Policy Dialogue Support** (Project extension including a PP amendment).

3. a. LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.
   b. LAC Bureau Sub-Objective: Increase economic opportunities for the disadvantaged.
   c. Mission SO 3: Increased use, effectiveness and sustainability of family planning and selected health services.
   d. **Mission Project: 518-0113, Health Care Financing** (New Project).

The above summary of new projects and proposed project extensions for FYs 93 and 94 clearly demonstrates that the Mission is devoting principal effort to:

a. consolidating its program emphasis on structural policy reforms necessary for broadly-based economic growth;

b. reinforcing its program objective in the area of farm income on small and medium farms;

c. expanding its efforts in the area of strengthening democracy in Ecuador; and,

d. strengthening human capital through the initiation of a new health care intervention in FY 94.

The NPDs that are included below describe in more detail Mission objectives and further explain the linkages of Mission projects with LAC Bureau Objectives.

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: 518 – ECUADOR

Proposed New Project and Program: STRENGTHENING DEMOCRATIC INSTITUTIONS

Number: **518–0105**

Activities	Program Outputs	Strategic Objective
– Administration of Justice. To secure passage and begin implementation of revised civil and penal codes and their procedures.	– Imporved operation of the justice system.	SO 4 – Improved responsiveness of selected democratic institutions with greater citizen participation.
	– Improved operation of the electoral process.	
– Electoral Asistance. To strengthen the electoral process for the 1994 by–election and the 1996 presidential election.		
– Municipal Development. To improve selected municipalities' management capacity, to allow them to respond better to their citizens' needs.		

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: 518 – ECUADOR

Proposed New
Project and Program: AGRICULTURAL SECTOR DEVELOPMENT PROGRAM

Number: 518–0111

Activities	Program Outputs	Strategic Objective
– Strengthening selected private agricultural organizations.	– Reduced distortions in priority markets.	SO 2 – Increased income on small and medium farms from selected commodities.
	– Increased efficiency of production and processing of selected commodities.	
– Implementation of a policy agenda for technological change: liberalization of input and output markets, privatization of agricultural parastatals, etc.		
– Strengthening the Ministry of Agriculture statistical analysis and reporting capacity.		
– Implementation of a well-focused national commodity research program.		

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: 518 – ECUADOR

Proposed New Project and Program: TRADE POLICY REFORM PROGRAM

Number: 518–0110

Activities	Program Outputs	Strategic Objective
– NPA/Cash Transfer Program: Training and T.A. to strengthen GOE and private institutions in trade policy areas.	– Greater diversification in non traditional export products.	SO 1 – Increased trade and employment in non traditional exports.
	– Increase in investments in non traditional export industries.	
– Local Currency Program: Implement endowments for selected NGOs involved in trade and investment; train GOE and NGO personnel; and, improve management of trade by the GOE.	– Improve the trade and investment climate.	
	– Increase in foreign exchange earnings from tourism.	

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: 518 – ECUADOR

Proposed New
Project and Program: HEALTH CARE FINANCE

Number: 518–0113

Activities	Program Outputs	Strategic Objective
– Promote the establishment of a fee for service policy for public sector providers. – Support NGO attempts at cost recovery so they can serve as models for alternative service delivery mechanisms. – Assist the private commercial sector to design and implement operations and policy research on the feasibility of commercial service delivery schemes.	– Increased number of users of family planning and selected health services. – Improved policy and institutional environment for long–term sustainability of family planning and selected health services. – Effective utilization and improved quality of family planning and selected health services.	SO 3 – Increased use, effectiveness and sustainability of family planning and selected health services.

C. New Project Descriptions (NPDs)

1. FY 93 Project Amendment

LAC Bureau Objectives

(1) To support the achievement of broadly-based, sustainable economic growth; and (2) to support the evolution of stable, participatory democratic societies.

LAC Bureau Sub-Objective

To encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective

Target of opportunity.

Project Title:	**National Shelter Delivery System Project**		
Project Number:	518-0076 Amendment:	$ 600,000	(G)
Project Funding:	FY 93:	$ 600,000	(G)
	LOP:	$2,100,000	(G)
Type of Funding:	Private Sector, Energy and Environment (PSEE)		

A. Consistency of Project with Mission Strategy

This project conforms with continuing Mission interest in supporting GOE efforts to improve the quality of life for low-income families in urban areas, by allowing them to access upgraded and new shelter financed by public and private sector institutions and by financing infrastructure (water and sewer system) improvements. Also, the project conforms with the Mission's strategic objectives and policy reform agenda in promoting substantial policy, institutional, and programmatic changes in housing finance, shelter, and related infrastructure delivery.

B. Relationship to AID and Other Donor Activities

This project complements the efforts of USAID/Ecuador's Water and Sanitation for Ecuadorian Development Project under the family planning and selected health services SO by serving urban residents while the Mission's project targets primarily rural residents.

Furthermore, this project broadens the coverage of the Mission's Policy Dialogue Support Project to include efforts to reform the Ecuadorian housing finance system. Lastly, it will enable AID to complement the variety of assistance being provided by other donors such as the World Bank and the Interamerican Development Bank (IDB) in infrastructure and municipal development assistance.

C. Relationship of Project to Overall AID Policy Objectives

The project advances AID's policy objectives of encouraging private sector provision of services and rationalizing financial systems.

D. Project Description

Through the project, low-income families in urban areas will gain increased access to upgraded and new shelter financed by private and public sector institutions. The policy agenda and major components are focused on: 1) financial policies of the Financial Fund for Housing (FFH) where AID's HG-007 resources have been placed by the GOE; 2) expanded private sector low-cost shelter programs; and 3) financial management of municipal infrastructure investments via tariff structure reforms. Expected outputs are about 66,000 new shelter units, home improvement loans, and residential infrastructure connection loans through the investment of $35 million of (HG-007 loan), $10 million of local currency counterpart equivalent, and $2.9 million in down payments.

This amendment to add US$600,000 of PSEE grant funds in FY 93 to an on-going project will enable AID to help the GOE consolidate reforms and operationalize a restructured housing finance system. Institutions with new roles, such as the Ecuadorian Housing Bank (BEV) and the National Housing Board (JNV), will be able to continue to count upon AID technical assistance and training support to properly institutionalize reforms. For the infrastructure component, the amendment will enable AID to replicate in a number of other Ecuadorian cities successful T.A. provided in such important areas as financial management and tariff policy reform. The amendment will also enable AID to provide required T.A. and training to help credit unions carry out a complete series of institutional and structural reforms to transform them into a fully functional and effective player in this country's housing finance system.

E. Planned Implementation Arrangements

Funding of additional T.A. and training by this project amendment will be obligated through a project agreement amendment executed with the GOE grantee institution. Activities and services to be provided in the form of technical assistance, training, or policy dialogue support will be procured through buy-ins to central contracts with appropriate institutions and firms - i.e. WOCCU, WASH, and IQC consulting firms.

F. Sustainability of Proposed Activities

T.A. and training interventions financed by this project amendment in cost recovery of infrastructure investments, operation and maintenance, affordable housing loans, an increased private sector role in housing finance through a strengthened credit union system, and reform of GOE housing institutions are all activities that will lead to financial and institutional sustainability.

G. Mission Management Role

Management of this project for the Mission will continue to be the responsibility of the Regional Housing and Urban Development Office for South America (RHUDO/SA).

H. Potential Issues

One issue is whether the FFH should be located within BEV. Another is what changes in FFH operating procedures are appropriate to introduce.

2. FY 93 New Project

LAC Bureau Objective

To support the evolution of stable, participatory democratic societies.

LAC Bureau Sub-Objective

To strengthen civilian government institutions.

Mission Strategic Objective

Improved responsiveness of selected democratic institutions with greater citizen participation.

Project Title:	**Strengthening Democratic Institutions**		
Project Number:	518-0105		
Project Funding:	FY 93:	$1,000,000	(G)
	LOP:	$5,000,000	(G)
Type of Funding:	Private Sector, Energy and Environment (PSEE); Education and Human Resources (EHR)		

A. Consistency of Project with Mission Strategy

Efforts to date in the area of democratic initiatives (DI) include an administration of justice sector assessment, an electoral assistance project, support for two private citizen groups working in the area of reform of the administration of justice system, and a seminar on conciliation and conflict resolution. Democratic institutions in Ecuador remain fragile. In addition there is a limited understanding on the part of most citizens about their roles and responsibilities in the electoral and justice systems, municipal or community governance and related democratic activities.

B. Relationship to AID and Other Donor Activities

This DI project will complement ongoing Mission activities in leadership training, the university textbook support program (RTAC II), the electoral assistance project, and a pilot FY 92 project aimed at revising penal and civil codes and procedures. Currently no other donor is active in the area of administration of justice or electoral assistance (excluding the supply of goods). The World Bank has a $300 million municipal development activity.

C. Relationship of Project to Overall AID Policy Objectives

This project will respond to the Administrator's Democracy Initiative (State 093628, Mar. 24, 1991) by working directly with institutions which support democratic values and practices such as the legal and electoral systems and various municipal government entities.

D. Project Description

The dynamics of democracy in Ecuador are still tied directly to a central government model. As a result, the institutions which are designed to uphold democratic values and practices are rigid and overly bureaucratic. This creates a widespread belief that the government is uninterested in its citizenry's needs and supports antiquated systems incompatible with the needs of a developing country. This situation has weakened the public's confidence in its system of government.

The purpose of the Strengthening Democratic Institutions Project is to provide selected democratic institutions with greater flexibility and autonomy while encouraging private groups to take more active and visible roles in directing public policy.

The overall project goal is to support efforts of selected democratic institutions to be more responsive to the needs of citizens in order to increase public confidence in democracy itself.

The project will consist of 3 components:

1. Administration of Justice: This component will build upon the revised civil and penal codes and procedures and the increased popular support for revision of the administration of justice system created under the FY 92 Administration of Justice Project (Project No. 518-0115). The purpose of the component is to secure passage and begin implementation of the revised codes and procedures.

   The Mission will enter into policy dialogue with the Ecuadorian Supreme Court and Ministry of Government to encourage passage of the revised codes and procedures. In turn, the Court and Ministry will enter into policy dialogue with the Ecuadorian Legislature and Presidency to encourage passage of the revised codes and procedures. As part of the policy dialogue activity, the Mission will also sponsor a region-wide conference to discuss the changes in and implications of the revised codes and procedures.

   The project will work with already established private groups in the DI area to strengthen their ability to successfully interact with the above-mentioned entities to encourage

passage.

The component will also provide technical assistance to public and private law schools to allow them to restructure their courses to reflect the changes contained in the revised codes and procedures. A limited number of scholarships will be made available to permit more women and persons of indigenous background to attend law school.

2. Electoral Assistance: This component will be Phase II of the Electoral Education and Civic Training Project (ELECT) (518-0109). Building on knowledge gained through our assistance to the 1992 Ecuadorian presidential electoral process, the purpose of this component is to strengthen the electoral processes for the 1994 bi-election and the 1996 presidential election. This assistance will initially include analysis of the major problems faced by the electorate impeding their right to vote in the 1992 national elections. It is anticipated that this analysis will lead to support for improvement of the mechanisms of the electoral process and may include one or more of the following: voter registration; the vote counting process; establishment of voting sites as well as education for the electorate on registration and the need to vote. Finally, it will institutionalize a training program for poll workers and their supervisors.

3. Municipal Development: The purpose of this component is to improve the administrative capacity of selected municipalities to allow them to better respond to their citizens' needs. This component will provide technical assistance in the areas of administration and financial planning.

E. Planned Implementation Arrangements

Component 1 will be implemented under a contract with a U.S. technical assistance provider. Subcontracts to non-U.S. institutions will be permitted as required and recommended. Component 2 will be implemented under a grant to the Center for the Promotion and Evaluation of Elections (CAPEL), an institution based in Costa Rica. Component 3 will be implemented under a contract with a U.S. technical assistance provider (other than that chosen for component 1). Subcontracts to non-U.S. institutions will be permitted as required and recommended. The Mission will sign letters of understanding with all Ecuadorian institutions involved in project implementation (both public and private) which detail their respective roles and responsibilities.

F. Sustainability of Proposed Activities

The public sector institutions participating in the project (Ecuadorian Supreme Court, Ministry of Government, Supreme Electoral Tribunal and municipal governments) will continue to

receive their basic financing from the public budget of the Ecuadorian government. All private institutions participating in the project will be established institutions that are not excessively dependent upon USAID/Ecuador for their sustainability.

G. Mission Management Role

The project will be administered by USAID/Ecuador's General Development Office (GDO). Component 3 will be managed by the Regional Housing and Urban Development Office for South America (RHUDO/SA).

H. Potential Issues

1. Political sensitivities and intercultural differences must be carefully addressed.

2. Baseline data collection and measurable indicators of success are needed for each project activity.

3. Other donors must become more active in the DI area.

3. FY 93 New Project

LAC Bureau Objective

To support the achievement of broadly-based, sustainable economic growth

LAC Bureau Sub-Objectives

1) To encourage increased economic opportunity for the economically disadvantaged; and
2) To encourage a vigorous private sector response.

Mission Strategic Objective

Increased income on small and medium farms from selected commodities (SO 2).

Project Title:	**Agricultural Sector Development Program**		
Project Number:	518-0111		
Project Funding:	FY 93:	$2,000,000	(G)
	LOP:	$8,000,000	(G)
Type of Funding:	Agriculture, Rural Development and Nutrition (ARDN)		

A. Consistency of Project with Mission Strategy

The proposed Agricultural Sector Development Program (ASDP) is consistent with the Mission's agricultural sector strategy and the recently defined SO 2.

The purposes of the Program are:

1. To develop a policy framework conducive to rapid and efficient technological change and increased investment.

2. To develop the technological and institutional capacity to supply improved technologies in selected commodities.

B. Relationship to AID and Other Donor Activities

The ASDP consolidates the objectives and activities carried out under three current projects - Agricultural Sector Reorientation; Research, Extension and Education; and Agricultural Education - all of which will end before FY 95. The ASDP will combine under one Mission management unit those activities that are required to achieve SO 2. It builds upon the progress that has been achieved

G. Mission Management Role

The project will be managed by USAID's Agriculture and Natural Resources Office (ANRO).

H. Potential Issues

At this stage the major design issues are related to: (1) implementation arrangements, (2) commodity selection; and, (3) institutional sustainability.

4. FY 93 New Program

LAC Bureau Objective

To support the achievement of broadly-based, sustainable economic growth.

LAC Bureau Sub-Objectives

1) To encourage economic policies that promote investment, productive employment, and outward-oriented diversification; and, 2) To encourage a vigorous private sector response.

Mission Strategic Objective

Increased trade and employment through nontraditiona exports (SO 1).

Program Title:	**Trade Policy Reform Program**
Program Number:	518-0110
Program Funding:	FY 93: $15,000,000 (G-ESF) LOP: $34,000,000 (G-ESF)
Type of Funding:	Economic Support Fund (ESF)

A. Consistency of Program with Mission Strategy

This program will be a major contributor to achievement of USAID/Ecuador's SO 1. The program, to be closely coordinated with the Mission's other efforts under SO 1, will be key to supporting the new Ecuadorian government in its efforts to promulgate and implement trade-related policy reform.

B. Relationship to AID and Other Donor Activities

The program will be complementary to AID's projects being implemented through the Ecuadorian private sector, namely the Nontraditional Agricultural Exports Project (518-0019) and the Trade and Investment Project (518-0094). The former project seeks to increase nontraditional exports through the provision of technical assistance in production technology and marketing services. The latter does the same for nontraditional industrial exports, as well as private sector efforts in boosting privatization, capital markets development, investment promotion, tourism and policy reform. The Trade Policy Reform Program will enhance these efforts by facilitating policy reform and implementation. The Mission has a specific policy agenda for SO

to date in the policy, technology, and education related activities under these three projects. The ASDP also includes new elements, such as strengthening of agricultural producer associations.

Improved policies and technologies brought about by the ASDP will: 1) complement efforts within the Nontraditional Agricultural Exports Project to stimulate exports of agricultural commodities and increase rural employment (SO 1), and 2) enable scarce land suitable for agriculture to be used more efficiently, thereby decreasing pressures to destroy or degrade tropical forests and their flora and fauna (SO 5).

The ASDP will be the main donor intervention in agricultural policy, while complementing the agricultural technology activities of the IDB, CGIAR, and other donors.

C. Relationship of Project to Overall AID Policy Objectives

The successful pursuit of rapid technological change necessary for improved performance in the agricultural sector depends in large part on overcoming policy-induced distortions and inefficiencies. In this respect, Project activities will further both the Mission's overall policy agenda and LAC Bureau Sub-Objectives of increased economic opportunity for the disadvantaged and a vigorous private sector response. This will be achieved by: 1) strengthening the participation of selected private sector producer associations in the policy dialogue process through collaborative analysis with the IDEA Foundation, 2) focussing policy research and dialogue on eliminating the constraints to efficient input, factor, and output markets for selected commodities, and 3) by developing the Ministry of Agriculture's (MAG's) statistical reporting and analysis services.

D. Project Description

The ASDP is proposed for a period of 5 years, 1993-98. Initial obligation will occur in FY 93. The program will have two major components: (1) Establishment of an improved policy framework for Rapid Technological Change and (2) Strengthening institutional and technical capacity to supply improved technologies. The former component will be implemented through IDEA and MAG, and the latter through FUNDAGRO. Initial cost estimates are FUNDAGRO $4.0M, Technical Assistance $3.0M, and IDEA $1.0M over the five year period.

1. Policy Framework for Rapid Technology Change. Among the activities to be supported under this component are:

   a. Strengthening selected private sector producer organizations.

b. Implementation of a policy agenda for technological change: liberalization of input and output markets, privatization of agricultural parastatals, etc.

c. Strengthening MAG statistical reporting and analysis capacity.

2. Institutional and Technical Capacity to Supply Improved Technologies

a. National Commodity Program Research. During PP development a set of commodities will be considered in terms of their impact on SO 2, feasibility of achieving impact in a reasonable period of time, and degree to which an embodied technological improvement can be produced and sold by the private sector. This identification process should result in the selection of no more than three commodities. FUNDAGRO will be the primary implementing agency for these activities, with significant involvement from INIAP (the GOE research and extension agency) producer associations, and other agricultural associations.

b. Private Sector Improved Technology Diffusion. This activity will also fall under the management of FUNDAGRO, and will involve developing private sector capacity to diffuse improved technologies.

E. Planned Implementation Arrangements

The specific implementation arrangements will be defined in the PID and PP. The Mission, with support from the Food Aid Program, is just beginning to work with agricultural producer associations. FUNDAGRO has established itself as a technically capable and financially solvent organization. IDEA, while making significant progress in technical areas, still has a ways to go to ensure organizational viability. The analytical and information activities in the MAG are progressing more rapidly than in the past. The implementation progress shown by the producer associations, IDEA, and the MAG over the next year will determine in large part the final implementation arrangements.

F. Sustainability of Proposed Activities

The public sector institutions participating in the project (MAG, INIAP) will continue to receive their financing from the public budget. All private institutions participating in the project will have demonstrated both technical effectiveness and financial sustainability by the end of the project. USAID will apply a declining percentage formula for financing over the life of the Project.

1. The agenda includes: exchange rate liberalization, elimination of trade restrictions, implementation of a capital markets law and privatization, tariff reform, implementation of maquila/free zone laws, improvement of the labor code, opening up competition in transportation, reforming laws related to foreign investment, streamlining procedures which regulate trade, and reforming other legislation related to the legal, regulatory and judicial environment. During program development, the Mission will identify areas to be addressed.

Based on reform proposals already under discussion, progress to date and expectations for a progressive new government, the IDB and the World Bank are planning financial sector policy and private sector policy loans, respectively. The latter will include some trade policy reform to be closely coordinated with the USG program. The current government has set the stage by legislating streamlining of the export process, encouraging competition in the transport sector, improving labor mobility and in other areas.

C. Relationship of program to overall AID policy objectives

This program will support the LAC Bureau Objective # I: To support the achievement of broadly-based, sustainable economic growth; and the LAC Bureau sub-objectives relating to policy and vigorous private sector response. In addition the program will assist Ecuador to participate in the Enterprise for the Americas Initiative and to benefit from the Andean Trade Preference Act. Together with the private sector-implemented projects, the program will help Ecuador to implement recommendations of the Andean Agricultural Task Force. In addition, through emphasis on open trade policies, the program will contribute significantly to the Business Partnership and Development Initiative.

D. Program Description

The purpose of the project is to assist the GOE to make trade-related policy reforms that will enable Ecuador to participate effectively in the Enterprise for the Americas Initiative and benefit from the Andean Trade Preference Act. This Non-Project Assistance/Cash Transfer Program will be an integrated effort utilizing dollar funded technical assistance, cash transfer and local currency to assist the new government (which will assume power after August, 1992) to implement trade policy reforms. Disbursement of dollars to a separate account will be based on meeting of conditionality demonstrating that the GOE is actually implementing reforms. Under the technical assistance project element of the program, technical assistance and offshore training will be provided to assist the GOE in the implementation process. Policy conditionality for disbursement of dollars will be closely coordinated with the World Bank and the Inter-American Development Bank. There will be two types of conditionality: passage into law of trade reforms recommended by the USG, and procedures which

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donors, are actually being implemented. (Specific conditionality will be identified in program design documents.) One area which must be followed up on is export facilitation which is the subject of legislation passed with help from an AID project. Another promising area, with growing private and public sector interest, is privatization. Technical Assistance and cash transfer conditionality negotiated directly with the new government is needed and is not being specifically addressed by other donors. A comprehensive local currency program mostly supporting Ecuador's participation in the Enterprise for the Americas Initiative and contributing to increases in trade and investment will be coordinated closely with the policy and technical assistance elements and will have a private sector orientation. For example, a use for local currency might be the financing of an endowment fund for the Fundación Ecuador, the Ecuadorian private voluntary organization which has the major role in increasing trade and investment and lobbying for policy changes in Ecuador, and other viable non-governmental organizations effectively undertaking trade promotion or policy reform.

Apart from the technical assistance component, disbursement of dollars into a separate account would be based on the meeting of policy conditionality. Eligible uses of dollars will include payment of USG and multilateral official debt, if appropriate, and/or financing of imports from the U.S. Upon or prior to release of dollars from the separate account for eligible uses, the GOE will deposit the equivalent local currency, which will be programmed according to a Trade and Investment plan jointly agreed to by the GOE and the USG through AID.

Estimated Use of ESF-Inputs-$000	
Projectized Training and TA	2,000
Cash Transfer	13,000
Total Program	15,000

E. Planned Implementation Arrangement

The program will be implemented via the Non-Project Assistance Mode (NPA) through a grant agreement with the GOE that also programs the use of local currency as described above.

F. Sustainability of Proposed Activities

Trade policy reforms will be sustainable in the sense that conditionality will focus on implementation actions which ensure permanency. Emphasis in local currency use will be on long-term purposes such as endowment funds for viable trade and investment-oriented NGOs, etc.

G. Mission Management Role

The Mission's role will be to monitor compliance with policy

conditionality, as well as local currency-funded program elements. The technical assistance project within the NPA would be carried out through a cooperative agreement with an Ecuadorian NGO. Overall management will be by the USAID's Export, Trade and Investment Office (ETIO).

H. Potential Issues

The NPA mode is innovative, and particularly appropriate as a results-oriented approach in policy reform. Rather than coat-tailing IMF or World Bank programs, this program will complement those efforts with an integrated cash transfer-local currency program.

5. FY 94 Project Amendment

Project Title:	**Policy Dialogue Support**		
Project Number:	518-0089 Amendment:	$2,000,000	(G)
Project Funding:	FY 94: LOP:	$2,000,000 $4,800,000	(G) (G)
Functional Account:	Private Sector, Energy and the Environment (PSEE) and Education and Human Resources (EHR).		

A. Project Goal and Purpose

The goal of the second phase of the Policy Dialogue Support Project continues to be establishing the basis for broadly-based, self-sustaining economic growth leading to increased productive employment and a more equitable income distribution. The Mission believes that the project is already having an impact on promoting a wide understanding of and support for basic structural reforms among political, business, labor, intellectual and military leaders in the country. Moreover, future project activities will promote reforms in the legal, regulatory, and judicial framework.

B. Major Development Problem Being Addressed:

The project started during the third year of the Borja Administration's gradualistic stabilization program. The GOE worked to reduce the fiscal deficit from 12 percent of GDP to about 4 percent of GDP and decreased the annual rate of inflation from 100 percent to 50 percent by February 1990. However, inflation has remained at the annual rate of 50 percent since then. The GOE also initiated a number of economic reform measures designed to break away from the inward looking import substitution model and reduce the number of controls in the economy. The project, which has emphasized a mix of training and networking, played various roles in furthering these new economic reforms.

Ecuador has shared the increased interest in free-market principles and in regional integration that has spread throughout Latin America. The Mission sees an increasing need for continuation of economics training and dialogue activities in the future. The implementing organization, INCAE, (The Central American Institute of Business Administration) is already exploring the means to make this project sustainable by possibly establishing a permanent presence in Ecuador.

C. Relationship to AID's Strategy:

The project activities are strongly linked to the Mission's strategic objectives, as seminars and studies carried out to date and also planned for the future are and will continue to be closely coordinated with the other projects of the Mission's portfolio.

6. FY 94 Project Amendment

LAC Bureau Objective

To support the achievement of broadly-based, sustainable economic growth.

LAC Bureau Sub-Objectives

(1) To encourage economic policies that promote investment, productive employment, and outward-oriented diversification; and (2) To encourage a vigorous private sector response.

Mission Strategic Objective

Increased trade and employment through nontraditional exports.

Project Title:	**Trade and Investment** (Amendment)
Project Number:	518-0094 Amendment: $10,000,000 (G-DA)
Project Funding:	FY 93: $ 2,880,019 (G-DA) LOP: $20,000,000 (G-DA)
Type of Funding:	Agriculture, Rural Development and Nutrition (ARDN) and Private Sector, Energy and the Environment (PSEE).

A. Project Goal and Purpose

The project goal and purpose remain the same and are, respectively, to support the achievement of broadly-based sustainable economic growth and, to support Ecuador's transition toward an outward-oriented growth strategy through the provision of quality export and investment promotion services and through the development of viable Ecuadorian trade and investment promotion organizations. The project has three components: 1) export promotion services, 2) investment promotion services, and 3) institutional strengthening and policy reform. Under the project amendment, current activities will be expanded across the board, and the project will do more in areas which have shown considerably more promise than anticipated - namely, privatization and capital markets development. Thus, Ecuador's vast potential in nontraditional agricultural fresh and processed products as well as in promising industrial products will be more intensively developed. Privatization and capital markets development will be included under the investment promotion component. In addition, the amended project will address tourism development (under both investment and export promotion) and will incorporate the development of small enterprises with existing or

potential export linkages. In the FY 93 Congressional Presentation, the latter area (Small Enterprises Export Linkages) was included as a separate project. In the interests of portfolio consolidation and management efficiency, it will be included in the amended T&I Project.

B. Major Development Problems Being Addressed

The project constitutes the Mission's key effort under SO 1 increasing trade and employment through nontraditional exports, at both the sub-objective policy and technical levels. Through this project and the Fundación Ecuador, the Ecuadorian private sector will be able to influence policy reforms needed to meaningfully increase investment and exports in the nontraditional sectors. The project will also continue to have significant and measurable direct and indirect effects on increasing nontraditional agricultural and industrial exports through the provision of technical assistance. Placing both policy and technical components under one comprehensive, integrated project is part of the Mission's effort to consolidate the project portfolio, while benefitting from the efficiency of coordination through one package.

C. Relationship to AID's Strategy

The project is being closely coordinated with the Nontraditional Agricultural Export Project (NTAE) (518-0094) in policy dialogue, and in investment and export promotion. For example, while NTAE provides technical assistance in agricultural production technology, the Trade and Investment (T&I) Project provides technical assistance in agro-industrial processes. The T&I project, through privatization activities undertaken by the Fundación Ecuador, will contribute to private investment in agro-industry. Policy reform efforts undertaken by the Fundación Ecuador (T&I) are closely coordinated with networking activities and seminars implemented under the Policy Dialogue Support Project. When the NTAE Project ends in 1994, technical assistance in agricultural technology, quality control, post-harvest management, information systems and marketing will be folded into the T&I Project.

Based on reform proposals already under discussion, and expectations for a progressive new government, the IDB and the World Bank are planning financial sector policy and Private sector policy loans, respectively. The latter will include some trade policy reforms to be closely coordinated with the USG program. The use of credit funds from these programs will be enhanced by technical assistance in production technology provided under the T&I Project.

7. FY 94 New Project

LAC Bureau Objective

To support the achievement of broadly-based, sustainable economic growth.

LAC Bureau Sub-Objectives

1) To encourage a vigorous private sector response; and 2) to encourage increased economic opportunities for the disadvantaged.

Mission Strategic Objective

Increased use, effectiveness and sustainability of family planning and selected health services.

Project Title:	**Health Care Finance** (HCF)
Project Number:	518-0113
Project Funding:	FY 94 $2,367,982 LOP $5,000,000
Type of Funding:	Health Account (HEA) Child Survival Account (CS)

A. Project Goal and Purpose

The goal of the project is to improve the sustainability of selected health services. The purpose of the project is to improve the financing of health care. The indicators for measuring the achievement of success will include: 1) Number of higher level Ministry of Public Health (MSP) hospitals administered and managed by the private sector; 2) Percentage of MSP services contracted out to private providers; and 3) Number of private, cost-sharing service delivery mechanisms (such as health maintenance organizations - HMO and private insurance schemes) established and functioning.

The project approach will be to address health care finance constraints by improving efficiencies in the public sector and increasing the involvement of the private sector, with a focus on the following three levels. First for the public sector, the project will endorse the establishment of a fee for service policy for public sector providers. Emphasis will be placed on establishing independence of a limited number of larger public hospitals. Second, for the non-governmental sector, existing but nascent attempts at cost recovery by selected entities will receive limited support in order to serve as models for alternative service delivery mechanisms. Expected beneficiaries

include agricultural, manufacturing, and credit union cooperatives and selected foundations. Third, for the private commercial sector, the project will assist local, private sector entities to design and implement operations research and policy research on the feasibility of commercial service delivery schemes (such as HMO, private insurance schemes, etc.).

The project inputs include: 1) Technical assistance in financial analysis, cost analysis, financial management, etc; 2) Training in health administration, financial management, contract management, etc; 3) Procurement of limited commodities, such as small laboratory equipment to help generate revenues and computers; and 4) Subprojects, which will serve as the mechanism for all research activities, such as operations research, policy research, etc.

B. Major Development Problems Being Addressed

The 1979 Constitution of Ecuador guarantees, inter alia, the right to a standard of living that assures health, medical assistance, and necessary social services. This was interpreted in 1980 by then President Roldos as a right to free health services. His interpretation became law and is the basis of all public sector health delivery today.

There are currently a large number of health service providers, but access to these providers is not universal. With the private sector and NGO covering 45% of the population with at least some minimal health service, it is up to the public sector to cover the remaining 55%. The public institutions, however, cover at best only half of their share, with services that are ineffective and inconsistent. Lacking in financial resources, the public entities are further hampered by strong labor unions and politically motivated demands, which often result in long-lasting strikes.

The approved 1992 national budget provided increases for the Ministry of Public Health MSP which were substantially less than proposed. Continuing a five year declining trend, the total MSP budget for 1992 represented 4% of the national budget, down from 7%. Over 80% of the MSP's operating budget goes towards salary support of staff that are primarily hospital based. Hospitals, however, also face constraints with their limited programmatic budget. With a policy of free service, a large staff, and a significant patient burden for outpatient services, the hospitals are increasingly having to charge "informal" fees in order to pay for basic supplies. With alarming frequency, the patient is simply not allowed in the hospital unless he/she brings along the supplies needed (such as cat-gut, gloves, sheets, etc.).

C. Relationship to AID's Strategy

This project is consistent with SO 3 which focuses in part on sustainability of selected health services. The project is also consistent with the mission's policy dialogue agenda and its increased emphasis on private sector responses to the national development challenge, including the private provision of social services.

D. Discussion of Terminating Activities - Narrative

A key consideration in the development of USAID/Ecuador's strategic framework was the need to consolidate its portfolio in order to achieve a more significant developmental impact with the limited resources that are available to the Mission. Also, the Mission must face operating expense and human resources constraints that clearly point to the need to apply sound management practices in determining the size of its portfolio in order to "live within its means" and be more effective and efficient in the implementation of its development assistance program. In keeping with these critical considerations, the Mission intends to terminate a total of 18 projects in FYs 92, 93 and 94 (8, 4 and 6 projects, respectively), while it will initiate only 5 new projects during the same Fiscal Years (1, 3 and 1 projects, respectively), including the new FY 93 ESF Trade Policy Reform Program. The Table and Graph that follow clearly demonstrate the Mission's portfolio consolidation efforts. From a total of 28 active projects at the end of FY 91 USAID/Ecuador moves to only 15 active projects at the end of FY 94.

Only five projects that are scheduled to terminate during FYs 92, 93 and 94 will be extended by the Mission. Three projects will be extended to reinforce development assistance efforts in the areas of trade and investment and policy reform. Two other project extensions are being implemented in FY 92 to cover the time frame of long-term participant training programs under SO 2 projects (518-0051 and 518-0064). All other projects with PACDs in FYs 92, 93 and 94 will be terminated as planned.

Following is a list of Projects being terminated or extended during FYs 92, 93 and 94:

1. Projects Terminating

FY 92

(1) 518-0042, Fiscal Administration Development (SO 1).
(2) 518-0059, Land Titling (SO 2).
(3) 518-0060, Private Sector Health OPG (SO 3).
(4) 518-0108, CARE OPG, Cholera (SO 3). This Project will be extended if Deobligation funds from the Malaria Project are made available to the Mission for Reobligation.
(5) 518-0109, Electoral Education and Civic Training (SO 4).
(6) 518-0083, Narcotics Awareness in the Guayaquil Informal Sector (Target of opportunity).
(7) 518-0049, Malaria Control Program (Target of opportunity).
(8) 518-0044, Technical Training OPG (Target of opportunity).

FY 93

(1) 518-0093, Drugstore Program (SO 3).
(2) 518-0115, Administration of Justice (pilot project) (SO 4).
(3) 518-0107, Charles Darwin Foundation OPG (Target of opportunity).
(4) 518-0079, Environmental Education III - OPG (Target of opportunity).

FY 94

(1) 518-0019, Nontraditional Agricultural Exports (SO 1).
(2) 518-0082, Agricultural Education II - OPG (SO 2).
(3) 518-0081, Water and Sanitation for Ecuadorian Development (SO 3). The mid-term evaluation for this Project will take place during the third quarter of FY 93. Decisions on extensions or future activities in this area will be determined after the evaluation.
(4) 518-0067, Andean Peace Scholarship Program (SO 4).
(5) 518-0064, Narcotics Education OPG (Target of opportunity).
(6) 518-0069, Sustainable Uses for Biological Resources (SO 5). This Project will terminate in its First Phase. Second Phase funding in FY 95 and beyond will be subject to an impact evaluation to be conducted in FY 94.

2. Projects Being Extended

FY 92

(1) 518-0051, Agricultural Sector Reorientation Project (SO 2).
(2) 518-0064, Agricultural Research, Extension and Education (SO 2).

FY 93

518-0076, Shelter Sector Technical Assistance (Target of opportunity).

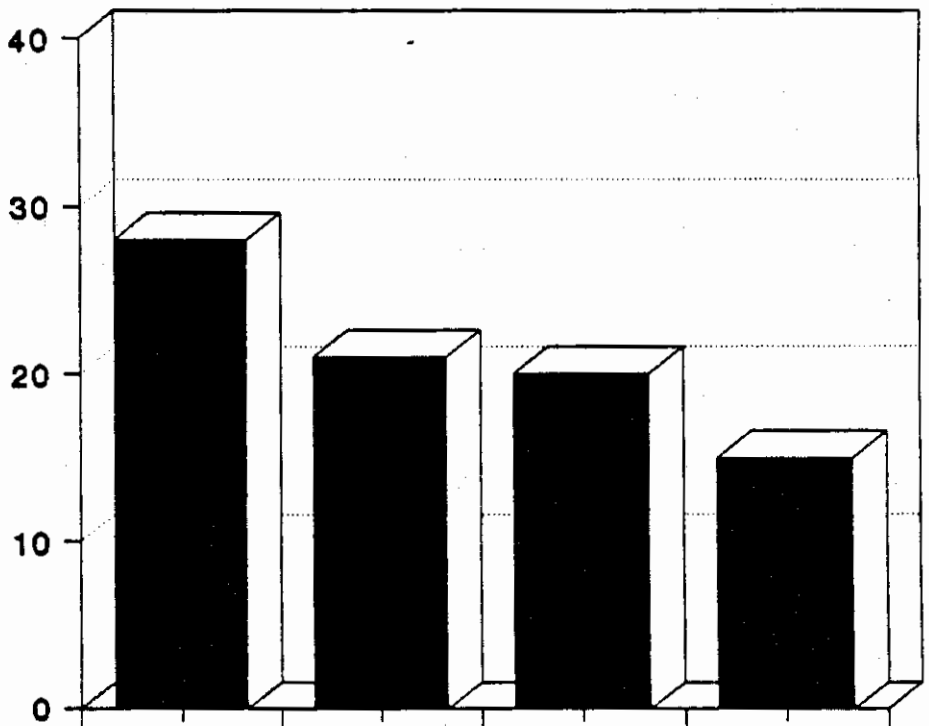
FY 94

(1) 518-0094, Trade and Investment Sector Program (SO 1).
(2) 518-0089, Policy Dialogue Support (Policy dialogue agenda).

USAID/ECUADOR

FYs 93/94 ACTION PLAN

ACTIVE PROJECTS AT FISCAL YEAR-END



	FY-91	FY-92	FY-93	FY-94
No.OF PROJ.	28	21	20	15

No.OF PROJ.

PROGRAM OFFICE/PPD

USAID/ECUADOR FY'S 93/94 ACTION PLAN
STARTING AND TERMINATING PROJECTS
BY STRATEGIC OBJECTIVE

PROJECT No. AND TITLE	PROJ. SIGN.	PRESENT L.O.P. TOTAL	PROPOSED L.O.P. TOTAL	FY - 92			FY - 93			FY - 94			PACD
				S	T	A	S	T	A	S	T	A	
USAID/ECUADOR STRATEGIC OBJECTIVE #1													
Increased trade and employment in non-traditional exports.													
518-0019 NON TRADITIONAL AG. EXPORTS	FY84	14,617,533	14,617,533			X			X		X		08-30-94
518-0094 TRADE & INVESTMENT PROGRAM	FY91	10,000,000	20,000,000			X			X			X	FY-99
518-0042 FISCAL ADMINISTRATION DEV.	FY85	7,049,999	7,049,999		X								07-03-92
518-0110 TRADE POLICY REFORM PROGRAM	FY93	0	25,000,000				X		X			X	FY-98
SUBTOTALS SO # 1		31,667,532	41,667,532	0	1	2	1	0	3	0	1	2	
USAID/ECUADOR STRATEGIC OBJECTIVE #2													
Increased income on small and medium farms from selected commodities													
518-0051 AG. SECTOR REORIENTATION	FY85	12,100,000	12,100,000			X			X			X	FY95
518-0059 LAND TITLING	FY85	5,499,999	5,499,999		X								12-31-91
518-0068 AG. RESEARCH., EXT. & ED.	FY88	7,000,000	7,000,000			X			X			X	FY99
518-0082 AG. EDUCATION II - OPG	FY89	1,000,000	1,000,000			X			X		X		07-20-94
518-0111 AG.SECTOR DEVELOPMENT PROGRAM	FY93	0	8,000,000				X		X			X	FY97
SUBTOTALS SO # 2		25,599,999	25,599,999	0	1	3	1	0	4	0	1	3	
USAID/ECUADOR STRATEGIC OBJECTIVE #3													
Increased use, effectiveness and sustainability of family planning and selected health services													
518-0060 PRIV. SECT. HEALTH OPG	FY85	745,000	745,000		X								12-31-91
518-0071 CHILD SURVIVAL	FY89	11,090,000	11,090,000			X			X			X	12-31-94
518-0081 WATER & SANIT. FOR HEA. EDUC.	FY89	4,000,000	4,000,000			X			X		X		12-31-93
518-0084 POPULATION & F. P. II	FY91	10,500,000	10,500,000			X			X			X	09-30-97
518-0093 DRUGSTORE PROGRAM	FY90	151,000	151,000			X		X					09-30-92
518-0108 CARE OPG CHOLERA	FY91	619,854	619,854		X								08-30-92
518-0113 HEALTH CARE FINANCING	FY94	0	5,000,000							X		X	FY[illegible]
SUBTOTALS SO # 3		11,270,854	16,270,854	0	2	4	0	1	3	1	1	3	
USAID/ECUADOR STRATEGIC OBJECTIVE #4													
Improved responsiveness of selected democratic institutions with greater citizen participation													
518-0067 AND. PEACE SCHOL. PROG.	FY87	6,535,573	6,535,573			X			X		X		09-30-94
518-0091 ECUADORIAN DEV. SCHOL. PROG.	FY91	6,600,000	6,600,000			X			X			X	09-30-96
518-0095 RTAC II	FY91	1,200,000	1,200,000			X			X			X	08-22-96
518-0105 STRENGTHENING DEMOC. INST.	FY93	0	5,000,000				X		X			X	FY96
518-0109 ELECTTORAL ED. & CIV. TRG.	FY91	1,000,000	1,000,000		X								09-30-92
518-0115 ADMINISTRATION OF JUSTICE	FY92	500,000	500,000	X		X		X					FY97
SUBTOTALS SO # 4		14,335,573	19,335,573	1	1	4	1	1	4	0	1	3	
USAID/ECUADOR STRATEGIC OBJECTIVE #5													
Stem loss of biodiversity and accelerate a transition from resource mining to resource management in and around selected protected areas													
518-0069 SUSTAINABLE USES FOR BIO. RES.	FY91	9,000,000	9,000,000			X			X		X		09-30-94
518-0107 C. DARWIN FOUNDATION	FY91	100,000	100,000			X		X					07-01-93
SUBTOTALS SO # 5		10,440,625	10,440,625	0	0	2	0	1	1	0	1	0	
USAID/ECUADOR POLICY REFORM AGENDA													
518-0089 POLICY DIALOGUE SUPPORT	FY90	2,800,000	4,800,000			X			X			X	FY98
SUBTOTALS POLICY DIALOGUE		2,800,000	4,800,000	0	0	1	0	0	1	0	0	1	
USAID/ECUADOR TARGETS OF OPORTUNITY													
518-0004 SPECIAL DEV. ACTIVITIES (SDAA)	FY85	1,422,690	1,422,690			X			X			X	---------
518-0044 TECHNICAL TRAINING OPG	FY84	1,166,000	1,166,000		X								09-30-92
518-0049 MALARIA CONTROL PROG.	FY85	9,500,000	9,500,000		X								12-31-91
518-0064 NARCOTICS EDUCATION OPG	FY87	2,725,000	2,725,000			X			X		X		04-01-94
518-0076 NATNL. SHELTER DELIV. SYSTEM	FY87	1,500,000	2,100,000			X			X			X	1 2-31-95
518-0079 ENVIRONMENTAL ED. III - OPG	FY88	1,100,000	1,100,000			X		X					07-21-93
518-0083 NARCOTICS AWARNESS-GQUIL	FY90	88,900	88,900		X								03-31-92
518-0092 CARE DEBT-EQUITY SWAP	FY90	240,625	240,625			X			X			X	03-31-96
SUBTOTALS TARGETS OF OPPORTUNITY		13,725,000	14,325,000	0	3	5	0	1	4	0	1	3	
USAID/ECUADOR COUNTRY TOTALS		109,839,583	132,439,583	1	8	21	3	4	20	1	6	15	

S = NEW PROJECT START

T = PROJECT TERMINATED

A = ACTIVE PROJECT AFTER FISCAL YEAR END

BEST AVAILABLE

Section IV

Resource Requirements

SECTION IV : RESOURCE REQUIREMENTS

A. Narrative

1. Staffing

USAID/Ecuador has made a concerted effort to consolidate its portfolio and reduce staff to the minimum required to efficiently manage a policy-based program that meets the Agency's stringent accountability standards. This transition has been thoroughly discussed in the program documents which have been submitted over the past three years. The Mission has effectively met the directive to absorb a substantial portion of the personnel cuts mandated for the LAC Bureau, and is now operating as efficiently as possible given the nature of our program.

Since FY 89, the Mission has succeeded in reducing USDH and FSN DH staff by a full 20%: USDH staff has come down from 17 to 13 (excluding 2 regional personnel) and FSN DH reduced from 17 to 14 in this time period. This reduction has been a complicated and painful process, which, beyond consolidation, has required constant emphasis on team-based management, and the co-opting of counterpart personnel in a collaborative, project-interactive approach to attaining a discrete number of well-focused strategic objectives.

In addition, we will be actively working to continue reducing FSN PSCs to every extent possible through FY 94. However, recent AID/W mandated financial management requirements have necessitated an additional position in our Controller's Office. The MACSTRAX voucher tracking system and the Buy America report were additions which could not be absorbed with existing personnel. Although not a significant staff increase in real terms, it does demonstrate the effect accountability enhancements and increased reporting requirements have on field operations. These developments do not come without cost.

The newly initiated non-federal audit program for all grants of $25,000 or more may also represent additional staff requirements, although it is too early in the process to effectively measure the full impact of this activity. Once the Mission is actually faced with monitoring compliance, ensuring quality, and following up and reporting on efforts to resolve and document the closure of what will undoubtedly be hundreds of audit recommendations, another round of difficult staff decisions will have to take place.

With respect to USDH positions it is essential that the Bureau recognize that this Mission has taken a disproportionate share of the Bureau's cuts over the past

three fiscal years without resorting to the shell game of replacing these positions with US PSCs. We cannot possibly sustain any further reduction given our projected program levels. A clear understanding of USAID/Ecuador's requirements is critical at this point, given a recent LAC Bureau indication that one additional cut is now being considered.

As conveyed in a recent Mission cable reclama sent to LAC/SAM and DAA/LAC, USAID/Ecuador has already stretched innovation in management to its limits, to ensure that the quality program we have crafted is not sacrificed. In concert with staff reductions, we have succeeded in establishing a new Exports, Trade and Investment Office to reflect a new Agency and Mission program priority. In order to do so, both the staff and staff functions of our Program and Project Development Office were reduced, the General Development and Family Health Offices were reduced and merged into one unit, the Agriculture and Natural Resources Office gave up a key USDH slot, and the Controller's Office was reduced to only one USDH. In addition, we moved FSNs into such critical positions as Program Officer and Program Economist. We now have a lean Mission team with absolutely no staff redundancy.

After the cuts and reorganization described in the preceding paragraph, there are simply no further USDH positions that can be sacrificed. Cutting one additional slot would require another reorganization that we are not prepared, or able, to undertake. In addition, the reduction of an additional position would also require the elimination of a strategic objective team leader, a thoroughly untenable action given the staff time, effort, and financial resources already invested in the strategic planning process. Our long term goal of building a sustainable consensus for policy change in Ecuador will not be an easy task. A sufficient number of high quality USDH staff is critical to the success of this effort.

2. Operating Expenses

USAID/Ecuador has been successful in holding the line on operating expenses over the past few years, as evidenced by the fact that current requirements are significantly lower than they were as far back as FY 87. The Mission has explored every avenue for reducing costs, including the renegotiation of a costly office lease, converting employees from contract to direct PSCs, deferring NXP procurement far beyond Agency guidelines for replacement, imposing strict travel budget limitations, charging the RHUDO/SA mission for office space and all identified shared services, charging projects for services whenever appropriate, prohibiting OE

funding of personnel which can legitimately be charged to project funding, purchasing copy machines in lieu of a costly lease arrangement, and, obviously, reducing staff.

The above actions have enabled the Mission to operate within approved OE levels to date, and will allow us to continue to do so at the proposed control level of 2.7 million dollars in FY 92 and FY 93, with one exception, that being NXP. As mentioned in the previous paragraph, we have largely ignored Agency replacement standards, but we are in desperate need of additional equipment which we are unable to fund within the established FY 92 control level.

In order to meet a proposed FY 92 OYB of 2.7 million dollars, the Mission was forced to basically eliminate NXP, allocating only $23.5 thousand for essential, non-discretionary items. To date, the Mission has invested nearly $400,000 in converting to a LANS system. However, the Controller's Office and the Executive Office are still not on the system for lack of PCs, network interface cards, a UNIX box/server, and miscellaneous smaller items which in total will require an additional $85.0 thousand. We simply cannot accommodate this procurement within our 2.7 million dollar level. In addition, daily power outages of up to 12 consecutive hours are now taking place in Quito, and a solution to the problem is being discussed in terms of years rather than weeks. This situation forced the Mission to utilize $13.0 thousand which were not budgeted, for gas stoves, lanterns, and small household generators.

Completion of the conversion to LANS will have obvious benefits in terms of increased efficiency, and clearly, is in keeping with Agency efforts to stay current with advancements in automation technology. Given the investment to date, the Mission desperately wishes to complete the conversion. Under these circumstances, we would appreciate maximum consideration for a FY 92 increase of $100 thousand to complete the LANS conversion, and to cover the unforeseen procurement necessitated by the recent Ecuadorian power failures.

If able to obtain the resources necessary to accommodate these one time FY 1992 requirements, the Mission feels confident that it will be able to operate within the 2.7 million dollar level in FYs 93 and 94.

3. <u>Trust Funds</u>

USAID/Ecuador has fully depleted the operating expense trust fund which was generated from a FY 89 ESF disbursement. Reverse accommodation exchanges were not utilized, as the entire trust fund was dedicated to local travel and

salaries. With respect to the future, current planning levels provide for $15.0 million of ESF in FY 93, and $10.0 million in FY 94, from which the Mission would require a 10% OE trust fund contribution from the GOE. If forthcoming, the FY 93 ESF would provide substantial relief in terms of U.S. dollar operating expense requirements in FY 94, and possibly in late FY 93, if the ESF disbursement can be scheduled early in the fiscal year. With the complete absence of trust funds at present, USAID/Ecuador is dependent on U.S. dollar allocations for all of FY 92, and most likely, the majority of FY 93.

4. Impact of Further Reduced OE Funding Levels

As previously described, this Mission has taken decisive action to constrict operating expense requirements, and is now operating under what is basically a non-discretionary budget, as evidenced by the lack of resources available for NXP. If the current proposed funding levels were further reduced, USAID/Ecuador would be forced to compromise a process which has consumed enormous energy and resources over the past several months. The office reorganization, program consolidation and redirection, and the emphasis on well defined strategic objectives would all be seriously affected by reduced OE resources. Less funding would require severe reductions in training and site visit travel, and ultimately, would necessitate further staff reductions, another office reorganization, and a corresponding suspension of planned new project starts. Ultimately, staff cuts would jeopardize our ability to adequately oversee project implementation, to provide adequate support services, and to meet the accountability and internal control standards we are required to adhere to.

5. DA, ESF, Food Assistance

Development Assistance

The Mission believes that the proposed DA funding levels for the Action Plan period, as shown in the Summary Program Funding - Table 7, which assumes levels of $ 15.0 million for FY 92, $ 17.0 for FY 93, and $ 15.0 million for FY 94, are adequate and necessary for the achievement of its five strategic objectives and its policy dialogue agenda during the period. Consequently, our ability to continue to implement a viable development assistance program in Ecuador would be seriously jeopardized if we continue to experience the 15% to 20% cuts that have been the norm over the last three Fiscal Years.

Through the strategic planning process that has taken place during the past twelve months, the Mission has made a

concerted effort to consolidate its portfolio and concentrate in fewer, highly targeted program areas, in order to achieve the highest possible impact with our limited DA resources. A sound management of the Mission's mortgage situation (as explained under Section IV-B below), and of the deob/reob process, have also contributed to the achievement of our program focus and portfolio consolidation objectives.

As discussed under Section III-D above, the Mission will terminate 18 DA projects during FYs 92 through 94, and will only initiate 4 DA projects and extend 5 ongoing DA projects during the same period. The new projects and project extensions are proposed as an integral part of the commitment contained in our last Action Plan submission to complete the strategic planning exercise and consolidate our implementation plans to achieve the desired program impact under SO 1, SO 2, SO 3, SO 4, and our policy dialogue agenda.

ESF Program

Starting in the mid to late 1980s, the Mission was able to become an important player in policy dialogue both by having a modest but meaningful amount of ESF resources to offer Ecuador to help resolve its significant macroeconomic and sectoral policy problems (to secure a place at the table), and by being able to devote time and energy to the time-consuming process of cultivating relationships with changing governments (often adversary and with different economic policy agendas), analyzing the origins of and possible solutions to difficult development problems, and using our contacts and facts to attempt to reach consensus on policy issues. When compared to other LAC countries, it is obvious that much of our influence comes not from the size of the carrot we offer, but from the quality and objectivity of our advice, as well as the importance most Ecuadorians place on relations with the United States. The Mission believes that this is an effective and sustainable approach to development assistance and sound bilateral relations, and that an annual ESF investment of the magnitude requested is the minimum necessary to carry out this approach in a country the size and location of Ecuador. Accordingly, we continue to believe that reduced funding levels for Ecuador in general and the elimination of ESF in particular are not in the overall U.S. interest. By continuing to be excluded from ESF programming, our position as an important player in policy dialogue is undermined, particularly our ability to pursue critical structural reforms that will enable Ecuador to be a more dynamic participant in the Andean Common Market and in the EAI.

Together with the constant exclusion of Ecuador from ESF resources, there has been a failure to acknowledge Ecuador's strong track record on the antinarcotics front despite the fact that Ecuador has been included by Congress, along with its Andean neighbors, for access to ESF under the NSD-18 Narcotics Control Program. Embassy reporting regarding the GOE's antinarcotics efforts has consistently demonstrated strong performance on the part of the Ecuadorians and a firm commitment to cooperate with the U.S. in this area. The Mission feels that Ecuador is becoming a victim of its own success and is being unfairly penalized for achieving the status of a relatively drug-free island through the strong commitment of the GOE to coca monitoring and eradication. In spite of such efforts, there is mounting evidence of drug transit problems on a major scale.

In view of the above, we request up to $ 15.0 million annually in ESF during the Action Plan period. These resources would be tied to sustained performance on the narcotics front and would assist the Mission in providing the Ecuadorian public and private sectors with a powerful incentive to adopt the necessary policy reform measures to liberalize the economy, which constitutes a key pre-requisite to achieve a viable, broadly-based, sustainable reactivation of the economy.

Food Assistance

Since the mid-1980s Ecuador has benefitted from food aid assistance in the form of Titles I and II, Section 416 and Food for Progress. This assistance has been instrumental in furthering a number of developmental objectives. The most recent program, a Food for Progress donation of sorghum, has contributed to enhanced private sector participation in feedgrain marketing, alleviated feedgrain shortages, promoted a strengthened national agricultural research system, and provided LC resources for activities supporting SO 2. Although we realize that responsibility for Title I, Section 416 and Food for Progress now lies with the USDA, the Mission proposes to develop a modest food aid program (probably $5 million of Title I wheat in each of FY 93 and 94) in collaboration with USDA. Such a program will bolster USAID's efforts related to agricultural trade and rural employment, small farmer income, and natural resource management. It will also strengthen the Mission's leverage in policy dialogue with the new GOE administration.

B. Analysis of Current and Planned Program Mortgages by Functional Account

The Table and Graph that follow this analysis show mortgage projections for Ecuador, by project and by Functional

Account, for FYs 92, 93 and 94. They also show how the Mission intends to fund the projected mortgage from the expected Mission program budget, also by project and by Functional Account.

In proposing its Action Plan, USAID/Ecuador has paid close attention to its present mortgage situation as well as to future mortgage projections. In this context, it is the Mission's objective to: 1) maintain mortgage within Agency guidelines; 2) devote an adequate level of resources each fiscal year to mortgage liquidation; and 3) maintain a reasonable level of flexibility to support and fund new program activities and project extensions as proposed under Section III of this Action Plan.

To achieve such objectives, the Mission has planned the following funding break-down by fiscal year to liquidate mortgage and to fund new interventions:

FY 92		FY 93		FY 94	
% FOR MORTG. LIQUID.	% FOR NEW PROJ.	% FOR MORTG. LIQUID.	% FOR NEW PROJ.	% FOR MORTG. LIQUID.	% FOR NEW PROJ.
92.5%	7.5%	74.1%	25.9%	57.5%	42.5%

The above percentages are demonstrative of the strong emphasis that the Mission is placing on liquidating its mortgage, particularly in FYs 92 and 93, in order to bring down significantly the high mortgage that existed at the end of FY 91.

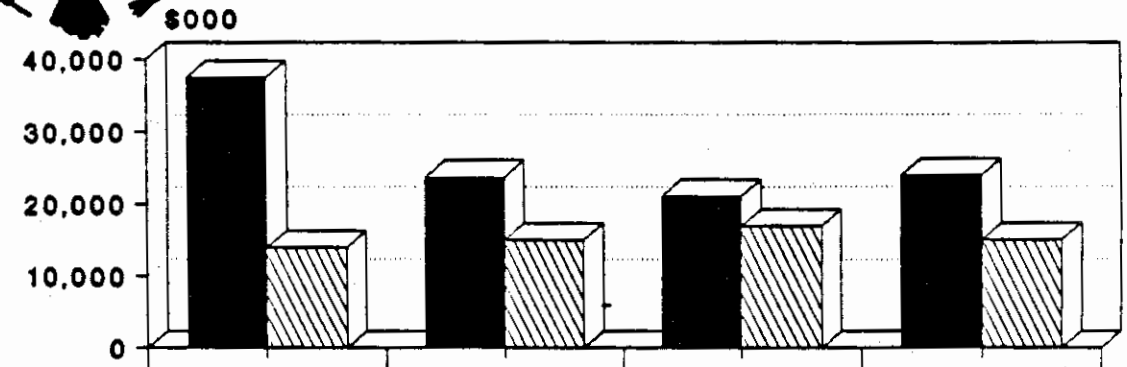
With regards to the mortgage situation by Functional Account, the ARDN and PSEE Accounts (which combined add to approximately 72% of the total mortgage), and at a second level the HEA and PN Accounts, maintain the largest mortgages at the end of FY 94 because of the Mission's strong programmatic emphasis in the areas of trade and investment (SO 1), agricultural development (SO 2), family planning and maternal and child health care (SO 3), and democratic initiatives (SO 4).

Overall, the mortgage situation of the AID Program in Ecuador is well within reasonable limits. Total mortgage at the end of FYs 92, 93 and 94 is below the definition of "problem mortgage" as contained in AID/W guidance on the subject, i.e. "mortgages that amount to more than twice the size of the program level for the current year". The figures in the following Table and Graph support this statement.

USAID/ECUADOR

FYs 93/94 ACTION PLAN

TOTAL MORTGAGE PROJECTIONS THRU FY-94

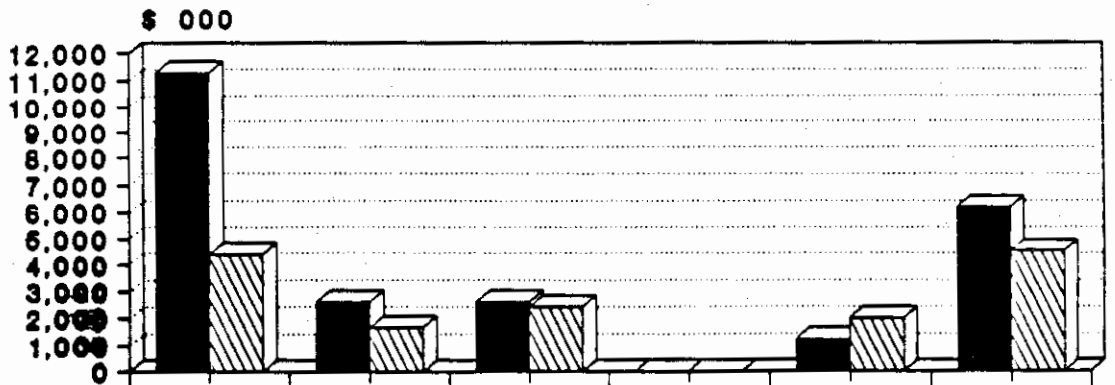


	FY-91	FY-92	FY-93	FY-94
MORTG.	37,539	23,660	21,061	23,961
OYB	13,971	15,000	17,000	15,000

MORTG. OYB

MORTGAGE PROJECTIONS FOR FY-94

MORTGAGE AT FISCAL YEAR END BY FUNCTIONAL ACOUNT



	ARDN	PN	HEA	CH.S.	EHR.	PSEE
MORTG.	11,292	2,629	2,632	0	1,209	6,199
OYB	4,414	1,647	2,418	0	2,000	4,521

MORTG. OYB

PROGRAM OFFICE/PPD

USAID/ECUADOR FY'S 93/94 ACTION PLAN MORTGAGE PROJECTIONS

BY FUNCTIONAL ACCOUNT

FUNCTIONAL ACCOUNT PROJECT NUMBER AND TITLE	PRESENT L.O.P. FUNDING	PROPOSED L.O.P. FUNDING	OBLG.THRU FY-91	MORTG.END FY-91	FY-92 PROJECTIONS OBLIGATIONS	FY-92 PROJECTIONS MORTG.END FY-92	FY-93 PROJECTIONS OBLIGATIONS	FY-93 PROJECTIONS MORTG.END FY-93	FY-94 PROJECTIONS OBLIGATIONS	FY-94 PROJECTIONS MORTG.END FY-94
AGRICULTURE, RURAL DEV. & NUTRITION										
518-0000.01 PD & S	2,619,965	2,619,965	2,077,965	0	90,000	0	252,000	0	200,000	0
518-0051 AG. SECT. REOR.	12,100,000	12,100,000	10,576,001	1,523,999	1,050,000	473,999	473,999	0	0	0
518-0111 AG.SEC.DEV.PROG.	0	8,000,000	0	0	0	0	2,000,000	6,000,000	2,200,000	3,800,000
518-0069 SUBIR	9,000,000	9,000,000	2,986,053	6,013,947	2,000,000	4,013,947	1,853,658	2,160,289	1,013,947	1,146,342
518-0094 TRADE & INV.PROG.	6,000,000	11,000,000	675,000	5,325,000	1,128,000	4,197,000	1,850,900	2,346,100	1,000,000	6,346,100
APPROPRIATION TOTALS	29,719,965	42,719,965	16,315,019	12,862,946	4,268,000	8,684,946	6,430,557	10,506,389	4,413,947	11,292,442
POPULATION PLANNING										
518-0000.03 PD & S	516,320	516,320	381,320	0	75,000	0	30,000	0	30,000	0
518-0084 POP. AND F.P. II	10,500,000	10,500,000	1,384,367	9,115,633	2,400,000	6,715,633	2,470,000	4,245,633	1,617,130	2,628,503
APPROPRIATION TOTALS	11,016,320	11,016,320	1,765,687	9,115,633	2,475,000	6,715,633	2,500,000	4,245,633	1,647,130	2,628,503
HEALTH										
518-0000.02 PD&S	423,055	423,055	307,455	0	35,600	0	30,000	0	50,000	0
518-0071 CHILD SURVIVAL	1,110,000	1,110,000	919,000	191,000	191,000	0	0	0	0	0
518-0081 WASHED	4,000,000	4,000,000	2,562,831	1,437,169	568,000	869,169	869,169	0	0	0
518-0113 HEALTH CARE FIN.	0	5,000,000	0	0	0	0	0	0	2,367,982	2,632,018
APPROPRIATION TOTALS	5,533,055	10,533,055	3,789,286	1,628,169	794,600	869,169	899,169	0	2,417,982	2,632,018
CHILD SURVIVAL										
518-0000.06 PD &S	113,307	113,307	113,307	0	0	0	0	0	0	0
518-0071 CHILD SURVIVAL	11,090,000	11,090,000	7,446,121	3,643,879	2,000,000	1,643,879	1,643,879	0	0	0
APPROPRIATION TOTALS	11,203,307	11,203,307	7,559,428	3,643,879	2,000,000	1,643,879	1,643,879	0	0	0
EDUCATION AND HUMAN RESOURCES										
518-0000.04 PD & S	1,272,356	1,272,356	787,356	0	135,000	0	150,000	0	200,000	0
518-0064 NARCOTICS ED.	2,725,000	2,725,000	2,420,587	304,413	0	304,413	0	304,413	0	304,413
518-0089 POLIC.DIALOG.SUPP.	1,750,000	1,750,000	1,750,000	0	0	0	0	0	0	0
518-0091 CLASP II PROGRAM	6,600,000	6,600,000	702,283	5,897,717	2,145,519	3,752,198	1,947,717	1,804,481	1,300,000	504,481
518-0095 RTAC PROGRAM	1,200,000	1,200,000	239,423	960,577	300,000	660,577	460,577	200,000	200,000	0
518-0105 STRENGTH. DEM. INS.	0	1,000,000	0	0	0	0	300,000	700,000	300,000	400,000
APPROPRIATION TOTALS	13,547,356	14,547,356	5,899,649	7,162,707	2,580,519	4,717,188	2,858,294	3,008,894	2,000,000	1,208,894
PRIVATE SECTOR, ENERGY AND ENVIRONMENT										
518-0000.05 PD & S	2,334,921	2,334,921	1,590,939	0	185,000	0	238,982	0	320,000	0
518-0004 SDAA	1,422,690	1,422,690	1,142,690	0	100,000	0	100,000	0	100,000	0
518-0076 NTL.SHELT.DELIV.SYST.	1,500,000	2,100,000	1,500,000	0	0	0	600,000	0	0	0
518-0089 POLICY DIALOG.SUPP.	1,050,000	3,050,000	1,050,000	0	0	0	0	0	500,000	1,500,000
518-0094 TRADE & INV.PROG.	4,000,000	9,000,000	1,434,000	2,566,000	1,536,881	1,029,119	1,029,119	0	2,600,941	2,399,059
518-0115 ADMIN OF JUSTICE	500,000	500,000	0	0	500,000	0	0	0	0	0
518-0109 ELEC. ED. & CIV. TRG.	1,000,000	1,000,000	440,000	560,000	560,000	0	0	0	0	0
518-0105 STRENGTH. DEM. INS.	0	4,000,000	0	0	0	0	700,000	3,300,000	1,000,000	2,300,000
APPROPRIATION TOTALS	11,807,611	23,407,611	7,157,629	3,126,000	2,881,881	1,029,119	2,668,101	3,300,000	4,520,941	6,199,059
COUNTRY TOTALS	82,827,614	113,427,614	42,486,698	37,539,334	15,000,000	23,659,934	17,000,000	21,060,916	15,000,000	23,960,916

TABLE 6
LOCAL CURRENCY UTILIZATION FY-93
US $

A) USES	ESF	PL-480 II	PL-480 III	SECTION 416	OTHER	TOTAL
HG BUDGET GENERAL.	0	0	0	0	0	0
HG CONTRIBUTION TO AID PROJECTS.	0	0	0	272,800	287,700	560,500
HG MANAGED L/C PROJECTS (GOVT. OR PRIVATE)	4,400,000	0	0	192,400	610,000	802,400
AID PROGRAM TRUST FUND.	0	0	0	0	0	0
AID OE TRUST FUND	1,000,000	0	0	0	0	0
SECTION 108	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	5,400,000	0	0	465,200	897,700	1,362,900
B) CHANNEL FOR ASSISTANCE	**AMOUNT US $**	**AMOUNT US $**	**AMOUNT US $**	**AMOUNT US $**	**AMOUNT US $**	**TOTAL AMOUNT US $**
PUBLIC SECTOR	1,400,000	0	0	265,200	507,700	2,172,900
PRIVATE SECTOR	3,000,000	0	0	200,000	390,000	3,590,000
TOTAL	4,400,000	0	0	465,200	897,700	5,762,900

TABLE 6
LOCAL CURRENCY UTILIZATION FY-94
US $

A) USES	ESF	PL-480 II	PL-480 III	SECTION 416	OTHER	TOTAL
HG BUDGET GENERAL.	0	0	0	0	0	0
HG CONTRIBUTION TO AID PROJECTS.	0	0	0	0	0	0
HG MANAGED L/C PROJECTS (GOVT. OR PRIVATE)	9,700,000	0	0	110,400	381,900	492,300
AID PROGRAM TRUST FUND.	0	0	0	0	0	0
AID OE TRUST FUND	1,500,000	0	0	0	0	0
SECTION 108	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	11,200,000	0	0	110,400	381,900	492,300
B) CHANNEL FOR ASSISTANCE	**AMOUNT US $**	**AMOUNT US $**	**AMOUNT US $**	**AMOUNT US $**	**AMOUNT US $**	**TOTAL AMOUNT US $**
PUBLIC SECTOR	3,500,000	0	0	70,400	231,900	3,802,300
PRIVATE SECTOR	6,200,000	0	0	40,000	150,000	6,390,000
TOTAL	9,700,000	0	0	110,400	381,900	10,192,300

Section V

Mission and AID/W Initiated Issues

TABLE 7

SUMMARY PROGRAM FUNDING TABLE

DOLLAR PROGRAM

PROJECT TITLE AND No.	FY-92	FY-93	FY-94	MISSION STRATEGIC OBJECTIVE
DEVELOPMENT ASSISTANCE				
BUREAU SUB-OBJECTIVE I.A.				
BUREAU SUB-OBJECTIVE I.B.				
PD AND S 518-0000	43,000	165,982	200,000	1
TRADE AND INVESTMENT PROGRAM 518-0094	2,664,881	2,880,019	3,600,941	1
BUREAU SUB-OBJECTIVE I.B.				
BUREAU SUB-OBJECTIVE I.C.				
PD AND S 518-0000	60,000	200,000	200,000	2
AGRICULTURAL SECTOR REORIENTATION 518-0051	1,050,000	473,999	0	2
AGRICULTURAL SECTOR DEVELOPMENT PROGRAM 518-0111	0	2,000,000	2,200,000	2
BUREAU SUB-OBJECTIVE I.C.				
PD AND S 518-0000	130,600	60,000	100,000	3
CHILD SURVIVAL 518-0071	2,191,000	1,643,879	0	3
WATER AND SANITATION FOR HEALTH EDUCATION 518-0081	568,000	869,169	0	3
POPULATION AND FAMILY PLANNING II 518-0084	2,400,000	2,470,000	1,617,130	3
HEALTH CARE FINANCING 518-0113	0	0	2,367,982	3
BUREAU SUB-OBJECTIVE II.A.				
BUREAU SUB-OBJECTIVE II.B.				
PD AND S 518-0000	215,000	150,000	150,000	4
ECUADORIAN DEVELOPMENT SCHOLARSHIP PROGRAM 518-0091	2,145,519	1,947,717	1,300,000	4
REGIONAL TECHNICAL AID CENTER (RTAC II) 518-0095	300,000	460,577	200,000	4
ADMINISTRATION OF JUSTICE 518-0115	500,000	0	0	4
ELECTORAL EDUCATION AND CIVIC TRAINING 518-0109	560,000	0	0	4
STRENGTHENING DEMOCRATIC INSTITUTIONS 518-0105	0	1,000,000	1,300,000	4
BUREAU SUB-OBJECTIVE I.D.				
PD AND S 518-0000	20,000	50,000	50,000	5
SUSTAINABLE USES FOR BIOLOGICAL RESOURCES	2,000,000	1,853,658	1,013,947	5
USAID/ECUADOR POLICY REFORM AGENDA				
PD AND S 518-0000	30,000	50,000	100,000	OTHER
POLICY DIALOGUE SUPPORT 518-0089	0	0	500,000	OTHER
USAID/ECUADOR TARGETS OF OPORTUNITY				
PD AN S 518-0000	22,000	25,000	0	OTHER
SPECIAL DEVELOPMENT ACTIVITY AUTHORITY (SDAA)	100,000	100,000	100,000	OTHER
NATIONAL SHELTER DELIVERY SYSTEM 518-0076	0	600,000	0	OTHER
SUB-TOTAL DA	15,000,000	17,000,000	15,000,000	
[redacted]				
ECONOMIC SUPPO[redacted]ND				
BUREAU SUB-OB[redacted]VE I.A.				
TRADE POLICY REFORM PRO[redacted]-0110	0	15,000,000	10,000,000	1
SUB-TOTAL ESF	0	15,000,000	10,000,000	
P.L. 480, SEC. 416				
SUB-TOTAL	4,500,000	4,500,000	4,500,000	
PROGRAM TOTAL	19,500,000	36,500,000	29,500,000	

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SECTION V : MISSION AND AID/WASHINGTON INITIATED ISSUES

A. Mission Issues:

1. Will NSD-18 or other ESF be available for Ecuador?

Meeting our strategic objectives over the POD/AP period requires a blend of resources. We acknowledge that the prospects for additional DA are not promising, nor is the success of our program predicated on a large infusion of additional DA funds. However, as the resource requirements section of this document indicates, we do need to complement DA levels with fairly large amounts of local currency, primarily, although not exclusively, for our policy-based Trade and Investment program. Similarly, our trust fund from the FY 89 ESF program was fully depleted last fiscal year. By no account can this be considered a lavish Mission. While we have taken every measure possible to reduce our OE budget, constraints on OE dollar budgets worldwide will likely affect our ability to maintain a modicum of services in the absence of a new Trust Fund agreement.

The case for ESF is more compelling now than in the past. The out-going Borja administration has taken far more significant economic measures than any political observer had anticipated, including the signing of an IMF Standby agreement, and tax, tariff, labor, foreign investment, export facilitation, and monetary laws. Ecuador has formally applied for AFTA benefits. We have initiated the process of policy dialogue and consensus-building that are the cornerstone of our new program. The front-runners in the May presidential elections have directly appealed for our assistance in drafting a new outward-oriented economic program. Modest amounts of ESF will have a significant multiplier effect on our influence with the new government, and on our ability to meet our objectives. Again, we emphasize that Ecuador is eligible for NSD-18 funding.

2. What are the prospects for additional food aid at planned levels?

The Mission has relied on fairly modest amounts of Section 416 food assistance (sorghum) over the past few years to supplement our agriculture program, including endowments to private agricultural research and policy analysis foundations. The program itself has contributed to enhanced private sector participation in feedgrain marketing, alleviated feedgrain shortages, promoted a strengthened national agricultural research system, and provided resources for activities supporting SOs 1, 2, and 5. We are very satisfied with the management of local currency

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resources by the PL 480 Implementation Secretariat. Given this country's wheat deficit, we will soon develop a multi-year Title I program proposal for USDA consideration. We need the support of all concerned Washington agencies.

3. Can the USAID absorb additional staff reductions?

In cable Quito 01864, the Mission presented its case for no further reductions in USDH staff. Without repeating the justification for our reclama, we want to emphasize here that this USAID has already taken a large, and possibly disproportionate, cut in USDH positions over the past two years (24% - from 17 to 13); we have already repeatedly reorganized the Mission to accommodate these reductions; we are currently a very lean Mission with absolutely no redundancy; our shift from a project to a policy-based program does not signify a less staff-intensive program, but one that requires a sufficient number of staff with analytical skills; and that our strategic planning exercise will simply not permit additional reductions if it to be successful.

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Action Plan Annex

Mission Workplan

ACTION PLAN ANNEX

MISSION WORKPLAN TOWARDS ACHIEVEMENT OF LAC BUREAU OBJECTIVES AND SUB-OBJECTIVES

I. Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.

Bureau Sub-Objective A: Encourage economic policies that promote investment, productive employment and outward oriented economic growth.

Mission Workplan

- Continue development of the Mission's Policy Reform Matrix which will serve as a basis for the Mission's macroeconomic and sectoral policy dialogue actions (Mission).
- Continue to monitor progress of the overall policy framework affecting the achievement of trade and investment targets (ETIO).
- Assist the Ecuadorian private sector to prepare analysis and related studies on the privatization of state-owned enterprises (ETIO and ANRO).
- Through the Cooperative Agreement with INCAE, continue to implement macroeconomic policy seminars and other events involving the Ecuadorian public and private sectors, labor unions and the academic community (PPD/ECON).
- Develop a long-term participant training plan in economics for selected Ecuadorians who are active participants in the policy dialogue process (PPD/ECON, ETIO).
- Develop a PAAD for the initiation in FY 93 of the ESF-funded Trade Policy Reform Program (ETIO/PPD).

Bureau Sub-Objective B: Encourage a vigorous private sector response.

Mission Workplan

- Complete actions leading to the long-term viable operation of "Fundacion Ecuador" the private sector foundation that will perform a lead role in the implementation of SO 1 activities in trade and investment (ETIO).
- Provide direct technical assistance to existing and potential exporters in technical and procedural aspects

related to improving the variety, quality and volume of Ecuadorian exports (ETIO).

- Work with the GOE to implement the "one-stop window" in the Central Bank for the processing of export licenses (ETIO).
- AID-funded IDEA Foundation, working with the National Federation of Rice Growers, will develop a plan to reduce the existing dependence of growers on the State-owned enterprise (ENAC) for the marketing of their production (ANRO).
- Complete implementation of a condom commercial marketing program nationwide (GDO/HFPD).
- Implement LOP extensions under Projects 518-0051, Agricultural Sector Reorientation and 518-0068, Agricultural Research, Extension and Education in order to allow for the implementation of long-term participant training under these projects (ANRO).
- Develop plans to achieve a much reduced role for, or the disappearance of, Ecuadorian parastatals involved in the fertilizer and seed business (ANRO).
- Carry out an external evaluation of the Agricultural Sector Reorientation Project (ANRO).

<u>Bureau Sub-Objective C:</u> Encourage increased economic opportunities for the disadvantaged.

<u>Mission Workplan</u>

- Prepare plan to deobligate funds from the terminated Malaria and Population and Family Planning Projects and develop pertinent design documentation to reobligate such funds into the Cholera Prevention OPG with CARE (GDO/HFPD).
- Disburse two additional tranches under the Health and Family Planning Project NPA (GDO/HFPD).
- Develop a monitoring and evaluation plan under the Trade and Investment Project in order to track progress in employment generation from this activity (ETIO).
- Continue efforts to secure the long-term sustainability of family planning and health services delivery organizations, particularly in the private sector (GDO/HFPD).
- Initiate the design of the proposed new FY 94 Project in the area of health care financing (GDO/HFPD).
- Carry out a short-term training program for disadvantaged rural women under the CLASP II Project (ANRO/GDO).
- FUNDAGRO will continue implementation of priority commodity programs (cassava, dairy and coffee) benefitting small farmers under the Agricultural Research, Extension and Education Project (ANRO).