

USAID/ECUADOR

FYs 95-96

**ACTION PLAN
(AP)**

TABLE OF CONTENTS

	<u>Page No.</u>
<u>Section I. Introduction</u>	
A. Strategy Overview	1
B. Current trends in Ecuador	4
C. Mission Program Performance	9
<u>Section II. Achievement of Mission Strategic Objectives and Agency Goals</u>	
A. <u>Achieving Broad Based Economic Growth</u>	
Strategic Objective 1	
1. Progress in achieving Strategic Objective	12
2. Relationship of Strategic Objective to Agency Goal	18
3. Strategic Objective Tree	22
4. Strategic Objective Indicators	23
5. Technical Annex	29
B. <u>Stabilizing Population Growth and Protecting Human Health</u>	
Strategic Objective 2	
1. Progress in achieving Strategic Objective	30
2. Relationship of Strategic Objective to Agency Goal	34
3. Strategic Objective Tree	38
4. Strategic Objective Indicators	39
5. Technical Annex	44
C. <u>Building Democracy</u>	
Strategic Objective 3	
1. Progress in achieving Strategic Objective	45
2. Relationship of Strategic Objective to Agency Goal	48
3. Strategic Objective Tree	52
4. Strategic Objective Indicators	53
5. Technical Annex	60
D. <u>Protecting the Environment</u>	
Strategic Objective 4	
1. Progress in achieving Strategic Objective	61
2. Relationship of Strategic Objective to Agency Goal	64
3. Strategic Objective Tree	67
4. Strategic Objective Indicators	68
5. Technical Annex	73

<u>Section III. Portfolio Analysis</u>	75
A. <u>New Activity Descriptions (NADs)</u>	76
B. <u>Status of Portfolio</u>	96
C. <u>Central and Regional Projects</u>	100
<u>Section IV. Resource Requirements</u>	
A. <u>Program Resources Requirements</u>	102
B. <u>Program Management Requirements</u>	103
<u>Section V. Mission and USAID/W Initiated Issues</u>	104

Section I

Introduction

ACTION PLAN

FY 95-96

I. INTRODUCTION

A. Strategy Overview

USAID/Ecuador's program is an important instrument for implementing U.S. foreign policy in Ecuador. The four overriding goals of the U.S. Mission's Program Plan (MPP) are strengthening democracy, supporting anti-narcotics activities, promoting economic growth and protecting the environment. Of these, the USAID/Ecuador program directly supports three (democracy, economic growth and the environment) and indirectly supports the anti-narcotics objective by improving the country's administration of justice.

This FY 95-96 Action Plan is a result of USAID/Ecuador's ongoing effort to plan the mission program strategically and to use a results-oriented approach to management that is expected to achieve specific and measurable impacts on low-income groups. The mission program described herein represents an ongoing process, begun in 1993 to refocus objectives and activities in order to reflect the Clinton Administration's new directions for U.S. foreign assistance. The FY 95-96 program is consistent with USAID's priorities for sustainable development countries and represents a consolidation of activities in order to achieve greater impact with diminishing funding and staff resources.

This FY 95-96 Action Plan also responds directly to the current context for development assistance in Ecuador. Poised nearly at the mid-point of the 1990s, the mission program looks ahead to the end of the century and places emphasis on creating an "enabling environment" for a modern democratic state and a healthy growing economy, with benefits widely distributed. The program will build on the considerable successes of past USAID activities in Ecuador, working primarily with non-governmental organizations (NGOs), so they can: (1) play an advocacy role vis-a-vis the public sector and generate greater public support and understanding for much needed economic, social and democratic reforms; and (2) increase coverage of services for low income groups in vital areas such as family planning, primary health and child survival, microenterprise development, environmental protection and training. In the public sector, USAID assistance strengthens Government of Ecuador (GOE) capacity to respond to the growing public demand to accelerate the reform process and make it more responsive to the basic needs of low income groups.

USAID/Ecuador works in close coordination with other larger donors, filling gaps in donor assistance -- and doing what USAID does best. This mission has pioneered approaches to supporting NGOs that promote greater awareness among Ecuadorians of critical development problems and develop a consensus for reform in the country. USAID

also has a long history of successfully assisting local NGOs to expand coverage and access to key social services. More than any other donor, USAID emphasizes local participation in the development process by supporting non-governmental groups. Through a combination of activities (service delivery, policy analysis and advocacy, training, workshops, seminars, publications) USAID-assisted NGOs are playing lead roles, raising public awareness and stimulating debate, advocating reform, promoting policies for sustainable development and providing services to unserved populations. In turn, these pioneering efforts prepare the ground-work and increase absorptive capacity so that other donors can more quickly develop and implement their larger programs. USAID/Ecuador's FY 95-96 program builds on these successful partnerships, strengthening and empowering local organizations to play a more effective role in the future of their country, thereby further strengthening Ecuadorian democracy, pluralism and civil society.

This Action Plan presents a more narrowly focused mission program than that presented last year. Substantive programmatic adjustments have been made in our Strategic Objectives (SOs). Project activities have been reoriented in order to better conform with the Agency's new policy directions. The proposed FY 95-96 program is reflective of a nearly 35 percent reduction in funds over last year's planning levels. As stated in our FY 95 Annual Budget Submission (ABS), five SOs have been reduced to four. Activities under the SOs are being redirected to place increased emphasis on accelerating Ecuador's economic, social and democratic reforms while placing higher priority on directly reaching disadvantaged groups with family planning and child survival services, microenterprise development assistance, environmental protection, training, and improved participation in democratic institutions. The mission will continue its effort to reduce the number of management units and eight projects will be phased-out in FY 95.

A summary of the refocusing of the mission's assistance strategy and portfolio follows:

- The SOs for trade and agriculture have been dropped in favor of a new SO 1 that addresses broad-based economic growth. As a result, USAID institutional support to the Federation of Ecuadorian Exporters (FEDEXPOR), the Non-Traditional Agriculture Export Corporation (PROEXANT) and the Agricultural Development Foundation (FUNDAGRO) will be phased-out. Likewise, all foreign investment promotion activities financed by USAID through the Ecuador Foundation will be terminated.
- All targets of opportunity are being phased out and all activities now fall under a specific SO, including those carried out in Ecuador by the Regional Housing and Urban Development Office (RHUDO), as shown in the corresponding SO

Trees and Budget Table.

- Two projects approved in last year's Action Plan have been dropped (Agricultural Sector Reorientation Program and Health Care Financing).
- Two projects will cut across the portfolio supporting more than one SO: a redesigned Policy Dialogue and Implementation Project (518-0089) which will support SOs 1, 2 and 3; and, a new Training for Development Project (518-0120) which was approved for start-up in FY 95, but will be deferred until FY 96. It will be designed to directly support each of the mission's four SOs through targeted training in each strategic area.
- The previous training activities, Andean Peace Scholarship Program (518-0067) and Caribbean and Latin American Scholarship Program (518-0091) will be brought to an end.
- The Drug Awareness Project (518-0064) was terminated in FY 93. USAID continues to support the U.S. mission's anti-narcotics program through support to judicial reform in the belief that an improved system will lead to swifter judgement of narcotics offenders.
- The Cholera Control (518-0108) OPG will conclude since the acute crisis with this disease has ebbed.
- The total number of project units directly managed by the mission at the end of FY 92 will be significantly reduced through FYs 94, 95 and 96.

At the Strategic Objective level, some of the key adjustments made by the mission to better address Ecuadorian development problems and the Agency's new goals and objectives include:

Strategic Objective 1: The Agricultural Sector Reorientation (518-0051) and Agricultural Research, Extension and Education (518-0068) projects will terminate. The Non-Traditional Exports (518-0019) and Trade and Investment (518-0094) projects under SO 1 will terminate, with a reduced LOP, in order to make way for income and employment generation activities that are more directly targeted to low-income small producers. To this end, a new project in Microenterprise Assistance Strengthening (518-0121) is proposed in this Action Plan to directly reach low income groups as opposed to affecting them indirectly through trade and investment initiatives.

Strategic Objective 2: USAID's highly successful ongoing Family Planning Program will be further expanded. The Child Survival Project (518-0071) is undergoing redesign to focus more on health sector policy reform and NGO involvement. This redesign is needed because a large World Bank health sector loan was approved

in 1993 that does not fully address policy and NGO issues. Likewise, the IDB is developing a policy-based health sector loan. A redesigned USAID Child Survival Project will better help the Ministry of Health and NGOs prepare for this new IDB initiative and more effectively implement the World Bank loan. The USAID Water and Sanitation for Health Education (518-0081) Project will terminate as will the Shelter Sector Technical Assistance Project (518-0076).

Strategic Objective 3: The ongoing limited scope Justice Reform Support activities should be completed by December 1994. USAID assistance to Ecuadorian judicial reform will continue with a new Justice Sector Program proposed in this Action Plan for start up in FY 95. The Regional Technical Aid Center program (518-0095) will conclude by its PACD in FY 96. The CLASP (518-0091) Project will be terminated earlier with a reduced LOP in mid FY 96.

Strategic Objective 4: This SO has been modified to allow greater emphasis on natural resources management and policy reform, urban pollution and other "brown" issues, as well as continuing mission efforts to help Ecuador better protect its biodiversity.

As explained above, the changes and refocusing of the mission's development strategy for Ecuador are fully consistent with Agency and Latin America and Caribbean (LAC) Bureau's new policy guidelines. As described above, the changes are also responsive to GOE development plans and priorities, and to the country's urgent need to accelerate reforms and better address the basic needs of the poorest groups in Ecuadorian society.

B. Current Trends in Ecuador

The challenge for Ecuador in this decade is to continue the momentum of reform begun in 1990 and accelerated under the Sixto Durán-Ballén administration. Much has been accomplished -- but much is left to be done. Slowly, and at times hesitantly, a fundamental shift in outlook is taking place in Ecuadorian society. A study in contrasts, this country is blessed with abundant natural resources, a vigorous private sector, and democratically-elected leadership. Yet the political process is highly fragmented, some elites and middle class groups continue to capture most of the benefits of development, and entrenched interests of every type combine to resist change. The net result is a country poised to break the stranglehold of the past and commit itself to a course of modernization and more equitable growth for the future. It is clearly in the interest of the United States that Ecuador take that course.

Basically, the country needs to redirect its thirty year history of dependence on oil and other traditional exports, and to reverse the impact of a paternalistic philosophy of government and the remnants of an import substitution model of development. The overwhelming

poverty and alienation that persist in the rural countryside and urban barrios must be better addressed with specific actions that benefit poor people throughout the country. The fragile institutions that underpin democracy must be strengthened in order to ensure continued political stability. These are urgent matters for Ecuador; public frustration is rapidly growing over declining living standards and what is perceived to be the limited ability of democratic government to more quickly promote economic growth, modernization and reform.

The Durán-Ballén government has made good progress in stabilizing the economy, cutting inflation drastically from 52 percent when it took office in August 1992, to 31 percent by year-end 1993. Major measures included:

- The reduction or elimination of costly subsidies;
- An initial devaluation of 35 percent, and maintenance of a highly stable exchange rate;
- Implementation of a new budget reform law;
- Reduction of the fiscal deficit to less than 1 percent of GDP.

The Durán-Ballén government has also passed a number of important legislative reforms in such areas as tariffs, capital markets, foreign investment, monetary and financial regimes, facilitation of exports, and also, although greatly watered-down, in privatization and the modernization of the state. Intellectual Property Rights (IPR) and Bilateral Trade (BT) Agreements were signed with the U.S. and eligibility for the U.S. Andean Trade Preference Act was achieved. However, due to divisions inside the government and considerable political opposition, the Durán-Ballén administration has been somewhat less successful than hoped in promoting higher levels of sustainable economic growth and downsizing and modernizing the public sector.

Toward the end of 1993, the Durán-Ballén government faced a serious crisis which threatened to derail its stabilization program. International petroleum prices dropped sharply and, without compensatory measures taken by the GOE, would have greatly reduced government revenues, widened the fiscal deficit and reignited conditions for high inflation. To prevent this from happening, the government first pressed Congress for a sharp increase in value-added taxes. When the draft bill was rejected, the GOE reacted and moved forward with an increase in gasoline prices of 71 percent in January 1994. This paved the way for a preliminary agreement on a letter of intent for a Stand-by with the International Monetary Fund (IMF) in March 1994, which will allow a significant additional flow of multilateral development bank funds and greater assistance from the international donor community. Given Ecuador's build-up

in international reserves, these actions should facilitate official and commercial debt restructuring agreements. There is also progress in achieving new customs and tax reforms as legislation has now been passed by the Congress.

Other significant measures such as social security reform and decentralization efforts face an uncertain future at this moment. Despite advances on the macroeconomic policy front, the GOE has moved slowly in formulating coherent social sector policies that can better attack Ecuador's widespread poverty and skewed income distribution. One notable exception has been the creation of a Social Emergency Investment Fund (FISE) designed to mitigate the impact of stabilization measures on the poor. The FISE has to date financed 160 projects (rural potable water and sanitation projects, rural schools, and community-based infrastructure activities). USAID assistance was critical in initiating FISE operations and a \$30 million follow-on loan has recently been approved by the World Bank. Additional funding for FISE is being developed by the IDB.

The GOE's stabilization program has had an adverse short-term effect on economic growth and employment. For this reason, the GOE will place increased emphasis on addressing social sector issues in 1994 and beyond. According to a recent World Bank report, existing social programs often do not reach the poor. Only about one-third of the population is reached by public health programs, one-half is not covered by public or private health services, one-fourth of the population lacks access to potable water, and one-third lacks household sanitation.

The prevalence of poverty in the country is revealed in a number of studies, but all estimate that between 50 and 60 percent of the population falls under the poverty line. One USAID funded study estimated that 20 to 25 percent of Ecuadorians live in "critical poverty" without enough income to purchase even a minimally nutritious diet, and that another 25 to 35 percent are in "relative poverty" with income for basic food, but not enough to meet other basic necessities (Whitaker 1990). A second study indicated that 49 percent of the population falls within one of the four poverty groups - structurally poor, impoverished poor, transitional poor, or income poor (ECLAC 1989).

A study looking at income distribution in Ecuador concluded that 42 percent of the population had an annual income per capita of \$508 in 1990 (UNICEF 1993). This is roughly comparable with low-income African countries with income per capita in the range of \$450 to \$550 - Djibouti, Sudan and Angola. In addition, real wages decreased by 48 percent between 1980 and 1992.

The accumulated housing deficit in Ecuador, due to new family formation and replacement of deteriorated housing, is projected to be one million units. One of the biggest impediments to satisfying the tremendous demand for housing has been misdirected government

intervention, particularly in the area of mortgage financing. The GOE, with USAID assistance, is working on creating the conditions necessary to encourage the formation of viable systems which mobilize local resources and channel them to housing needs.

While significant success has been achieved in reducing overall rates of population growth, fertility and mortality, important gaps remain, particularly in urban marginal and rural areas. A national survey indicated that the prevalence of chronic malnutrition among children under five was 55 percent, and that the prevalence of acute malnutrition was 4 percent (World Bank 1994). In most of rural Ecuador, diarrheal disease and acute respiratory infections are still the number one cause of mortality for children under age five; large proportions of women still do not have access to adequate prenatal care and an equally large percentage do not have safe and institutionalized deliveries. Likewise, there is a significant gap between those women who do not want to have any additional children and those women who are currently using a method of safe, efficacious contraception. Many women are still hampered by lack of adequate information regarding contraceptive methods, and an equal number have restricted access to family planning clinics and centers.

Water and sanitation indicators also show poor coverage particularly in rural areas. Although coverage is higher in urban areas, urban growth has outstripped the ability of public investments to keep pace with the overwhelming increase in demand for services and infrastructure. As a result, even urban coverage levels are decreasing. Secondary cities have not been able to keep pace with urban growth. The percentage of families without potable drinking water is now more than twice as high in municipalities with 25,000 to 50,000 inhabitants than in Quito and Guayaquil. Gaps in water and sanitation services tend to mirror the poverty contours of the country: two thirds of those not covered by water or sanitation services belong to the lowest-income groups.

In any way it is measured, poverty in Ecuador is critical. The country is one of the poorest in Latin America and improving conditions for the poor is a major challenge. Furthermore, the country lacks a cohesive, well articulated social policy that identifies priorities and allocates resources accordingly. The "social front" at the cabinet level has suffered from fragmentation along with inadequate leadership and planning throughout four successive presidential administrations.

In addition to the challenge of alleviating what the World Bank calls "chronic and pervasive" poverty, Ecuador faces the challenge of deepening the roots of democracy and strengthening the institutions that support it. Though successive governments have been elected in "free and fair" elections (Freedom House 1993) since the end of the last dictatorship in 1979, political and judicial systems remain fragmented, corrupt and unresponsive to

large segments of the population. Strengthening democracy is an important priority for the entire U.S. mission in Ecuador. It is seen as central to achievement of all other U.S. foreign policy objectives here. Democracy is fragile in Ecuador. The judicial system is slow, inefficient and perceived to be skewed in favor of the economically and socially advantaged. Many of the political parties are little more than cults of personality. Some Ecuadorians are impatient with the growing pains of a young democracy and long for the perhaps falsely remembered past when order and direction were provided by military dictators.

While improving the responsiveness and transparency of the justice system and the political process in Ecuador is a long-term effort, there are positive signs of commitment and will. Recent constitutional and judicial reforms and legislative action, as well as a new willingness to discuss more openly issues such as corruption, are signs of a growing momentum for reform. USAID-supported public and private groups are actively working to raise national awareness of the need for change in the way justice is delivered and to accelerate adoption and implementation of additional reforms.

Finally, Ecuador faces an urgent challenge in protecting the environment. For too long the country's economic growth and development strategies have been based on activities that are highly extractive, and "resource mining" in nature. Ecuador is one of the world's richest sources of biodiversity. Unfortunately, current policies and related consumption patterns are threatening these resources, human health, and the country's long-run economic sustainability. Oil exploration, Amazonian migration, logging, mineral development, shrimp farming, pesticide contamination and urban pollution are contributing to alarming rates of loss of biodiversity and environmental degradation. Inadequate policies toward agricultural pricing, water subsidization, colonization, park protection, land tenure and private property all contribute to resource degradation. Urban pollution is a growing health hazard.

USAID assisted NGOs in Ecuador have been active in advocating greater public and private actions for better protecting the country's environment and biodiversity. Some of these NGOs are Latin American leaders in implementing environmental education programs and in raising public consciousness about the country's environmental degradation. These efforts have been further accentuated by recent international attention that has focused on the threat to Ecuador's tropical rainforest by oil exploration and development and that has highlighted the potential loss of biodiversity of worldwide importance located in areas such as the Galapagos Islands and other regions of the country. However, the GOE with assistance from USAID, other donors and international NGOs such as the World Resources Institute has taken important steps to address these issues with the establishment of a high level Presidential Commission on the Environment (CAAM) that is now

developing the country's first environmental action plan. The challenge for Ecuador and donors in the 1990s is to channel public awareness about environmental problems into improved GOE policy adoption and implementation, and into the creation of greater market-based incentives to encourage private enterprise to implement improved measures to protect the environment.

C. Mission Program Performance

This Action Plan marks the third year of USAID/Ecuador's strategic planning process. Starting in 1991 this mission began to concentrate resources in a few selected areas of priority program activity and to increase management accountability for program results and "people level" impact. A mission Program Performance Assessment System (PPAS) is in place to provide a basis for monitoring and evaluating mission wide progress in the achievement of objectives. Teams involving mission staff and counterparts manage and coordinate the strategic objective framework and policy dialogue activities. Mission reporting and management systems (such as the Semi-Annual Review and employee performance evaluations) have been modified to better support the implementation of our Strategic Plan.

While the mission's commitment to strategic planning has remained constant during this period, the context around us has evolved. Government administrations have changed both in Ecuador and in the United States; policies and priorities have shifted. Budgets have been reduced: the FY 93-94 Action Plan Development Assistance (DA) planning level was \$15.0 million; by contrast, the actual Operational Year Budget (OYB) this fiscal year is \$9.6 million. Accordingly, the mission has used the strategic planning process to weigh and balance programmatic decisions, and to make appropriate reductions and modifications in objectives and activities. Through the PPAS, which involves data collection and analysis activities at both the project and program levels, the mission has greatly improved systems for assessing progress and empirically demonstrating the impact of our program -- answering the all important "so-what?" question.

Overall progress has helped build a greater consensus for macroeconomic reform and for some crucial policy changes in the agriculture and natural resources, health, and justice sectors. As noted elsewhere in this Action Plan, consciousness-raising, public education, policy analysis, advocacy and consensus-building activities, as well as technical assistance and training under all the mission's strategic objectives, have met with success. While, as indicated above in Section B, much more remains to be done, our PPAS tells us there are important examples of progress being made as indicated below:

- More jobs than expected have been created in agroindustry.

- New sources of cash income have emerged for small farmers in remote areas who now can export high value crops directly.
- Water is available to many poor neighborhoods for the first time.
- Financing for housing is now available to a greater number of low-income families.
- Family planning and health services reach more distant rural villages and marginal urban dwellers than in previous years.
- Indigenous communities for the first time are sharing in the management of protected areas within their tribal homelands.
- Community leaders have returned from training in the U.S. with new approaches to solve local problems.
- The topic of corruption is out of the closet and on the front page.
- A social "safety net" program of grants to poor communities has begun.
- A National Environmental Action Plan is being developed by a recently created, high-level Presidential Commission.
- Historic judicial reforms have been adopted that will allow greater access and participation in the democratic process.
- The first GOE privatization of a fertilizer plant has been completed thereby eliminating a costly government subsidy.
- The population growth rate is declining.
- Historic economic reforms (e.g. tariff reforms, IPR, investment code) are resulting in expanded trade and increased economic opportunity for small producers.
- An IMF Stand-by Agreement is in the process of being finalized.

**USAID COORDINATES USG DISASTER RELIEF
RESPONSE TO REGION OF 50,000**

In April of 1993, a landslide and flood occurred in southern Ecuador near the city of Cuenca. This landslide, the largest in modern times, directly affected approximately 5,000 people and the region of 50,000 people suffered extreme economic hardship due to the disruption of transportation systems. The Mission, through RHUDD/SA, coordinated the USG's response which included the provision of medical and technical expert teams, relief supplies (tents, clothes, blankets, etc.) and lighting necessary to work on the disaster area 24 hours a day. The Mission-managed disaster relief assistance to Ecuador culminated with the presentation of four Bailey bridges by the U.S. Ambassador to the President of Ecuador. The assistance provided both during and after the disaster proved vital to the restoration of the region's economic activity by reestablishing linkages between economic centers.

These and other impacts are associated with USAID efforts. Even with modest program resources, this USAID mission has been able to influence important policy and program changes, moving this country forward in modernizing its economic, social and political structures. Through close coordination with other donors and leveraging of funds, USAID/Ecuador has made significant progress toward the achievement of stated Agency goals and mission objectives.

The FY 95-96 USAID program presented in this Action Plan will support those forces and groups advocating positive change in Ecuadorian society. The mission activities in the Agency's four strategic areas of economic growth, health and population, democracy and the environment which will address the most pressing constraints to Ecuador's equitable and sustainable development are described in detail in the sections that follow.

Section II

Achievement of Mission Strategic Objectives

and Agency Goals

Agency Goal:

Achieving Broad Based Economic Growth

II. ACHIEVEMENT OF MISSION STRATEGIC OBJECTIVES AND AGENCY GOALS

A. Achieving Broad Based Sustainable Economic Growth

Mission Strategic Objective 1: To increase sustainable economic growth for a broad base of the population

1. Progress in achieving Strategic Objective 1

In accordance with the Agency and LAC's new strategy documents, the Mission has developed a modified Strategic Objective that more sharply focuses USAID assistance on selected policy and program constraints that are limiting Ecuador's ability to increase sustainable economic growth for a broad base of the population. It eliminates funding for direct operational programs for promoting exports and foreign investment while concentrating resources on supporting policy reform, training and microenterprise development. As a result, the Mission's former Strategic Objectives 1 and 2 have been eliminated although progress made under each of these objectives is summarized below.

Under new Program Outcome No. 1, improved economic and social policies, the Strategic Objective will continue vital efforts to help Ecuador further deepen and accelerate its economic and social reform process, including preparing the country for possible accession to NAFTA. The second Program Outcome is expanded opportunities and participation by low-income groups in a growing market economy. The Strategic Objective program under this planned outcome will assist small producers and microentrepreneurs. Activities will target the participation of low-income groups, with special attention given to the poorest communities that demonstrate potential and initiative, but have not benefitted from other, mostly urban-based, successful microenterprise programs. Through the active participation of the beneficiaries themselves and grassroots NGOs, the program will address legal and policy constraints, provide technical assistance and training, and leverage private sector and other donor resources, so that low income groups will be better able to participate in Ecuador's growing economy. Included in the discussion of progress since the last Action Plan are examples of assistance to low income groups that can be built upon under the new Strategic Objective.

a) Former SO 1: Increased Trade and Employment in Nontraditional Exports

Several positive trade, investment, and privatization policy developments relate well to the new Program Outcome No. 1.

Beginning with Ecuador's qualification for Andean Trade Preference Act (ATPA) benefits, steps were made toward a closer trading relationship between Ecuador and the U.S. President Clinton's approval of Ecuador for ATPA access was followed by the signing of the Bilateral Investment Treaty (BIT) in August, 1993 and of U.S./Ecuador Intellectual Property Rights (IPR) agreement (first in the hemisphere) in September, 1993. USAID and the U.S. Embassy will assist the GOE in the adoption of implementing legislation for the BIT and IPR agreement. During the next year, seminars featuring NAFTA experts will be held to better orient Ecuadorians on potential NAFTA benefits.

The GOE issued an investment decree which reduced discrimination against foreign investors by allowing investment in previously barred sectors and, in separate legislation, the corporate tax rate difference of 12 percent between national and foreign companies was eliminated. A new Capital Markets Law, developed with USAID-funded technical assistance, was passed by the Ecuadorian Congress. This was followed by USAID-funded technical assistance in drafting implementing regulations and in converting the Superintendency of Companies into an Security and Exchange Commission type regulatory entity. These developments will lead to broadening of participation by the Ecuadorian public in the stock market and to easier privatization of state enterprises. USAID will phase out

assistance in capital markets development in 1994 and is coordinating very closely with the IDB to continue this effort. USAID's policy dialogue agenda both for capital markets and privatization significantly contributed to the formulation of IDB's

policy agenda for the policy-based Financial and Investment Sector programs which are near approval. These IDB programs total over \$100 million.

Privatization activities have included the transaction of model

PRIVATIZATION...JOB CREATION...LABOR BENEFITS

178 workers are receiving direct benefits from Ecuador's first significant privatization.

For more than 25 years, the state-owned national development bank highly subsidized its fertilizer plant (FERTISA). By the 1990s, the company was bankrupt, heavily indebted, politicized, corrupt and confronting frequent, violent labor demonstrations and strikes. Employee salaries and social security payments were long overdue.

With technical advisors provided by USAID/Ecuador, senior officials at the highest levels of Ecuador's government struggled for nearly two years while making policy decisions leading to one of Ecuador's first privatization transactions.

Today, with private sector ownership and management, 178 employees have been paid their delinquent salaries, social security payments were reinstated, and their three labor unions are participating in decisions leading toward plant rehabilitation and modernization plus restructuring of the work force.

Who is benefitting from economic reform? Privatization provides direct benefits to the low income labor force. Jobs and pensions are saved, salaries upgraded, and with productivity increasing new jobs will be created. Most importantly, the workers now have a stake in the future of the company by cooperating in the privatization process.

privatizations, support to the GOE's National Council of Modernization (CONAM), and help to CONAM in the drafting of a national privatization strategy and law. Noting at the high level of donor interest in the topic and potentially large amounts of resources, USAID organized a donor group for coordination purposes. Unfortunately, the law submitted by the executive branch was drastically weakened by the Ecuadorian Congress and so far CONAM has been prevented from taking any significant privatization actions.

With USAID support, a major fertilizer company was privatized, thereby providing a successful example to the Ecuadorian public. USAID technical advisors are now finalizing model privatization transactions in the agricultural sector and the shipping and cement industries. The Ecuador Foundation (FE) sponsored the passage of a Concessions Law, which provides for the privatization of several public services. The recent progress towards an IMF Stand-by Agreement, and growing political pressure to privatize the national telephone and state electricity distribution companies, are signs of USAID's important catalytic role.

The Non-traditional Agricultural Export (NTAE) project contributed to the new Program Outcome No. 2. Nontraditional agricultural exports increased from \$28.5 million in 1990 to \$65.5 million in 1993. A recent CDIE study of

NEW PROFITS FOR POOR FARMERS

The indigent community of the village of Sambi, in the southernmost Loja province, was growing low-grade pineapples for local consumption. Proexant organized the community into a pineapple growers association and provided technical assistance in production and quality control. The community now sells its pineapples to agroprocessors in Cuenca and Guayaquil. Proexant also made contact with two major U.S. importers of pineapple bits and chunks. The community is now in final negotiations with the two U.S. firms to export, one of which will donate canning equipment. Proexant convinced the governor of Loja to donate a vacant building to house the plant. The U.S. firms have guaranteed purchase of the canned pineapple chunks, and arrangements are now being formalized. The additional employment and value added resulting from the processing plant will greatly enhance the incomes and quality of life of the very poor people of Sambi.

NTAE projects in several countries indicates that many thousands of small farmers in Ecuador benefitted substantially. For example, the production of passion fruit juice concentrate and pigeon pea exports alone involves approximately 4,000 small farmers who several years ago were not producing those export crops. In the past two years, prices paid by processors to farmers have increased from 50 to 300 percent. The NTAE project reduced poverty through employment creation in export crops by working directly with disadvantaged groups, particularly women. As of December, 1993 26,500 jobs were created, eight months before the PACD. PROEXANT, the counterpart

NGO, helped create small producer/enterprise associations, most notably, an association of artichoke producers in a poor indigenous community and an association of highlands indigent pineapple producers in an isolated area of the southernmost province.

Approximately 61 percent of the new jobs were for women and studies have found that the project has contributed to the reduction of the rate of migration of women from their home villages to Quito and Guayaquil. The project also helped local NGOs provide family planning services to 992 women and 757 men who work on flower plantations, while also providing technical assistance in safe pesticide use.

Under the Trade and Investment Project, the Ecuadorian Federation of Exporters (FEDEXPOR) lobbied for the signing of Free Trade Agreements with Colombia and Venezuela and the concomitant elimination of trade restrictions. FEDEXPOR followed-up by helping to reduce many of the non-tariff barriers, and by sponsoring several trade fairs and exchanges with its Colombian counterpart organizations. The value of nontraditional exports to Colombia increased from \$85 million in 1992 to \$195 million in 1993. These activities have led to more open trade practices which can help prepare Ecuador for NAFTA accession. A consequence of the more open trade and the technical assistance provided by FEDEXPOR has been impressive growth in nontraditional industrial sectors. For example, between 1990 and 1993, ceramics exports increased from \$1.0 million to \$5.5 million, and exports of metal products increased from \$13.5 million to \$48.0 million. Both sectors involve small industry.

The mission reviewed its Trade and Investment portfolio vis-a-vis the final Section 599/547 guidance issued in January 1994, and found it to be in compliance with the guidelines. However, to more directly focus the program on achieving the new Program Outcomes, USAID will support the development of a new Microenterprise Assistance and Strengthening project.

b) Former SO 2: Increased Agricultural Income, with Emphasis on Small and Medium Farms

At the new Program Outcome No. 1 level, tariff reductions achieved in 1992 on imported fertilizer, agro-chemicals, and seed were sustained throughout 1993 by the GOE, despite intense pressure from affected interest groups. The nominal rates of protection for hard corn, imported palm oil, soybeans and rice continued to move towards their border price equivalents, as desired. A new Sub-Secretariat of Policy Analysis, combining under one management unit the five entities of the USAID-funded Agricultural Sector Reorientation Project (ASRP), was established within the Ministry of Agriculture (MAG).

In September 1993, the mission redoubled efforts to help the GOE meet policy reform targets established by the IDB and World Bank for sectoral loans to Ecuador totaling more than \$180 million. The reforms exactly mirror USAID's policy strategy during the past five years, which targeted investments in support of public sector and

NGO policy reform entities. For example, USAID's support enabled the IDEA Foundation to develop new irrigation policies that could be supported by the World Bank, based upon USAID-pioneered concepts of self-governance among water-user association beneficiaries, and to analyze the National Development (Agricultural) Bank's new role in strengthening rural financial intermediation. IDEA has continued to coordinate and promote discussion of the new Agrarian Law and helped draft compromise versions for the executive branch and Congress.

The National Agricultural Research Institute's (INIAP) newly won autonomy enabled a floor to ceiling reorganization based upon USAID and the International Service for National Agricultural Research (ISNAR) recommendations, while simultaneously providing for a \$3 million GOE contribution to an endowment fund. Constant policy dialogue, analysis and technical assistance from the Agricultural Development Foundation (FUNDAGRO) and the ASRP project enabled the GOE to divest itself of the parastatal grain marketing apparatus (ENAC) by transferring ENAC's storage facilities to the private sector. The largest and last of the GOE's six rice storage and processing facilities was leased to the National Association of Rice Producers for fifteen years.

The same policy and regulatory reform process, combining NGO, public sector and private, small-producer entities, is now underway to obtain GOE approval for a commodity check-off system to provide research and extension funding support, and to establish bonded warehouse grain certificates. The certificates will be used as loan guarantees and as a mechanism for commercial banks to offset their reserve requirements, thus increasing production and marketing credit to small-and medium-size producers.

With respect to the new Program Output No. 2, positive achievements were obtained, although most if not all of the FUNDAGRO activities were adversely affected as this NGO began the difficult process of financial and administrative transition towards self-sustainability. As FUNDAGRO confronted the complex task of right-sizing, the monitoring process undertaken last year to measure SO 2 indicators was reduced in the face of budgetary constraints and cash-flow problems. Nevertheless, there were achievements in: (1) introducing and transferring organic commercial vegetable production; (2) dramatically increasing cassava production, processing and marketing among women's producer associations; and (3) increasing women's and small household incomes among milk and calf producers through the introduction and adoption of simple management-improvement technologies. These and other accomplishments allowed FUNDAGRO to attract GOE and other donor support.

c) Former Targets of Opportunity Integrated into the Modified SO-1

The Policy Dialogue Support Project, with the Central American Institute of Business Administration (INCAE), has had an important impact in improving Ecuador's policy reform agenda in the economic, political and social areas. The participants in this dialogue process have been the main interest groups and individuals representing Ecuadorian society - the private and public sectors, labor leaders, university administrators and professors, congressmen, and political leaders. This broad participation and high impact was facilitated by INCAE'S reputation as an excellent and neutral higher education institution, and INCAE'S methodology for bringing together diverse groups to discuss difficult issues. The most notable achievements of this project were: a major national conference on economic reform, involvement in an agreement within the GOE on how social security reform should be undertaken, and macroeconomic and strategic planning workshops for the President and his cabinet.

The National Shelter Delivery System Project has been integrated into SO 1. The project has enabled the creation of the Constant Value Unit (UVC), permitting indexed long-term savings and lending operations in an inflationary economy. Enacted through a law of Congress, the UVC is key to attracting private sector participation in low-income shelter by allowing for real rates of return.

A refinancing mechanism, essential for increasing resources available for low-income housing, is being created and the state housing authority's refinancing unit has initiated second story lending operations by approving the discounting of approximately \$4.0 million in eligible mortgages from private sector financial intermediaries. The GOE has encouraged private financial organizations to establish a privately-managed secondary mortgage bank, and two private commercial banks have committed to help capitalize this secondary mortgage bank.

Mission efforts have also significantly strengthened Ecuador's credit unions, thereby expanding credit to low-income families. Accomplishments for the eight assisted credit unions include: 7,739 new members, an increase of 6.5 billion sucres in total loans, and a 29 percent (\$2.75 million) increase in savings.

Both the World Bank and the IDB have incorporated the mission's policy reform agenda in their shelter sector programs. Both have informed the GOE that future loans will be subject to the implementation of the National Shelter Delivery System Project policy reforms.

Perhaps the most important activity integrated into SO 1 is the ESF local currency funded FISE. In March 1993, this program was created in the Office of the Presidency, to fund employment-generating social infrastructure directly benefitting low-income, marginal communities that are outside public or private outreach programs and services. USAID seed capital resources from ESF local currency generations were key in getting FISE off the ground.

SOCIAL SAFETY NET INITIATED WITH USAID FUNDING

One of the principal concerns of the Durán Ballén administration, when it started the process of economic stabilization in September of 1992, was to develop a viable mechanism to cushion the poorest and most vulnerable groups in Ecuadorian society from the effects of the stabilization measures.

To this effect, the GOE created, in March 1993, the Social Emergency Investment Fund (FISE) as a mechanism, directly under the Office of the President, to fund employment-generating social infrastructure, directly benefitting low-income, marginal communities throughout Ecuador who are outside existing programs and services.

USAID seed capital resources from ESF local currency generations were key in getting FISE off the ground. A modest \$4.5 million USAID investment has made it possible for FISE to finance, in less than one year, over one hundred and sixty projects (rural potable water and sanitation, small sewage systems, rural schools, latrines, etc) benefitting more than 20,000 people who are among the poorest of the poor.

FISE's track record through USAID funds has attracted additional donor assistance, as is the case of an approved World Bank \$30.0 million loan, and a proposed IDB loan for an equivalent amount, both designed to expand FISE's capacity to reach marginal rural and urban populations in the country.

The World Bank has approved a follow-on loan of \$30 million to FISE and an IDB loan should be approved later in 1994. However, neither of these MDB loans provide for extensive NGO participation in FISE implementation. As a result, USAID has requested a special FY 94/95 PL-480 Title II Program to develop better linkages between FISE and NGOs and this Title II request is now pending USAID/W approval (see Action Plan Issue No. 4)

2. Relationship of Strategic Objective to Agency Goal: Achieving Broad-Based Sustainable Economic Growth

a) Relationship of the SO to Agency Goal

The linkages between Agency Goal No. 1 and SO 1 are direct. Indeed, the same three key terms appear in each: economic growth, broad-based, and sustainable. By economic growth, the mission understands enhancement of the well-being of people as approximated by the economic yardstick of income. By broad-based growth, the mission understands a process that is inclusive, people-focused, and participatory. Although all Ecuadorians will stand to benefit, USAID assistance will be directed to increasing the well-being of the poor. By sustainability, the mission understands growth that will be renewable both economically and environmentally, as well as stable institutionally.

The mission's future program of support for economic growth in Ecuador also squares with the priorities that the LAC Bureau proposed recently to the field in its draft Strategic Role of U.S. Assistance in the Americas. As discussed below, mission activities under SO 1 will emphasize economic and social policies that meet the needs of vulnerable groups, expanded access and participation by small-scale businesses and small farmers, and Ecuador's preparations for immersion in hemispheric free trade.

b) Program Outcomes (POs)

The mission has defined two program outcomes to focus its activities in support of Ecuador's economic growth. In essence, the mission proposes to organize its economic growth support program along two lines. The first programmatic thrust is policy dialogue and implementation, in which the mission has an impressive, cost-effective track record, as well as a comparative advantage in the donor community. In light of current and impending budget limitations, a program directed first and foremost to putting key economic and social policy reforms into effect offers the most promise for programmatic returns with widespread impact. The second thrust consists of a limited program of direct support to marginalized groups, especially low income households, microenterprises and small farmers. Activities will concentrate on removing obstacles which prevent these groups from engaging fully and actively in Ecuador's product and factor markets.

PO 1: Improved economic and social policies.

Progress: On the policy front, the mission enjoyed considerable success under its previous SOs. In recent years, activities sponsored by USAID have addressed policies related to successfully securing an IMF agreement, privatization, the development of capital markets, revision of investment and commercial codes, housing finance, tenure security, the functioning of land markets, price liberalization, and, in general, eliminating non-tariff barriers and opening the economy. With the support it has provided to INCAE, the Ecuador Foundation, IDEA, and the Ministry of Agriculture, the mission has had impact upon increasing knowledge and awareness of economic and trade issues. The foundation has provided technical assistance for discussion and debate of specific policy concerns, and has supported counterpart organizations in the drafting and advocacy of policy legislation. This successful, comprehensive approach will continue.

PO 2: Expanded opportunities and participation by low-income groups in a growing market economy

Progress: Under the previous SO in trade and investment, the mission monitored SO achievement in terms of employment in specific industries and total value of non-traditional exports. Under the SO in agriculture, the mission monitored achievement in terms of gross income per hectare in specific agricultural commodities. In both cases, considerable progress was achieved. In the future the mission will shift the primary focus of attention from investment and exports to measures that come closer to approximating people's well-being, namely, incomes accruing to microenterprises and small farmers and the accumulation or acquisition of housing assets by low-income households.

c) Future Directions

During the next two years, the mission will narrow the focus to its economic growth support portfolio. In FY 94, the mission will bring to a successful completion the Non-Traditional Exports Project, and in FY 95 will do the same with the Agricultural Sector Reorientation, Agricultural Research, Extension, and Education projects, and will complete the early termination of the Trade and Investment Project. These decisions will help to redirect the emphasis of SO 1 towards activities, such as microenterprise development, that more directly benefit low income target groups. In FY 96, the mission will phase out the Shelter Sector Technical Assistance Project. By mid FY 96, most mission activities in support of Ecuador's economic growth will be concentrated in projects: first, the Policy Dialogue and Implementation Project, which will amend the scope of the ongoing Policy Dialogue Support Project; and, second, a new Microenterprise Assistance and Strengthening (MAS) Project, which the mission has begun to design and proposes to authorize in FY 95.

The Policy Dialogue and Implementation Project will be the mission's principal program initiative to achieve PO 1, and the Microenterprise Development Project will be its principal initiative to achieve PO 2. The mission also proposes a FY 96 Training for Development Project to contribute to both PO 1 and 2, and will rely on the FY 94 95 PL-480, Title II, CARE-FISE-NGO Support Fund Project and the ongoing Special Development Activities Project to lend additional support to the achievement of PO 2. The relationship of the different projects to program outcomes, as well as their timing, appear graphically in the Strategic Objective Tree in the following section.

Under the Policy Dialogue and Implementation Project, the mission will support a focused economic and social policy agenda of analysis, dialogue, and reform of policies that have an impact on

microenterprises, small farmers, and other low-income groups. The economic policy agenda will consist of reform related to open trade, privatization, and the improvement of the legal framework to ensure contract and property security for low-income groups. The social policy agenda will address areas such as the GOE definition of a social policy strategy, decentralization and rationalization of the social budget process (including health, education, housing, etc.), improving processes to allow low-income groups to form associations and gain greater access to resources, and social security reform.

Under the Microenterprise Assistance and Strengthening Project, the mission will directly address non-policy-related obstacles that microenterprises and small agricultural enterprises face in organizing, diversifying operations, and expanding their scale. Major obstacles include lack of effective access to existing sources of financing, limited market information and technical expertise, and management inadequacies. The mission foresees financing and leveraging donor support for a program consisting of expanding guarantee funds, technical assistance, training, and strengthening of NGO services.

The mission's two-pronged attack on obstacles to broad-based, sustainable economic growth should lead directly to improved access to markets for low-income households, alleviation of poverty, and improvement in the country's skewed income distribution. Moreover, the style of the assistance proposed by the mission is such that beneficiaries will directly participate in the process.

Strategic Objective Program Tree

Ecuador
Agency Goal: Achieving broad-based, sustainable economic growth
STRATEGIC OBJECTIVE NO. 1 Increase sustainable economic growth for a broad base of the population

<p>PROGRAM OUTCOME NO. 1 Improved economic and social policies</p>	<p>PROGRAM OUTCOME NO. 2 Expanded opportunities and participation by low-income groups in a growing market economy</p>
<p>Projects (Number\Title)</p> <p>518-0051 Agricultural Sector Reorientation (phase-out, FY 95)</p> <p>518-0094 Trade and Investment (phase-out, FY 95)</p> <p>518-0076 Shelter Sector Technical Assistance (phase-out, FY 96)</p> <p>518-0089 Policy Dialogue and Implementation (redesign, FY 94)</p> <p>518-0118 Training for Development (new start, FY 96)</p> <p>* Trade and Investment Development (LAC)</p> <p>* Financial Sector Development (G-PRE)</p> <p>* Privatization and Development (G-PRE)</p> <p>* Post-WAFTA Free Trade (Proposed LAC)</p> <p>* Financial Sector Reform for Small and Microenterprises (Proposed LAC)</p>	<p>Projects (Number\Title)</p> <p>518-0019 Non-Traditional Exports (phase-out, FY 94)</p> <p>518-0068 Agricultural Research, Extension, and Education (phase-out, FY 95)</p> <p>518-0076 Shelter Sector Technical Assistance (phase-out, FY 96)</p> <p>PL-480 Title II CARE-FISE-NGO Support Fund (new start, FY 94)</p> <p>518-0121 Microenterprise Development (new start, FY 95)</p> <p>518-0004 Special Development Activities</p> <p>* Regional Low-Cost Housing (CHF)</p> <p>* LAC-TECH Project (LAC)</p> <p>* Growth and Equity through Microenterprise Investments and Institutions (GEMINI) (G-PRE)</p> <p>* Microenterprise Matching Proposed Grants-ACTION INTERNATIONAL and FINCA</p> <p>* Partners of the Americas Farmer to Farmer Program</p>

* Centrally and Regionally-funded projects

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE NO. 1 Increase sustainable economic growth for a broad base of the population					
SO Indicator No. 1: Net income of small enterprises					
Unit: Percentage increase in real terms	Year	Planned	Actual		
Source: National Institute of Statistics and Censuses Comments: This indicator is used to reflect the complimentary relationship between the Policy Dialogue Support Project activities and Small and Microenterprise (MSE) program initiatives. USAID objectives cannot be met without policy reforms designed to remove the numerous obstacles that impede MSE productivity and growth. Nationwide data is used to show increases in the MSEs which will help us discern the effectiveness of policy dialogue activities focused on assisting this sector.	Baseline	7	44		
	1991	7	44		
	1992	7	10 Est.		
	1993	7			
	1994	7			
	1995	7			
	1996	7			
Target	7				
SO Indicator No. 2: Percentage of small farmers with increasing net household incomes					
Unit: Percentage	Year	Planned	Actual		
Source: Ministry of Agriculture Comments: Estimates will be obtained from the Ministry's area and production surveys beginning in 1994. The average net household income of small farmers would be preferable to the percentage of small farmers with increasing net household incomes, but a reliable estimate could be obtained only at prohibitively high cost. The World Bank currently is appraising a project to improve agricultural statistics. Under the project, net household incomes will be estimated from data from a national rural household survey in 1996 or 1997.	Baseline	50	---		
	1994	50	---		
	1992		---		
	1993		---		
	1994	50			
	1995	60			
	1996	70			
Target	75				

Strategic Objective Performance

ECUADOR						
STRATEGIC OBJECTIVE NO. 1 Increase sustainable economic growth for a broad base of the population						
PROGRAM OUTCOME No. 1 Improved economic and social policies						
PO Indicator No. 1.1: Reductions in the Real Effective Rate of Protection						
Unit: Measure of openness (TBD)	Baseline	Year	Planned	Actual		
Source: World Bank, IMF and Central Bank.		1992				
Comments: Indicators currently being obtained from Central Bank. Alternative measures to consider include (1) maintenance or improvement of current degree of tariff dispersion and (2) maintenance or improvement of current non-tariff barriers NTB. We need to see if it is feasible to quantitatively measure NTB reduction.		1993				
		1994				
		1995				
		1996				
		Target				
PO Indicator No. 1.2: Policy initiatives towards NAFTA membership						
Unit: Status of policies, codes and legislation	Baseline	Year	Planned	Actual		
Source: USAID counterpart and International Financial Institutions (IFIs)		1994	Commercial code drafted			
Comments: Measures to be considered include (1) Commercial code developed and implemented, including provisions governing contracts and free association, (2) Financial Institutions law approved by Congress, and (3) Intellectual Property Rights enacted and regulated.		1995	Commercial code presented; Financial Institutions law enacted			
		1996	Financial Institutions law implementation regulations published			
		Target	Commercial code implementing regulations published; Intellectual Property Rights enacted			

Strategic Objective Performance

ECUADOR				
STRATEGIC OBJECTIVE NO. 1 Increase sustainable economic growth for a broad base of the population				
PROGRAM OUTCOME NO. 1 Improved economic and social policies				
PO Indicator No. 1.3: Legislation enacted and implemented to provide tenancy security and to ease land transfer				
Unit: Status of legislation	Year	Planned	Actual	
Source: USAID counterparts and IDB	1993	Drafted and presented to Congress	Drafted	
Comments:	1994	Presented to Congress and enacted		
	1995	Implementing regulations published		
PO Indicator No. 1.4: Privatization				
Unit: Number of public entities sold	Year	Planned	Actual	
Source: USAID counterparts and SENDA Comments: Privatization is broadly defined as expanding the role of the private sector in Ecuador's economic and social development with special emphasis on the participation of lower income groups. Privatization encompasses techniques such as sale, divestiture and concession.	1994	1	4	
	1995	3		
	1996	3		
	1997	3		

Strategic Objective Performance

ECUADOR						
STRATEGIC OBJECTIVE NO. 1 Increase sustainable economic growth for a broad base of the population						
PROGRAM OUTCOME NO. 1. Improved economic and social policies						
PO Indicator No. 1.5: Markets facilitated to mobilize savings for housing finance						
Unit: Policy benchmarks		Baseline	Year (Year)	Planned	Actual	
<p>Source: Ministry of Urban Development and Housing and private statistical institutions</p> <p>Comments: The mobilization of resources and the participation of the private financial sector for housing finance in a sustainable fashion will be made possible through the implementation of the following policy benchmarks: Constant Value Unit for Savings and Lending (UVC); accelerated rotation of the available capital (creation of the Housing Refinancing Corporation); issuing of mortgage-backed securities; and the establishment of a direct and transparent subsidy system for low-income families (subsidy policy design and implementation, and private financial organizations law).</p>			1993	UVC Legislation presented	UVC law enacted	
			1994	UVC implementation regulations published; Mortgage refinancing	UVC implemented; first mortgage refinancing initiative negotiated	
			1995		Establishment of Secondary Bank	
			1996		Housing Subsidy Policy Design	
			1997	Target	Housing Subsidy Policy approved	

Strategic Objective Performance

ECUADOR			
STRATEGIC OBJECTIVE NO. 1	Increase sustainable economic growth for a broad base of the population		
PROGRAM OUTCOME NO. 2	Expanded opportunities and participation by selected low-income groups in a growing market economy		
PO Indicator No. 2.1:	Increased investment in selected micro and small enterprises compared with nationwide investment increase in MSE sector		Actual
Unit:	Year	Planned	Actual
Percentage increase in loans Source: Ecuadorian Development Foundation (FED), National Development Bank (BNF), ASOMICRO, Banco del Pacifico and INEC Comments: This indicator is based on data collected by USAID counterparts and INEC. The proxy used is that for each dollar loaned to MSEs, one dollar will be invested. Investment growth in target beneficiary group will be compared to a national "control" group. We propose that any positive change in the ratio between the target and control group greater than 1 indicates project impact. (i.e. $\frac{\Delta I}{\Delta N} > 1 =$ positive project impact)	Baseline		
	1995		
	1996	2	
	1997	2	
	1998	2	
	1999	2	
	Target	2	
PO Indicator No. 2.2:	Increase in employment in selected micro and small enterprises compared with nationwide employment increase in MSE sector		Actual
Unit:	Year	Planned	Actual
Percentage increase in employment Source: USAID counterparts and INEM Comments: The number of employees working with selected micro and small enterprises will be included on every approved loan application. This data will be compared with nationwide data provided by INEM. We propose that any positive change in the ratio between the target and control group greater than 1 indicates project impact. (i.e. $\frac{\Delta I}{\Delta N} > 1 =$ positive project impact)	Baseline		
	1995		
	1996	2	
	1997	2	
	1998	2	
	1999	2	
	Target	2	

Strategic Objective Performance

ECUADOR				
STRATEGIC OBJECTIVE NO. 1	Increase sustainable economic growth for a broad base of the population			
PROGRAM OUTCOME NO. 2	Expanded opportunities and participation by low-income groups in a growing market economy			
PO Indicator No. 2.3:	Number of houses and home improvements financed for low-income groups by the formal private sector			
Unit:	Number of formal private sector loans for low-income housing and home improvements.			
Source:	Ministry of Urban Development and Housing			
Comments:	This indicator measures the ability of the private sector to mobilize resources to address the shelter needs of low income groups.			
	Year	Planned	Actual	
	1993		0	
	1994	1,000		
	1995	2,000		
	1996	5,000		
	1997	9,000		
	Target			

5. Technical Annex

In very general terms, the mission posits two basic, interrelated ways of bringing about broad-based, sustainable economic growth: improved policies, on the one hand, and expanded opportunities and participation by low-income groups, on the other. Accordingly, the mission has defined two corresponding program outcomes. In the first instance, the indicators include a set of policy changes that the mission sees as essential for facilitating widespread increases in the incomes and wealth of currently marginalized groups. In the second instance, the indicators reflect directly the increased involvement of the poor in the economy, either as workers or as investors. Since the SO and Outcomes are new, the mission will have to complete a new Monitoring and Evaluation plan within the next several months.

Agency Goal:

Stabilizing World Population Growth and

Protecting Human Health

II. ACHIEVEMENT OF MISSION STRATEGIC OBJECTIVES AND AGENCY GOALS

B. Stabilizing World Population Growth and Protecting Human Health

Mission Strategic Objective 2: Increased Use, Effectiveness, and Sustainability of Family Planning and Selected Health Services

1. Progress in achieving Strategic Objective 2

The various activities which contribute to the achievement of this SO, including policy dialogue, project intervention, and donor coordination, have all progressed significantly during the past year. The policy dialogue efforts of the USAID/Ecuador SO 2 team, which includes the Health and Family Planning Division of the General Development Office, the RHUDO, and the Policy Dialogue Project of the Project and Program Development Office, have played an important role in the acceleration of the process of the GOE public sector reform and policy formulation in population, health, and water and sanitation.

The SO 2 policy dialogue efforts with Ministry of Health (MOH) officials achieved an important pay-off with the appointment of a new minister in the past year. USAID/Ecuador had maintained intensive policy discussions with the Minister prior to his being appointed, when he was still Subsecretary of Health. One the Minister's first actions after being appointed was to name an economist as a Subsecretary something which was heretofore unthinkable in a ministry dominated by medical doctors. Upon taking office, the Minister also pronounced his policy agenda, which inter alia, included significant institutional reforms, improving the efficiency and effectiveness of service delivery, and increasing the linkages with private organizations. In the past year there have been significant reductions in personnel and a new organizational chart of the Ministry of Health has been unveiled in which most of the programmatic actions are decentralized to the Provincial and Health Area levels.

The policy dialogue efforts of SO 2 also contributed to improved policy formulation in water and sanitation. The integration of the Ecuadorean Institute of Sanitation Works (IEOS) into the newly formed Ministry of Housing and Urban Development (MHUD), which was reported on in the last Action Plan, continued during the past year. At the same time, financial resources available for potable water and basic sanitation activities increased significantly. The GOE, with direct participation of the Vice President, and assistance from the USAID/Ecuador SO 2 policy dialogue team, moved quickly to focus and finalize a water and sanitation policy and

implementation strategy. The document will define roles for central agencies, such as IEOS, the MHUD, and the MOH. The document will also propose a decentralization of services (including operation and maintenance) to municipal and regional water authorities. Related policy dialogue activities were also instrumental in convincing the Municipality of Quito authorities to change water tariff systems thereby increasing resources and increasing coverage of potable water to significant segments of the marginal urban population.

Three main projects support the SO: Health and Family Planning (518-0084), Child Survival and Health (518-0071), and Water and Sanitation for Health and Ecuadorian Development (518-0081). Three additional project which are shared with other strategic objectives also contribute to SO 2: the Shelter Sector Technical Assistance (518-0076), Policy Dialogue and Implementation Support Project (518-0089), and Training for Development Project (518-0118).

The Health and Family Planning Project has had a direct impact on increased access to and improved participation in family planning programs, and an indirect impact on poverty reduction. One of the family planning NGOs, CEMOPLAF, has four family planning clinics in the rural indigenous areas of the Sierra. CEMOPLAF carried out a number of community based activities and fully integrated community leaders into the decision making process before the clinics were opened. This approach insured acceptance on part of indigenous communities, thus breaking the traditional myth that indigenous groups are against family planning programs. By making sure that the community participated in all aspects of the service, from pricing to physical structure and location of the clinic, increased access was guaranteed. In the past year, two of the four indigenous clinics, adding to a total of 18, all became self sufficient in recovering operating expenses (excluding contraceptives).

APROFE, another family planning NGO, embarked on an ambitious program of providing an integrated program of family planning services, primary health care interventions, and

FLOWERS, BOATS, AND CONTRACEPTIVES

In the past year, the USAID-assisted family planning NGOs have mobilized resources for providing self sustaining integrated health and family planning services for underserved populations. One NGO, APROFE, received a donation from the Dutch Government to build and operate a floating clinic. The boat, built to APROFE specifications in Guayaquil, runs the estuaries and small islands in and around Guayaquil and surrounding mangroves providing primary health care, family planning, and basic sanitation education. These communities are extremely difficult to reach and the people of the communities have lost all faith in government services. By working closely with the community, and by providing consistently high quality of care, APROFE has achieved something other organizations have not been able to achieve: Gain the confidence of the community and provide much needed basic health services. CEMOPLAF, another family planning NGO, expanded services last year to the sites of major flower exportation plants, where the majority of workers are women. CEMOPLAF gives family planning counseling, services, and references for other primary health care. Plant workers are ecstatic at receiving much needed services, and plant owners are pleased to see a decline in the number of sick days and an increase in worker productivity.

health and environmental education to a traditionally abandoned community along the estuaries and mangroves of Guayaquil. Frequently, government institutions promised communities social services but never delivered. Thus, APROFE's first task was to overcome the cynicism and distrust in the communities. By reaching out to community leaders and members at large, and by making sure that the community participated in decisions such as the type of service to be provided and time of the day when the visits would take place, APROFE gained the community's confidence. This trust has been critical to increasing access to family planning and primary health care services.

The Child Survival and Health Project, presently being redesigned, has a direct impact on increased access and improved participation, and consequently on poverty reduction. The focus of the project has been to improve the administrative and managerial efficiencies of the MOH. Considerable training has taken place at the Provincial and Health Area level, leading to improved access to health services. With the start-up of the World Bank health sector loan for \$70 million, USAID is redirecting its efforts towards improving the policy climate and increasing the provision of primary health care services by NGOs.

HI-RISE LATRINES

As one drives along the road beside the flood prone coastal city of Babahoyo, the landscape is dotted with houses built on 8-12 foot high stilts. Each is adorned with what looks like a tall cylindrical chimney rising to the level of the house. These chimneys are latrines, which were built under a program funded by USAID and implemented by CARE. Prior to the USAID project, families in this community used the open waters as latrines. With cholera on the rise, raw sewage stagnating in polluted waters was a major public health risk. CARE entered this community and discussed problems with community leaders. Demonstration latrines were built. In public meetings the community then agreed to provide bricks, cement, and manpower for the construction of latrines for 100 percent of the families. Each latrine would have to rise over 12 feet into the air, so that access from the house would be direct. The cost to each family was approximately \$125 for the materials alone, a high cost in a low income community. Yet because of CARE's efforts in ensuring community participation, all families agreed to pay their contribution. Today this community has a much better understanding of cholera and other diarrheal diseases and each family proudly points to its own latrine tower. The total cost of this activity to CARE and USAID jointly was under \$250,000.

The WASHED and Shelter Sector Technical Assistance projects have had a direct impact on increased access, improved participation, and poverty reduction. The projects leverage the construction of potable water and sanitation systems, thereby increasing the access of populations in marginal urban and rural areas to water and sanitation. The rural communities are fully integrated and participatory in this process with the creation of community water boards which oversee the operations and maintenance of the systems. In urban areas, significant progress has been made in the establishment of municipal and regional water and sanitation authorities.

A recent USAID/Ecuador evaluation found that in communities where potable water systems had been built, not only

did health conditions improve, but so did the income generating

potential, especially by women. The study concluded that women are highly creative about water use; they understand water tariffs and how much needs to be saved in order to guarantee access to water; they modify their income-generating activities to take advantage of the availability of water; and they are very cognizant of the health impact of potable water.

Donor coordination efforts under this SO have been excellent, and are a reflection of the high technical esteem with which USAID/Ecuador is viewed and a direct outcome of USAID in-country presence. The most significant donor coordination effort continues to be with the World Bank through its \$70 million Health Sector Loan Project (FASBASE). USAID has had excellent success in leveraging the FASBASE project and in influencing its direction. Before the new Minister of Health was appointed, he approached the mission to discuss the FASBASE project and mission concerns. As a result of these discussions, the Minister travelled to Washington and negotiated a number of changes with the World Bank, bringing it more in line with policy directions supported by USAID/Ecuador. Currently, USAID staff form part of the Ministry-wide coordinating committee for the implementation of the FASBASE project. Thus, even on a day-to-day programmatic level, USAID continues to exert influence on the direction and implementation of this large World Bank activity.

A second area of donor coordination has been with the UNFPA. Both USAID/Ecuador and UNFPA are interested in ensuring that the GOE presentation of the National Population Policy and Action Plan at the 1994 International Population Conference in Cairo will be a success. USAID and UNFPA share a common vision in terms of what the content of the Policy and Action Plan ought to be. To this end, USAID and UNFPA have shared detailed workplans and strategies, have negotiated with the National Planning Board (CONADE) jointly and separately, and have coordinated technical assistance visits in order to attain maximum results.

Finally, recently at an inter-agency coordination meeting to review the results to date of GOE achievements with respect to the World Children's Summit, USAID was requested to lead the committee on institutional strengthening. At this meeting, which was attended by representations from the UNDP, UNICEF, PAHO, UNESCO, UNFPA, WFP, FAO, IDB, and USAID, a unanimous decision was reached regarding USAID's leadership role in institution strengthening. The argument presented by other donors was that USAID had the combination of policy leverage, technical expertise, financial resources and in-country presence which none of the other donors had. Moreover, all donors were in tacit agreement with USAID's strategy of focusing on the health sector as a comprehensive system to include the MOH, Social Security, NGOs, and private commercial entities. Until now, virtually all health sector efforts have been centered exclusively on the MOH.

2. Relationship of Strategic Objective 2 to Agency Goal:
Stabilizing World Population Growth and Protecting Human Health.

a) Relationship of the SO to the Agency Goal

The Agency document Strategies for Sustainable Development (January 1994) states that global threats to peace come from a multitude of sources, including continuing poverty, population growth, and new diseases. In order to address these threats, the Agency has focused on stabilizing world population growth and protecting human health as one of its four main goals. The operational approach of the Agency in this regard concentrates on the theme of sustainable development based on participation of the people (i.e. the beneficiaries), partnerships with host governments, NGOs, and other donors, and integrated approaches and methods which take into account programs and objectives of other USAID activities.

Ecuador is a country where population and health conditions hinder sustainable development. The activities under SO 2 have concentrated on community-based actions, focusing on service delivery methodologies which take into account the needs and desires of the community. At the same time, policy dialogue has focused on improving the policy environment. Thus, NGOs have increased freedom to provide family planning and primary health care services; and communications and information activities proceed with less government interference. Decentralization by public institutions has led to increased access to water and basic sanitation through direct municipal service delivery mechanisms. The SO 2 activities have also mobilized the support of other donors. UNFPA and USAID have common visions with respect to population policy; PAHO and USAID share approaches to primary health care and the role of central government. USAID has worked closely with UNICEF in communications activities and with UNESCO in integrating gender and population matters into the primary school curriculum.

Finally, although the GOE does not currently have an explicit social policy, the GOE's Agenda for Development and other policy statements have indicated that the priority for the GOE in the social sector is the alleviation of poverty. In this respect, SO 2 has a direct impact on poverty reduction since both family planning and health are critical necessary conditions for investments in human capital. While the total fertility rate and the infant mortality rate will be estimated later this fiscal year with a national demographic and health survey, programmatic evidence indicates improvements in both family planning and health. Thus, in the past year, new users of family planning have increased. A significant percentage of these new users are women under age 25 from rural areas. Likewise in health, the process of decentralization, establishment of user fees, and continued selected immunization campaigns have improved the efficiency and

efficacy of health services. In water and sanitation, USAID efforts in technical assistance and policy dialogue have increased significantly the numbers of people with access to safe drinking water and adequate sanitation facilities.

b) Program Outcomes (POs)

The key POs under this SO and their progress in the past year are:

PO 1: Increased number of users of family planning and selected health services.

Progress: The two family planning NGOs, APROFE and CEMOPLAF, continue to increase their coverage of family planning users. Together, the two organizations have increased the number of new family planning users by over 50,000 in the past year. In health services, USAID leverage and direct assistance has led to a more streamlined World Bank project which will lead to greater numbers of users of health services. With USAID technical assistance, the largest of three targeted municipalities increased the coverage of potable water and sanitation services from 65 percent to 80 percent.

PO 2: Improved quality of family planning and selected health services.

Progress: The two family planning NGOs have added Depo-Provera and Norplant to their menu of available contraceptives, thus increasing the range of choice for women and improving quality. At the same time, USAID in conjunction with UNFPA, has been providing the MOH with assistance in supervision and logistics in order to improve the quality of care in both family planning and primary health care services. In two out of three targeted municipalities, the local and regional water authorities now have improved supervision procedures to insure the quality of water.

PO 3: Improved policy and institutional environment for long-term sustainability of family planning and selected health services.

Progress: The level of cost recovery by the two family planning NGOs has surpassed the 50 percent mark, well ahead of the pace planned for the project. The organizations are also increasing their base of support by tapping other donors. In the health sector, significant advances have been made in the areas of health care finance and institutional reform. An important success of the USAID policy dialogue has been to overturn the long standing policy of free services. Today,

there is general consensus that free services are a thing of the past, and that user fees must be established. USAID policy dialogue activities have been instrumental in moving the GOE towards a nationwide water and sanitation policy, while at the same time increasing the number of municipalities that are establishing a water user-fee-based on actual operating cost and cost recovery targets.

c) Future Directions

The future mission strategy in population will continue to focus on increasing coverage of family planning services especially to underserved population groups. The public sector, NGO organizations, and private commercial entities will all continue to receive support from USAID for improving coverage, expanding the range of choices for women, and improving the quality of care. At the same time, the three family planning NGOs which have received the bulk of USAID financial support over the past 15 years will be encouraged to strengthen their sustainability efforts. To this end, USAID will provide endowments to these organizations based on USAID/W guidance and the Ecuadorian legal framework.

USAID will also consider expanding support to the family planning NGOs to include activities in HIV/AIDS. The organizations are already carrying out limited activities with their own resources, and have requested assistance from USAID. To date, USAID intervention in HIV/AIDS has been limited to condom social marketing, communications, and improving blood testing procedures. Although the HIV/AIDS seroprevalence in Ecuador is still low in comparison to other countries (percentages are 0.5 among high risk groups in Ecuador versus 24.0 in Brazil and 41.9 in Haiti), a strong prevention campaign could be critical for insuring that the disease does not reach the pandemic levels evident in other countries.

The USAID strategy in health, water and sanitation will center on the premise that improvements in health status will come from an expansion in the definition of the health sector beyond the institutional confines of the MOH and MHUD to include the social security system, NGOs and PVOs, municipalities, church organizations, and the private commercial sector. Policy dialogue activities with the MOH will promote a systemic approach to health problems focusing on primary and preventive care and curative care for those with limited access. With the MHUD, policy dialogue activities will focus on devolution of authority and responsibility for water and sanitation services to municipalities and regional water authorities. Programmatic interventions will focus on support for public sector institutions in order to improve the policy environment and support for local NGOs in order to improve service delivery. Operational support for the public sector institutions will be supported by other donors, including the World

Bank and IDB, and USAID will play a critical role in shaping the concept and content of such assistance.

10,000 NEW WATER CONNECTIONS FOR POOR FAMILIES

In only a six month period, the Quito Water Company has installed more than 10,000 new household water connections in marginal neighborhoods. This was possible due to USAID technical assistance that established new financial and management systems enabling full cost recovery. Prior to this assistance, the Water Authority received 40 percent of its funding from irregular central government transfers, and the water company ran an operational deficit. The General Manager of the Water Company commented, "With the 20-25 percent savings due to the technical assistance, we have been able to upgrade water services to 60 percent of Quito's marginal neighborhoods to assist another 180,000 people".

Strategic Objective Program Tree

Ecuador
Agency Goal: Stabilizing World Population Growth and Protecting Human Health
STRATEGIC OBJECTIVE NO. 2 Increased use, effectiveness and sustainability of family planning and selected health services

PROGRAM OUTCOME NO. 1 Increased number of users of family planning and selected health services	PROGRAM OUTCOME NO. 2 Improved quality of family planning and selected health services	PROGRAM OUTCOME NO. 3 Improved policy and institutional environment for long-term sustainability of family planning and selected health services
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Projects (Number\Title)	Projects (Number\Title)	Projects (Number\Title)
518-0071 Child Survival and Health	518-0071 Child Survival and Health	518-0071 Child Survival and Health
518-0081 Water and Sanitation for Health and Ecuadorian Development	518-0081 Water and Sanitation for Health and Ecuadorian Development	518-0081 Water and Sanitation for Health and Ecuadorian Development
518-0084 Health and Family Planning	518-0084 Health and Family Planning	518-0084 Health and Family Planning
518-0076 Shelter Sector Technical Assistance	518-0076 Shelter Sector Technical Assistance	518-0076 Shelter Sector Technical Assistance
518-0118 Training for Development	518-0118 Training for Development	518-0089 Policy Dialogue and Implementation
*936-5974.07 Private Sector Initiatives	*936-5984 Healthcom Regional Cholera	518-0118 Training for Development
*936-5984 Healthcom Regional Cholera	*936-5973 Water and Sanitation for Health	*936-5974.01 Health Finance and Sustainability
*936-3057 Central Contraceptive Procurement	*936-3024 Population Technical Assistance	*936-3052 Population Communication Services
*936-3038 Family Planning Logistics Management	*936-3030 Service Delivery Operations Research	*936-3035 Options for Population Policy
*936-3051 Contraceptive Social Marketing	*936-5972..3 AIDSCAP	
*936-5072.3 AIDSCAP		

* Centrally and Regionally-funded projects

Strategic Objective Performance

ECUADOR						
STRATEGIC OBJECTIVE NO. 2 Increased use, effectiveness and sustainability of family planning and selected health services						
SO Indicator No. 1: Total Fertility Rate (TFR)						
Unit:	Average number of children per women in reproductive years	Year	Planned	Actual	Year	Actual
Source:	National Survey	1989	---	3.83	1991	3.75
		1992	3.71		1993	3.67
		1994	3.6		1995	3.58
		1996	3.54		1997	3.5
		Target	3.5			
<p>Comments: This single indicator captures use, effectiveness and sustainability of family planning services. If ever-increasing number of couples are using family planning methods, if couples that are using family planning are using modern, effective methods, and if safe and efficacious contraceptive methods are available continuously and without restrictions based on political and ideological grounds, then the TFR will continue to decline.</p>						
SO Indicator No. 2: Infant Mortality Rate (IMR)						
Unit:	Number of deaths to children under age 1 per 1,000 live births	Year	Planned	Actual	Year	Actual
Source:	National Survey	1989	---	53.0	1991	47.8
		1992	45.2		1993	42.6
		1994	40.0		1995	37.4
		1996	34.8		1997	32.2
		Target	32.2			
<p>Comments: This single indicator captures the use, effectiveness, and sustainability of selected health services. If increasing numbers of children and mothers are using health services, if the providers of these services are providing timely and effective interventions, and if institutions can continue to provide these services over the long-run without significant gaps in resource generation and allocation, then the IMR will exhibit a consistent decline over time.</p>						

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE NO. 2 Increased use, effectiveness and sustainability of family planning and selected health services					
PO Indicator No. 1.1: Contraceptive Prevalence Rate					
Unit:	Percentage of women in reproductive age currently using a modern method of contraception		Year	Planned	Actual
Source:	National Survey	Baseline	1989		52.9
			1992	54.9	
			1993	55.5	
			1994	56.1	
			1995	56.8	
			1996	57.4	
		Target	1997	58.0	
Comments: A single indicator that signals the level of contraceptive use in the population. Disaggregated data will also be available to measure source of contraception, type of contraception, and characteristics of users, such as age, gender, locality, etc.					
PO Indicator No. 1.2: Prevalence of Diarrheal Disease in Population under Age 1					
Unit:	Percentage of population under age 1		Year	Planned	Actual
Source:	National Survey	Baseline	1989		25.0
			1992	22.0	
			1993	21.0	
			1994	20.0	
			1995	19.0	
			1996	18.0	
		Target	1997	17.0	
Comments: Diarrheal disease continues to be the main cause of mortality for the population under age 1. Declines in the prevalence would indicate increased access and efficiency of services.					

Strategic Objective Performance

ECUADOR						
STRATEGIC OBJECTIVE NO. 2 Increased use, effectiveness and sustainability of family planning and selected health services						
PO Indicator No. 1.3: Population at age 1 that is fully immunized with DPT3						
Unit:	Percentage of the population at age 1	Year	Planned	Actual		
Source:	National Survey	1989		68.7		
		1992	76.9	79.0		
		1993	79.7			
		1994	82.4			
		1995	85.0			
		1996	88.0			
		1997	90.0			
		Target				
<p>Comments: The MOH's immunization program encompasses a number of interventions, such as BCG, DPT3, Polio3, Measles, and IT. This indicator is utilized as a single proxy for overall effectiveness of the immunization program. Improving immunization rates directly affects the use and effectiveness of health services.</p>						
PO Indicator No. 2.1: Percentage of MOH Health centers applying FP/MCH Norms						
Unit:	Percentage of MOH health centers in the eight major provinces	Year	Planned	Actual		
Source:	MOH and IESS Statistics	1989		70.0		
		1992		72.0		
		1993		74.5		
		1994	78			
		1995	82			
		1996	88			
		1997	90			
		Target				
<p>Comments: This is a combined measure of three check-off indicators which serves to signal the quality of services being provided at each health center of the public institutions.</p>						

Strategic Objective Performance

ECUADOR				
STRATEGIC OBJECTIVE NO. 2 Increased use, effectiveness and sustainability of family planning and selected health services				
PO Indicator No. 2.2: Percent of MOH health centers with a working Cold Chain				
Unit:	Percentage of MOH health centers in the eight major provinces	Year	Planned	Actual
Source:	MOH Statistics	1989		80.0
Comments:	In order for immunization programs to be sustainable, thereby improving the quality of services, the MOH must rely increasingly on facility-based immunizations. This implies an adequate cold chain system.	1992		
		1993		84.9
		1994	86	
		1995	90	
		1996	92	
	Target	1997	95	
PO Indicator No. 3.1: Percentage of cost recovery of selected family planning NGO's				
Unit:	Percentage of total costs recovered by own generated resources	Year	Planned	Actual
Source:	NGO Statistics and financial audits	1989		30
Comments:	Cost recovery, along with institutional maturity, is crucial to long term sustainability of the family planning organization.	1992	38	
		1993	45	50
		1994	50	
		1995	58	
		1996	65	
	Target	1997	70	

Strategic Objective Performance

ECUADOR				
STRATEGIC OBJECTIVE NO. 2 Increased use, effectiveness and sustainability of family planning and selected health services				
PO Indicator No. 3.2: Percent of selected MOH services in Provinces and Health Areas with an established and effective user fee system				
Unit:	Percent of services	Year	Planned	Actual
Source:	MOH Statistics and special surveys	Baseline		0
Comments:	The MOH has recognized that without an effective user fee system, service delivery will continue to decline. An effective user fee system, with financial accounting procedures and means testing, is crucial to achieving the sustainability of the MOH's primary health care services.	1989	10	
		1992	15	
		1993	20	
		1994	25	
		1995	30	
		1996	35	
		1997		
		Target		
PO Indicator No. 3.3: Number of local and regional water authorities collecting adequate water user fees				
Unit:	Number of authorities	Year	Planned	Actual
Source:	Ministry of Urban Development and Housing Statistics	Baseline		0
Comments:	The new policy directions of the GOE, along with the recognition that construction of urban and rural water systems is insufficient without an adequate operations and maintenance strategy, leads to the use of this indicator. Clearly, "adequate" implies a necessary level of fees in order to insure the long term sustainability of water systems in both urban and rural areas.	1989	1	1
		1992	2	2
		1993	2	
		1994	3	
		1995	4	
		1996	5	
		1997		
		Target		

5. Technical Annex

The SO statement and indicators remain essentially unchanged except for minor modifications as follows:

The SO level indicators have been reduced to two: Total Fertility Rate and Infant Mortality Rate. The SO team believes that these two indicators best capture the combination of use, effectiveness, and sustainability in simple and widely accepted indicators. Measures for the two SO level indicators will be estimated this year with a national health and demographic survey.

The PO level indicators have been condensed into a total of eight. While there are many more indicators for which data are being collected, these eight best capture the progress which is being desired at the program output level.

The new Health Care Financing (HCF) project which was discussed in last year's AP was canceled due to budget constraints. However, the SO team believes that even without the HCF project, the policy issues and programmatic innovations related to health sector reform and health care finance are critical to the success of the SO. In addition, the new Minister has established a number of sector reforms, including cost recovery and decentralization as his personal priorities. Moreover, given a number of critical comments from the Child Survival mid-term evaluation and the initiation of the World Bank FASBASE project, it is evident that programmatic and narrowly vertical institutional strengthening of the MOH will not translate to optimal results. Thus, taking into account these three overriding concerns; importance of health care and health sector reform; weakness of the current CS project; initiation of the FASBASE project as major financial input into the MOH, the CS project will be redesigned with the same goal and similar purpose statement but incorporating the most important elements of the health sector agenda planned under the previously approved health care financing project.

The SO's monitoring and evaluation plan is now complete, has been translated into Spanish, and has been shared with counterparts. Data for a number of indicators associated with this SO will be collected in the next few months via a USAID funded national demographic and health survey under the Child Survival and Family Planning projects.

Agency Goal:

Building Democracy

II. ACHIEVEMENT OF MISSION STRATEGIC OBJECTIVES AND AGENCY GOALS

C. Building Democracy

Mission Strategic Objective 3: Improved Responsiveness of Selected Democratic Institutions with Greater Citizen Participation

1. Progress in achieving Strategic Objective 3

Considerable progress has been achieved under this SO since the last Action Plan. This progress builds upon and deepens the judicial reform process that USAID has been supporting since 1990-1991 as summarized in the Annex to our New Activity Description "Justice Sector Program". Most noteworthy during the past year has been the creation of GOE Justice Reform Support Activity Working Group as a strategy formulation and direction body to support the judicial sector reform process.

Ecuador has a highly fragmented justice sector. Judicial responsibilities are divided among the Supreme Court, the Attorney General, the Fiscal General Office and the Ministry of Government. This division of responsibilities has created an uncoordinated judicial sector where each actor functions in isolation and the various government entities charged with judicial sector administration responsibilities are forced to compete for scarce financial and personnel resources. Recognizing this division as a serious impediment to the continuation of judicial sector reform, the GOE Justice Reform Working Group was formed with assistance from USAID.

The GOE Justice Reform Working Group is supported by USAID/Ecuador's Justice Reform Support Project (518-0105), the purpose of which is to assist Ecuadorian efforts in the creation of a more coherent strategy for judicial reform. The GOE Group is comprised of representatives from all agencies charged with judicial sector responsibilities, plus the General Secretariat for Public Administration which coordinates the activities of executive level organizations. All organizations are represented at the policy level and technical levels. The goals of the GOE Group are to deepen reforms, to prepare a comprehensive action plan to improve the administration of justice (AOJ), and to develop a justice sector program proposal which will be presented to all bilateral and multilateral donors to better guide the reform process and generate additional external funding.

The GOE Group marks the first time in recent Ecuadorian history that all justice sector institutions have actually met together to

discuss the problems of the sector and to better define and coordinate reform efforts. The information shared through regular Group meetings and the understandings reached are providing the basis for continued and sustainable judicial reform.

The mission has also expanded its relationship with a local NGO, the Latin American Development Corporation (CLD), by entering into a Cooperative Agreement (CA). CLD provides technical support to two groups of private sector lawyers (one in Quito and one in Guayaquil) involved in the AOJ sector. As a result of this support, positive progress on the drafting and passage of laws required to fully implement the 1992 constitutional reforms has been made: the Cassation Law, which provides the basis for the Supreme Court to review only the legality of decisions taken by lower courts as opposed to the former system of complete review, was approved and is being utilized by the Supreme Court and the Organic Law of the National Judicial Council has been drafted and is currently before Congress.

As part of its USAID-supported activities, CLD, with the unprecedented support of the National Federation of Judicial

Employees, has begun an anti-corruption campaign in the judicial system. The first step in the campaign has been the creation and distribution of a series of posters denouncing corrupt acts by judicial sector employees, judges and private lawyers and instructing the public in how to combat corruption in the sector. The posters have been distributed to the Supreme Court, all Superior Courts and every lower court, are prominently displayed in every location, and have generated favorable publicity in the local media.

Another important aspect of USAID support for CLD is the institutional strengthening component. This component allows CLD to improve its internal operations and strengthen its Board of Directors. The goal of the institutional strengthening component is give CLD the tools necessary to further expand its judicial reform advocacy and public education work.

IT WORKS!

As part of its consensus-building activities for judicial reform, a USAID-supported NGO (the Latin American Development Corporation-CLD) with the National Federation of Judicial Employees has begun an anti-corruption campaign. A series of posters exhorting people to denounce corruption in the judicial sector have been distributed to all judicial districts and are being prominently displayed. Recently a letter appeared in the "El Telegrafo" newspaper (Guayaquil) telling how one person had been inspired by the posters and their message.

The author of the letter, a lawyer, stated that as a result of seeing the posters, he had decided to complain about the poor service he was receiving, i.e. an unjustified six month delay in sending a case from one department to the next. As the posters suggested, he went to see the judge in charge, delivered his complaint and immediately had his problem solved. The author ended his letter with the following statement: "Every citizen, not just lawyers and clients, is obliged to report instances of judicial sector corruption. Judicial sector employees, too, are obliged to stop being accomplices to the corrupt acts of their colleagues by reporting them."

USAID has been, and still is, the sole donor active in AOJ. However, during the reporting period, both the World Bank and the IDB for the first time sent teams to Ecuador to review possible democracy activities. The IDB is considering supporting the Supreme Court in short-to medium-term activities with an emphasis on administrative improvements, however negotiations with the Supreme Court remain at the beginning stages. The IDB is also interested in possibly supporting conflict resolution/conciliation activities through existing business chambers. Negotiations for this activity are also at the beginning stages. The World Bank, which originally investigated AOJ for a possible general public administration project, is now considering a separate AOJ activity.

The UNDP has also indicated its interest in the justice sector. The UNDP wishes to participate in the meetings of the GOE Working Group in order to learn more about the needs of the judicial sector and the IDB and World Bank want to have their project development teams participate in GOE Group meetings during their next visits to Ecuador. All donors interested in democracy activities in Ecuador are attending the Group meetings to coordinate their activities.

The Regional Technical Aid Center II (RTAC II) project offers high quality university level textbooks for sale at very low prices. Approximately 146,000 books have been made available through this activity. Students, who never before had access to textbooks because of limited financial resources, can now afford to buy them. University libraries have also taken advantage of the attractive prices offered by RTAC II and have restocked their libraries for the first time in years. Students are no longer forced to rely on expensive texts, pirated xerox copies or out-dated professors notes. The RTAC II texts open up a world of previously unavailable information exposing the student to competing ideas and theories and allowing the students to form their own opinions. RTAC texts are now used in the classroom by over one-third of university level professors.

The RTAC II/Ecuador Project is implemented by the Corporation for the Development of University Education (CODEU), a local NGO.

A SMALL MIRACLE

The following is the translation of an article that appeared in the newspaper "El Comercio." The author is a well-known medical doctor and university professor.

"When I was a student of medicine, it was almost impossible to obtain a good scientific book mainly because they were very expensive and also because only few copies arrived in the country and those were shared among several students.

Some days ago, I was looking for a Biology textbook by Claude A. Villee, a professor at Harvard University, and I stepped inside a bookstore. I was really surprised and quite shocked when the lady at the register told me that I only had to pay twenty thousand sucres (about \$10) for a book that usually costs around one hundred thousand sucres (\$50). I decided to investigate this unusual case a little bit further, and I found out that USAID is running a program called RTAC II, that provides university textbooks at very low prices, and that was the reason why the book was so inexpensive. I was so impressed that I decided to look for other medicine books, and to my surprise, I arrived at a new bookstore, just across from the Universidad Tecnológica Equinoccial, where I was treated in the most extraordinary way by its employees, who shared with me copies of the most valuable medicine textbooks used by students in the United States."

The Caribbean and Latin America Scholarship Program II (CLASP)/Ecuador Development Scholarship Program (EDSP) provides access to U.S.-based, short-term and long-term training opportunities to poor and disenfranchised people through its requirement that at least 70 percent of all participants be economically, socially or culturally disadvantaged and that a minimum of 40 percent be women. To date, CLASP/EDSP has far surpassed the 40 percent goal. Each area of participant study is linked to and supportive of a mission SO. CLASP/EDSP participants not only receive technical training, but also receive leadership training which allows them to share what they have learned with their communities and organizations, thereby increasing the positive results of the training through a multiplier effect. One hundred percent of returned CLASP/EDSP participants report greater effectiveness as a result of their CLASP/EDSP training.

2. Relationship of Strategic Objective 3 to Agency Goal: Building Democracy

a) Relationship of SO to Agency Goal

The overall goal of USAID is sustainable development. As such, the Agency recognizes that "Democratization is an essential part of sustainable development. ...USAID's success in the other core areas of sustainable development is inextricably related to democratization and good governance. Repression, exclusion of marginalized groups, human rights abuses, disregard for the rule of law, corruption, and autocracy are antithetical to development. Therefore USAID has attached a high priority to the strengthening of democratic institutions and popular participation in decision-making." (Strategies for Sustainable Development; January 1994).

Among the ways to achieve the USAID objective of Building Democracy listed in Strategies for Sustainable Development are: strengthening democratic institutions, and creating an informed and educated population and a stronger civil society. SO 3, in its two-pronged approach to building democracy encompasses these same areas. SO 3 utilizes a "top down" approach which concentrates on improving the responsiveness of selected democratic institutions through improving the accountability and effectiveness of the judicial system and a "bottom up" approach which concentrates on civil society through the provision of increased access to resources (training opportunities and improving education).

b) Program Outcomes (POs)

The key POs under this SO are:

PO 1: Improved operation of the justice system

Progress: The Justice Reform Support Project, by improving the governance and effectiveness of the judicial system, increases access to the judicial system and improves the level of participation in democratic institutions. The judicial system anti-corruption campaign sponsored by CLD and the National Federation of Judicial Workers reinforces the principle that justice is free and directly combats rent-seeking and other acts of corruption by judicial employees, thereby improving governance and making justice more accessible to the poor. The anti-corruption campaign also informs the public how to denounce corrupt acts, thereby encouraging judicial system accountability and teaching citizens to be more active participants in strengthening their democratic institutions.

Two of the laws necessary to implement the 1992 constitutional reforms were drafted and presented to Congress: the Cassation Law and the Organic Law of the National Judicial Council. The Cassation Law was approved and is being implemented. CLD has sponsored seminars and published a book on cassation. The Judicial Council Law is being debated in Congress. Policy dialogue has resulted in a number of much-needed administrative improvements in the Supreme Court, i.e. a more streamlined personnel system and the delegation of more responsibility for management of financial resources to the superior courts. The most significant institutional strengthening activities undertaken by CLD include the revision of its statutes to permit a stronger and more active Board of Directors and the recruitment of new members.

PO 2: Current and/or potential leaders equipped with new skills and knowledge

Progress: Under CLASP/EDSP, a minimum of 70 percent of all participants must be economically, socially or culturally disadvantaged. In addition, a minimum of 40 percent of all participants must be women. (All CLASP II/EDSP participants must be leaders or potential leaders.) Through this requirement, the project ensures that the benefit of the training program will also accrue to members of the participant's community and organization.

During the reporting period, 65 participants were sent to the U.S. for training - 40 women and 25 men. One hundred percent

of the returned CLASP/EDSP participants interviewed reported that they are applying the skills learned during their training program and that they are more effective in community, professional or institutional activities. Returned participant evaluations of the quality and usefulness of their training experiences continues to be very positive.

PO 3: Students and professors equipped with new skills and knowledge

Progress: RTAC II offers high-quality, university-level textbooks for sale at very low prices. Students, professors and university libraries are, for the first time, able to afford to purchase books, thereby increasing access to information.

RTAC II/Ecuador met its goal of a 50 percent textbook adoption rate by professors and met 95 percent of its textbook-sales-to-student goal. Based on a survey for the period 1992-1993, 36 percent of professors adopting RTAC II texts are using them in the classroom. The planned figures for 1993 through 1997 will be adjusted based on this information. To increase the number of professors using texts in the classroom, RTAC II/Ecuador and the U.S. Information Service (USIS)/Ecuador sponsored a number of seminars for professors on how to use texts in the classroom and teaching excellence. RTAC II/Ecuador has also created a data bank which summarizes textbook content thus making it easier for professors to decide which textbook meets their and their students' needs.

c) Future Programs

SO 3 will continue to promote a two-pronged approach to the strategic objective in FYs 95 and 96, although the project mix will change.

In FY 95, the Justice Reform Support Project will terminate. However, a Justice Sector Program (JSP) will be initiated which will consist of: activities to help the public sector accelerate the implementation of judicial reforms, improve the administration and management of justice sector institutions, and to upgrade and better prepare the human resources in the sector; and activities that support NGOs in advocating and accelerating implementation of judicial reforms in generating general Ecuadorian consensus and understanding of the need for actions to improve AOJ, support for human rights and good governance groups in the in the justice sector. The GOE Group will continue to serve as senior advisors in the judicial reform process. The mission expects that its partnership with Ecuadorians dedicated to strengthening democracy will further expand in FYs 95 and 96.

Donor coordination activities will gain greater prominence. The IDB, World Bank, and the UNDP have all indicated strong interest in supporting judicial sector reform. USAID will assist the GOE in its judicial sector donor coordination activities.

In FY 96, CLASP/EDSP (518-0091) and RTAC II (518-0095) will terminate. The strongest aspects of CLASP -- its support of all mission SOs, selection of leaders, and emphasis on women's participation -- will all continue under the Training for Development Project (518-0118). The mission will also build on the well-developed CLASP/EDSP follow-on and alumni association activities, under the Training for Development Project. The mission does not plan to support a continuation of RTAC II beyond the original termination date. The project's revolving fund, pricing structure and administration ensure that high-quality, low-priced university textbooks will continue to be available. The mission will, however, provide training in how to use textbooks in the classroom. Through these activities, the mission will remain dedicated to increasing citizen participation in democratic institutions.

DEMOCRATIC LEADERSHIP IN THE TROPICAL RAINFOREST

Nelly Shiguango, a 29 year old Quichua woman from a small community on the shores of the Napo River, is using leadership and administrative skills learned in USAID's Ecuadorian Development Scholarship Program to develop projects which will benefit 6,000 inhabitants of 27 communities along the Napo River. Prior to being selected to participate in a six-week training program for Amazon community leaders in Amherst, Massachusetts, Nelly worked as a primary school teacher, agriculturist and volunteer in an educational program administered by a local NGO. She was also the president of the women of her community.

Nelly returned from her U.S. training with improved administrative skills and a new belief in herself as a woman and a leader. "Before I didn't think I could be an administrator," she said. "Now I know I can. Before I liked working with the communities but I didn't really know how." She proposed two ideas for projects -- one for community grocery stores and the other a "women in democracy" program. The program for women will be aimed at providing civic education and creating an awareness about women's and children's rights. Shortly after returning from training, Nelly spoke out against abuse of women and children at an assembly of the Federation of Indigenous Organization of Napo. "The men liked what I had to say. They want women to have more opportunities." A subgroup of the Federation, representing 14 communities, named her coordinator of women's programs for the area.

Strategic Objective Program Tree

Ecuador		
Agency Goal: Building Democracy		
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation		
PROGRAM OUTCOME NO. 1 Improved operation of the justice system	PROGRAM OUTCOME NO. 2 Current and or potential leaders equipped with new skills or knowledge	PROGRAM OUTCOME NO. 3 Student and professors equipped with new skills and knowledge
Projects (Number\Title)	Projects (Number\Title)	Projects (Number\Title)
518-0105 Justice Reform Support	518-0091 Ecuador Development Scholarship/CLASP II	518-0095 Regional Technical Aid Center
518-0120 Justice Sector Program	518-0117 Training for Development	
	518-0089 Policy Dialogue and Implementation Support	
* 598-0800 Accountability and Financial Management (good governance)	* 598-0806 American Institute for Free Labor Development	
* 598-0591 Human Rights Initiatives (Civil military)	* FVA/PVC Matching Grants	
* 598-0642 Regional Administration of Justice (popular legal education)	* 598-0799 Regional Local Governance-FIU	

* Centrally-or Regionally-funded projects

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizens participation					
SO Indicator No. 1: Number of Reform proposals enacted and being implemented					
Unit: Proposals enacted or implemented	Baseline	Year (Year)	Planned	Actual	
Source: Official Register Comments: The Cassation Law was enacted. Seminars and training sessions have been offered and a book on the new law written and published. The Cassation Law is the first of the new and revised laws needed to reflect the changes brought about the 1992 Constitutional Reforms.		1992	1	1	
		1993	1	1	
		1994	2		
		1995	2		
		1996	2		
		Target	1997	8	
SO Indicator No. 2: Level of public confidence in the judicial system					
Unit: Percentage of respondents	Baseline	Year (Year)	Planned	Actual	
Source: National Survey Data Comments: The collection of baseline data is planned for fourth quarter FY 94.		1992			
		1993			
		1994			
		1995			
		1996			
		Target	1997		

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation					
SO Indicator No. 3: Percent of CLASP trainees showing more effectiveness in community, professional or institutional activity					
Unit: Percentage of respondents	Baseline	Year (Year)	Planned	Actual	
Source: Contractor quarterly reports					
Comments: FY 93 participants have not been evaluated because they have not yet been back in country for 6 months (the minimum time for a performance evaluation). This indicator will not be evaluated on a cumulative basis, but on a yearly basis.		1992	85%		100%
		1993	85%		
		1994	85%		
		1995	85%		
		1996	85%		
	Target				
SO Indicator No. 4: Percent of professors using RTAC texts for classroom teaching					
Unit: Percentage of respondents	Baseline	Year (Year)	Planned	Actual	
Source: Yearly Survey				0%	
Comments: This figure (1) was calculated based on the percentage of professors adopting texts. This figure (2) is the result of the first RTAC survey for the period January 1992 to June 1993. Yearly targets have been adjusted based on this information. A survey will be conducted on a yearly basis.		1992	50%		41.6% (1)
		1993	40%		36% (2)
		1994	50%		
		1995	60%		
		1996	70%		
	Target				

Strategic Objective Performance

ECUADOR						
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation						
PROGRAM OUTCOME NO. 1 Improved Operation of Justice System						
PO Indicator No 1.1: Number of Draft Proposals for reform presented to Senior GOE officials for review and action						
Unit: Number of proposals presented	Baseline	Year (Year)	Planned	Actual		
Source: Counterparts, Official Register		1992	1	2		
Comments: Draft laws presented for Cassation Law and National Judicial Council Law.		1993	2	2		
		1994	2			
		1995	2			
		1996	1			
	Target	1997	8			
PO Indicator No. 1.2.: Number of effective planning, budgeting, and evaluation systems established within the Supreme Court						
Unit: Number of systems	Baseline	Year (Year)	Planned	Actual		
Source: Internal court reports		1992				
Comments: Decisions on how to measure this indicator will be made during the design of the planned FY 95 JS project.		1993				
		1994				
		1995				
		1996				
	Target	1997				

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation					
PROGRAM OUTCOME NO. 1 Improved Operation of Justice System					
PO Indicator No. 1.3.: Number of public education and information dissemination activities to promote the AOJ reform process conducted by NGOs					
Unit: Number of activities			Year	Planned	Actual
Source: NGO quarterly reports	Baseline	(Year)			
<p>Comments: The accomplished activities include the publishing or dissemination of a book on cassation, 6 informational posters, as well as 5 seminars on judicial reform.</p> <p>Our annual targets will be set as part of the design for the planned FY 95 JS project.</p>		1992			
		1993	3		3
		1994	3		
		1995			
		1996			
	Target	1997			
PO Indicator No. 1.4.: Number of institutional strengthening elements established in NGOs promoting project purpose					
Unit: Number of activities			Year	Planned	Actual
Source: NGO quarterly reports	Baseline	(Year)			
<p>Comments: Accomplishment measure will include: accounting and administrative procedure manuals, accounting software, delegation of authority to managers, revised statutes and new memberships.</p> <p>Decisions on how to measure progress beginning in 1995 will be made during the design of the planned FY 95 JS project.</p>		1992			
		1993	7		7
		1994	3		
		1995			
		1996			
	Target	1997			

Strategic Objective Performance

ECUADOR						
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation						
PROGRAM OUTCOME NO. 2 Current and/or Potential Leaders equipped with new skills and knowledge						
PO Indicator No. 2.1.: Number of people trained in U.S.						
Unit:	Number of people	Baseline	Year (Year)	Planned	Actual	
Source:	Contractor quarterly reports		1992	60	55	
Comments:	Baseline data is not a valid comparison tool for this indicator.		1993	64	65	
			1994	76		
			1995	50		
			1996	0		
		Target	1997	250		
PO Indicator No. 2.2.: Number of people exposed to democratic values and activities in the U.S.						
Unit:	Number of people	Baseline	Year (Year)	Planned	Actual	
Source:	Contractor quarterly reports		1992	60	55	
Comments:	Baseline data is not a valid comparison tool for this indicator.		1993	64	65	
			1994	76		
			1995	50		
			1996	0		
		Target	1997	250		

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation					
PROGRAM OUTCOME NO. 2 Current and/or Potential leaders equipped with new skills and knowledge					
PO Indicator No. 2.3.: Percent of CLASP trainees learning new skills					
Unit: Percentage of trainees	Baseline	Year (Year)	Planned	Actual	
Source: Contractor quarterly reports		1992	85%	100%	
Comments: This indicator will not be evaluated on cumulative basis, but on a yearly basis.		1993	85%	100%	
		1994	85%		
		1995	85%		
		1996	85%		
		1997	85%		
	Target				
PO Indicator No. 2.4.: Percent of CLASP trainees applying new skills					
Unit: Percentage of respondents	Baseline	Year (Year)	Planned	Actual	
Source: Contractor quarterly reports		1992	85%	100%	
Comments: FY 93 participants have not been evaluated because they have not yet been back in country for 6 months. This indicator will not be evaluated on cumulative basis, but on a yearly basis.		1993	85%		
		1994	85%		
		1995	85%		
		1996	85%		
		1997	85%		
	Target				

Strategic Objective Performance

ECUADOR							
STRATEGIC OBJECTIVE NO. 3 Improved responsiveness of selected democratic institutions with greater citizen participation							
PROGRAM OUTCOME NO. 3 Students and professors equipped with new skills or knowledge							
PO Indicator 3.1.: Percent of professors adopting RTAC texts							
Unit:	Percentage of professors	Baseline	Year (Year)	Planned	Actual		
Source:	Annual RTAC surveys		1992	40%	0		
	Comments: Of the 3,000 titles available in the RTAC catalogue, only 140 relate to education and the social sciences. However, education and the social sciences account for 31 percent of the total number of professors or students. Therefore, for reporting purposes, the total number of professors or students has been reduced by 31 percent.		1993	50%	36.14%		
			1994	60%	50.83%		
			1995	70%			
			1996	80%			
			Target	1997	80%		
PO Indicator No. 3.2.: Number of RTAC texts purchases							
Unit:	Number of RTAC texts	Baseline	Year (Year)	Planned	Actual		
Source:	RTAC Management Information Systems		1992	70,000	20,709		
	Comments: The 1992 planned figure was suggested by the contractor as appropriate for first year sales in the absence of any concrete experience in Ecuador. Planned figures for 1993-1996 are based on in-country implementation experience.		1993	32,000	30,326		
			1994	47,000			
			1995	55,000			
			1996	56,000			
			Target	1997	210,000		

5. Technical Annex

The SO Statement is unchanged. Two of the SO level indicators have changed.

The new SO level indicator No. 3 is "Percent of CLASP trainees showing more effectiveness in community, professional or institutional activity." This citizen participation indicator will demonstrate the impact of CLASP training. It was previously a PO level indicator. The new SO level indicator No. 4 is "Percent of professors using RTAC texts for classroom teaching." Use of texts in the classroom is indicative of an open, participatory teaching style where the student, not the professor, is the focus of the classroom. This indicator will demonstrate the impact of RTAC II texts on educational institutions. It, too, was previously a PO level indicator.

RTAC II has begun a yearly series of project surveys which measures program acceptance and market penetration. CLASP/EDSP is experiencing delays in the finalization of its monitoring and evaluation (M&E) plan due to the mission decision not to fully fund the project due to severe budgetary restrictions. The M&E plan will be contingent upon the development of new targets. The mission engages in intensive monitoring of the Justice Reform Support Project. Lessons learned under this activity will assist in the development of a M&E plan for the planned FY 95 Justice Sector Program.

Agency Goal:

Protecting the Environment

II. ACHIEVEMENT OF MISSION STRATEGIC OBJECTIVES AND AGENCY GOALS

D. Protecting the Environment

Mission Strategic Objective 4: Promote the Sustainable Use of Natural Resources, the Conservation of Biological Diversity, and the Control of Pollution

1. Progress in achieving Strategic Objective 4

This Strategic Objective was modified from the one presented as SO 5 in last year's Action Plan. The Mission environmental program described here includes activities to address important "brown issues" such as urban and industrial pollution. Increased emphasis on policy dialogue activities will be given to improve natural resource management. The previous focus on biological diversity remains the same.

Throughout 1993, the mission's environmental program has been reoriented around three program outcomes: policy reform, improved management of natural resource/biodiversity activities, and improved pollution control/urban environmental management.

Among the most far-reaching policy achievements, the GOE established a Presidential Environmental Advisory Commission (CAAM) in late August 1993, charging it with the development of a nationwide environmental action plan. The Commission is composed of Ministry, NGO/PVO, business and community group representatives, and supported by a technical staff within the National Planning Board (CONADE) funded by the IDB. Under the dynamic leadership of the former Secretary of the Amazon Cooperation Treaty, and with technical assistance provided through USAID's CA with the World Resources Institute, the Commission has developed the basic working document for the action plan, to be finalized during a high-level national workshop in mid-1994. The Commission has also provided essential political, moral and financial support to undertake Ecuador's second national Environmental Congress (the first occurred in 1988), enabling Ecuador's largest and oldest environmental NGO, the NATURA Foundation, to begin organizing the event.

The new Commission's role in improving the management of natural

resource and biological diversity activities has been manifested in its helping to resolve highly-charged tourism issues affecting the Galapagos Islands (in coordination with the USAID-funded Charles Darwin Foundation), and through its advocacy to ensure that environmental guidelines are enforced for oil development activities in protected areas and that environmental regulations were included in the seventh round of new oil concessions.

Improved management of natural resources through international and Ecuadorian NGOs has been strengthened through the obligation of an additional \$300,000 to the Charles Darwin Foundation. The funds more than double USAID's previous investment, enabling the Foundation to expand activities to control and eventually eradicate introduced animal and plant species that threaten the survival of unique native vegetation and wildlife. The mission has continued funding activities such as the Tagua Initiative, which promotes the increased utilization of non-wood resources among local community groups in the highly-threatened northwestern tropical forests of Ecuador. The project has successfully introduced the rational use and management of vegetable ivory, produced by the tagua palm tree; contracts have been signed between community groups and several international button manufacturers, and tagua handicrafts are increasingly visible in the marketplace, with their "green" label and accompanying pamphlets.

Empowering communities and training their leaders to participate in natural resource management policy formulation and activities is a major thrust of USAID's Coastal Resources Management (CRM) Project and the Sustainable Uses for Biological Resources (SUBIR) Project. Policy reform proposals were developed by coastal communities and submitted to the GOE on management of mangroves, water quality, and shorefront development. Special area management plans were formally adopted at the community level, subsequently endorsed by the National Coastal Commission, and ultimately incorporated into the National Development Plan.

Through the SUBIR project, CARE is implementing innovative management strategies with four indigenous federations whose people inhabit the Amazonian and coastal regions of Ecuador -- the Quichua, Chachi, Huaorani and Cofanes. The "right to a healthy environment" is one of the principal Ecuadorian philosophies supported by the mission's strategies. In the Amazonian region, SUBIR assisted the

A Healthy Environment: A Human Right

Through policy dialogue and the increasing impact of USAID-supported projects, such as SUBIR, the Mission helped achieve a major breakthrough regarding the rights of indigenous peoples to participate in development of the management plan for the oil-rich Yasuni National Park. Agreements were signed among the feuding Quichua and Huaorani tribal groups, and the National Forestry and Park Service (INEFAM), acknowledging the presence of these indigenous federations in the park and stipulating that all activities (e.g. petroleum development) in the park and surrounding buffer zones must have the concurrence of the Federations. Compliance will assure that the Indigenous Federations have access to and receive greater benefits resulting from petroleum production, and from other economic opportunities in the park.

National Forest and Park Service: (1) to identify precautionary measures to avoid environmental contamination from oil extraction; (2) to develop protocols for monitoring oil and timber activities in/around protected areas; and (3) to advocate the importance of sharing environmental impact assessment information with civil society.

In the coastal lowlands, CARE has promoted collaboration among representatives from the timber industry, Chachi Federation, and Afroecuadorians, regarding the management of the last remaining tract of tropical lowland rainforest in Northwest Ecuador which contains plant and animal species not found elsewhere in the world. All parties involved recognize the need to develop sustainable forestry management plans, and have requested SUBIR's assistance to develop a "smart wood" program which certifies that all timber products are harvested based on principles of sustainable yields.

Other SUBIR accomplishments with community-based groups, as well as the Indigenous Federations, were: (1) the development of ecotourism models to provide employment; (2) the training of parabiologists in ethnobotany to preserve indigenous knowledge; and (3) several workshops on leadership and organizational development so that community-based groups can become stronger in improving environmental stewardship.

USAID efforts to integrate projects throughout the portfolio has led to mission approval of a Collaborative Research Support Program (CRSP) for Sustainable Agriculture and Natural Resource Management (SANREM). The SANREM CRSP, implemented through the Ecuadorian NGO, FUNDAGRO, will focus upon the regions where SUBIR activities are underway, in order to develop and test methodologies to measure sustainable natural resource management.

Building on RHUDO's past efforts to improve the management of the urban environment, technical assistance was obtained through USAID's centrally-funded Environmental Pollution Prevention Project (EP3) to develop terms of reference for a \$2 million clean-up of the Guayas River estuary. Implementation of the plan, funded by the IDB, will reduce household and industrial contamination, improve health, and protect coastal ecosystems in and around Ecuador's largest urban concentration, Guayaquil. Simultaneously, a second EP3 team conducted a risk assessment of a liquid gas storage facility located in a rapidly urbanizing area of southern Quito.

Increased RHUDO/Mission coordination to effectively address SO 4 has also been enhanced by a \$300,000 grant to the OIKOS Foundation. Within its broad purpose to increase Ecuadorians' awareness of ecological issues by encouraging leaders and the public to change their attitudes and practices, the new NGO seeks to introduce improved technologies to address industrial pollution problems, either by pollution prevention techniques or by reducing costs of

proposed solutions to industrial pollution. The mission co-financed a workshop held by the Ecuadorian-American Chamber of Commerce to identify the major pollution sources in Quito, and develop an action plan to abate environmental contamination.

Through the centrally-funded GREENCOM Project, USAID provided technical assistance to the SUBIR Project, the OIKOS Foundation, and the Chamber of Industries to develop strategies: to popularize the concepts from the USAID-financed natural resources policy assessment; demonstrate the effectiveness of policy reform through implementation of key environmental behavior change; and link Ecuador to other policy reform efforts being undertaken throughout Central and South America.

2. Relationship of Strategic Objective No. 4 to Agency Goal: Protecting the Environment

a) Relationship of the SO to the Agency Goal

The linkages between the Agency's Environmental goal and SO 4 are direct. During the past six years, USAID/Ecuador has supported national and international efforts to stem the loss of Ecuador's biodiversity and to conserve its unique natural resources by financing a wide variety of initiatives. The SO has recently been modified to incorporate targets of opportunity regarding pollution problems in selected municipalities.

The mission's approach to the SO 4 is derived from the recognition that all efforts must serve both medium-and long-term goals. The long-term goal is a day when Ecuadorian society, both national and local, values biodiversity and a pollution-free environment and exercises, through a variety of institutions (both governmental and non-governmental), effective stewardship over these resources.

The medium term goal addresses the transitional period during which the fate of Ecuador's unique natural resource base will be less secure and under constant threat from many directions, some of which are known, but many of which will arise from unexpected quarters. The mission's medium-term environmental strategy implies inputs at the macro (policy) and micro (community development) levels and provides a basis for deciding which activities shall or shall not be funded. The three parts of SO 4 include: (1) to stem the loss of biodiversity; (2) to accelerate a transition from resource mining to resource management; and (3) control of pollution, each with different levels of impact and different time frames.

The mission's long-term goal in the urban environment is to address the impacts of urbanization and industrial development in Ecuador. The significance of brown issues is critical, as the majority of population growth in Ecuador will continue to occur in urban areas.

The mission's long-term vision revolves around the belief that cities play a vital role in environmental management, and that urbanization, if properly managed, can often have significant positive environmental impacts, and that cost effective measures can be implemented for addressing industrial pollution.

The mission's medium term goal in the urban environment is based on the creation and dissemination of models for reducing industrial pollution and improving the provision and management of municipal environmental services.

b) Program Outcomes

During the reporting period, the mission restructured the program outcomes by consolidating previous program outputs, reducing their number from four to three, and incorporating an output to address the reduction of pollution.

c) Future Directions

The mission completed its natural resources strategy in 1989, noting that no single donor would have the financial resources needed to address all of the constraints which are causing the destruction of Ecuador's unique biological diversity. Subsequently, it was decided that the SUBIR project would act as a catalyst in attracting and coordinating resources from other sources to assist Ecuador in achieving the medium-term goal of slowing the loss of biodiversity, while simultaneously implementing policy reforms to address longer-term goals related to the root causes of environmental degradation. SUBIR was authorized in July 1991 for six years, and started field implementation in July 1992. The project's first evaluation, scheduled for April 1994, will provide the mission an opportunity to assess achievements and adjust project activities.

During 1993, USAID helped the OIKOS Foundation address urban and peri-urban environmental needs, and established mechanisms to access several centrally-funded projects (GREENCOM and EP3) to provide expert technical support.

Donor coordination was reinforced throughout 1993, resulting in the negotiation of: follow-on funding by the IDB for USAID's seven-year Coastal Resources Management Project; funding from the UN's Environmental Program for Environmental Education under the Presidential Environmental Advisory Committee; approval of Global Environmental Facility financing for a Biodiversity Project; and assisting the Food and Agriculture Organization (FAO) to strengthen Ecuador's agroforestry network. The mission's efforts to reinforce donor coordination in support of Ecuador's environmental strategies will continue to create a high demand for mission personnel.

d) Relationship to Sections 118 and 119

The mission continues to help Ecuador make progress in the protection of tropical forests and biological diversity. Based upon recommendations in the last Action Plan, a Presidential Environmental Advisory Commission has been established. The Commission is actively working with governmental agencies, environmental NGOs, and extractive industries in safeguarding Ecuador's unique biological diversity located in its tropical forests and the Galapagos Islands. Development of an Environmental Action Plan is proceeding rapidly under the Commission's jurisdiction, and USAID/Ecuador and the IDB are jointly financing activities required for execution of the plan.

Two key initiatives were started with the Charles Darwin and OIKOS Foundations to continue efforts to conserve the biological diversity of the Galapagos Islands and to promote ecological issues, respectively. As described earlier, several examples highlight the progress made towards the preservation of tropical forests and biological diversity.

Major actions planned for 1995-1996 to address sections 118 and 119 are the completion of the Environmental Action Plan, widespread adoption of the plan at the second national environmental congress to be held in November 1994, and the development of a natural resources policy matrix for implementation of the GOE's environmental priorities. The mission continues to actively promote policy reforms through several environmental organizations, based on recommendations from the USAID-funded natural resources policy assessment completed in mid-1993, to address policy constraints which negatively affect Ecuador's tropical forests. The planned inclusion of the Antisana Ecological and Galapagos Marine Reserves under the Parks in Peril Project will also assist Ecuador's ongoing efforts to conserve biological diversity.

Strategic Objective Program "Tree"

Ecuador
Agency Goal: Protecting the Environment
STRATEGIC OBJECTIVE NO. 4 Promote the sustainable use of natural resources, the conservation of biological diversity, and the control of pollution

PROGRAM OUTCOME NO. 1 Improved environmental policies and implementation	PROGRAM OUTCOME NO. 2 Improved management of natural resource and biodiversity activities in selected areas	PROGRAM OUTCOME NO. 3 Improved practices for pollution control and urban environmental management in selected areas
Projects (Number\Title)	Projects (Number\Title)	Projects (Number\Title)
936-5517 Environmental Action Plan	518-0069 Sustainable Uses Bio. Resources	518-0117 Env. Education/Tech. Transfer
518-0069 Sust. Uses Biological Resources	518-0107 Charles Darwin	518-0076 Shelter Sector Technical Assistance
518-0117 Environmental Ed/Tech. Transfer	518-0117 Env. Education/Tech. Transfer	518-0118 Training for Development
518-0076 Shelter Sector Technical Assistance	936-5517 Environmental Action Plan	
518-0118 Training for Development	518-0019 Non-Traditional Ag. Exports	
	PL-480	
* 936-5839 Env. Ed. Comm. (GREENCOM)	* 936-0782 Parks in Peril	* 936-5839 Env. Ed. Comm. (GREENCOM)
* 936-5559 Env. Pollution Prevention (EP3)	* 518-0780 The Tagua Initiative	* 936-5559 Env. Pollution Prevention (EP3)
* 598-0807 LAC TECH	* 936-4198 Sust. Agri. Systems (SANREM/CRSP)	
	* 598-0605 Environmental Mgt. System	

* Centrally-or Regionally-funded projects

Strategic Objective Performance

Ecuador					
STRATEGIC OBJECTIVE NO. 4 Promote the sustainable use of natural resources, biological diversity conservation, and the control of pollution					
SO Indicator No. 1: Completion and implementation of Environmental Action Plan					
Unit: Status of Plan	Baseline	Year	Planned	Actual	
Source: Mission Monitoring		1993	Begun	Begun	
Comments: Percentages refer to the percentages of Plan recommendations implemented		1994	Completed		
		1995	50%		
		1996	75%		
	Target	1997	90%		
SO Indicator No. 2: Change in abundance and distribution of species in and around selected protected areas					
Unit: Rate of change	Baseline	Year	Planned	Actual	
Source: Inventory of key species: SUBIR and Charles Darwin		1994		TBD	
Comments: Botanical inventories: one 1.0 ha plot established around Yasuni, one 1.0 ha plot established in Sinangue (Cayambe-Coca) two 1.0 ha plots established in San Miguel are (Cotacachi-Cayapas). Data have been collected and analyzed in 1993. One 1.0 ha plot started in 1993 in Playa de Oro (Cotacachi-Cayapas). MAXUS oil company is financing botanical inventories in Yasuni, along road construction. Zoological inventories: mammal, bird, reptile and amphibian inventories completed in Playa de Oro and San Miguel areas. Other zoological inventories are more than 50 percent complete. Establishment of baseline still in process and will be completed by December 1994.		1995	Rate established		
		1996	No data to be collected		
	Target	1997	Depends on rate		

Strategic Objective Performance

Ecuador					
STRATEGIC OBJECTIVE NO. 4 Promote the sustainable use of natural resources, biological diversity conservation, and the control of pollution					
SO Indicator No. 3: Models for different industries developed and adopted by demonstration enterprises					
Unit: Proven models for pollution prevention developed for industries		Year	Planned	Actual	
Source: Reports from Municipalities, Chamber of Industries, RHUDO, and OIKOS Foundation		(Year)			
Comments: Models being implemented by different types of industries.		1992			
		1993			
		1994	0		
		1995	2		
		1996	1		
Target		1997			

Strategic Objective Performance

Ecuador						
STRATEGIC OBJECTIVE NO. 4 Promote the sustainable use of natural resources, biological diversity conservation, and the control of pollution						
PROGRAM OUTCOME NO. 1 Improved environmental policies and implementation						
PO Indicator No. 1.1: Fees collected from users of national parks and dedicated to park management						
Unit: US dollars		Year	Planned	Actual		
Source: National Institute of Forests and Natural Areas	Baseline	1992	\$500,000	\$500,000		
Comments: The Mission's efforts in raising the tourist and berth fees resulted in increases from \$500,000 in 1992, to \$2,300,000 in 1993. The number of Colombian tourists decreased in 1993 due to the increase in park entrance fees. The number of people visiting Ecuador's Protected Areas for 1992 was 283,000 and in 1993 was 254,000.		1993	\$2,000,000	\$2,400,000		
		1994				
		1995				
		1996				
	Target					
PO Indicator No. 1.2: Modern cost accounting system used by water and sewage authorities and approved by the Controller General						
Unit: Number of modern accounting systems		Year (Year)	Planned	Actual		
Source: Controller General Reports and OIKOS Foundation	Baseline	1992				
		1993				
		1994	1			
		1995	1			
		1996	1			
	Target	1997	1			
Comments:						

Strategic Objective Performance

Ecuador						
STRATEGIC OBJECTIVE NO. 4 Promote the sustainable use of natural resources, biological diversity conservation, and the control of pollution						
PROGRAM OUTCOME NO. 2 Improved management of natural resource and biodiversity activities in selected areas						
PO Indicator No. 2.1: Number of communities adopting models of non-destructive natural resource use						
Unit: Number of communities		Year	Planned	Actual		
Source: Technical reports, extension agents' workplans	Baseline	1992	0	0		
Comments: Indicator is the number of communities adopting each model, summed across models. For 1995 and beyond indicator, depends on the structure of SUBIR Phase II.		1993	12	20		
		1994	20			
		1995				
		1996				
	Target	1997				
PO Indicator No. 2.2: Number of local organizations managing biological resources effectively						
Unit: Number of organizations		Year	Planned	Actual		
Source: Monitoring and evaluation of SUBIR	Baseline	1993	0	3		
Comments: "Effectiveness" is defined in terms of standards developed from the diagnostic study conducted during the design of SUBIR. Organizations in Cuelloje, Coca (Quichua Federation), and Borja are managing biological resource activities.		1994	10			
		1995				
		1996				
		Target	1997			

Strategic Objective Performance

Ecuador					
STRATEGIC OBJECTIVE NO. 4 Promote the sustainable use of natural resources, biological diversity conservation, and the control of pollution					
PROGRAM OUTCOME NO. 3 Improved practices for pollution control and urban environmental management in selected areas					
PO Indicator No. 3.1: Local and regional sewer and solid waste authorities using modern financial management systems					
Unit: Modern management information systems		Year		Planned	Actual
Source: Reports from Controller General, RHUDO, Municipalities and OIKOS Foundation Comments: Local and Regional sewer and solid waste authorities using modern financial management systems. The indicator will track the use of modern accounting and management information systems by municipal enterprises to improve the provision of environmental services (water, sewerage, waste disposal).		Baseline			
		1992			
		1993			
		1994		1	
		1995		2	
		1996	2		
		1997	5		
		Target			
PO Indicator No. 3.2: Three cities with improved solid waste collection system					
Unit: Number of Municipalities		Year		Planned	Actual
Source: Reports from Municipalities, RHUDO, and OIKOS Foundation Comments: The indicator will measure the development of plans for improvements to solid waste systems in selected municipalities. The plans will advocate expanding service through lower cost/higher quality options for collection and disposal.		Baseline			
		1992			
		1993			
		1994		1	
		1995			
		1996			
		1997			
		Target			

5. Technical Annex

The Environmental Program Outcomes were revised from last year's Program Output because policy activity is a means toward an end, rather than an end in itself. The new indicators similarly measure impact rather than process.

Improving park management and enforcement is a major component of the projects under SO 4, and is an important element in protecting areas with an abundance of biodiversity. The newly-revised Program Outcome for biological diversity and improved natural resources management allows the mission to track the contribution of these activities to the SO, and to test the relationship between the "carrot" (opportunities to earn income) and "stick" (protecting against illegal exploitation) sides of the "buffer zone" approach.

Building management capacity for community-based organizations and environmental NGOs is a key to encouraging the adoption and sustainability of changes in resource use practices in and around selected protected areas. Improved management research and the monitoring of biodiversity loss is intrinsic to the sustainability of the program beyond the tenure of donor funding. The indicators track two types of Ecuadorian institutions: local organizations and environmental NGOs. This output and its indicators provide a major conceptual link between improved management of natural resources and the conservation of biological diversity.

The Program Outcome indicators for pollution control and urban environmental management track improvements made in the urban management of water and waste services. SO 4 activities are targeted at selected industries to develop pollution prevention strategies. The program consists of efforts to reduce industrial contamination by analyzing production techniques and making changes to reduce pollution generated in selected demonstration enterprises, within those industries.

With technical assistance provided by the centrally-funded Environmental Pollution Prevention Project, local foundations, and manufacturer's associations, three industries will be selected, models to decrease generation of waste will be introduced, and cooperation among communities, industries, and municipalities, will be mobilized to support and replicate pollution prevention measures.

SO 4 activities will also focus on improving the ability of municipal governments to manage services that directly affect environmental quality and human health in Ecuador's rapidly growing cities. Use of modern management practices are essential in setting urban environmental priorities and applying limited municipal resources more effectively. These practices should be based on sound financial management and adequate tariffs in order

that the municipalities can improve service quality and extend coverage to meet the needs of their growing populations. Since the support of the general public is critical in the implementation of new tariff structures, social marketing techniques can be used to educate urban populations of the relationship between adequate tariffs for municipal services and environmental and health quality in cities.

SO 4 activities to assist municipalities in improving solid waste collection and disposal are based on the development of alternatives such as the service provision by private enterprises and recycling of organic material. Concessions to microenterprises and larger companies can result in lower costs and increased service coverage in urban areas.

The Program Outcome indicators track the progress of selected municipal water, sewer, and solid waste authorities in managing service delivery through the use of modern accounting and management information systems. Indicators will also measure improvements in solid waste systems in selected municipalities through development of lower cost/higher quality alternatives in collection and disposal.

Section III

Portfolio Analysis

III. PORTFOLIO ANALYSIS

As stated throughout this Action Plan, the mission has made a concerted effort to respond substantively to the new Agency goals and objectives. We have reduced the number of SOs, refocused the activities under SO 1 and SO 4, and continued to pursue the consolidation of the portfolio by reducing the number of new starts, limiting ongoing activity extensions, and maintaining the size and scope of the portfolio in keeping with the resources available.

Consistent with the above, during FY 95 and FY 96 the mission intends to authorize three new activity starts: a Justice Sector Program Activity (518-0120); and, a Microenterprise Assistance and Strengthening Activity (518-0121) both in FY 95; and a Training for Development Activity (518-0118) in FY 96. In addition, the mission will authorize the extension of the Child Survival and Health Activity (518-0071) in FY 96.

New Activity Descriptions (NADs) included with this Action Plan submission are:

1. Justice Sector Program, 518-0120
2. Microenterprise Assistance and Strengthening, 518-0121
3. Training for Development, 518-0118
4. Child Survival and Health, 518-0071

The limited number of new starts and the extension of a few ongoing activities will help the mission enhance the development impact of program resources. It will also permit USAID/Ecuador to maintain the kind of flexibility that is necessary in order to be responsive to new initiatives in the future.

The NADs included below describe in more detail the linkage of the proposed new activities with the mission's SO framework to Agency goals.

A. New Activity Description (NADs)

1. Basic Data

<u>Activity Title:</u>	Justice Sector Program (JSP)
<u>Activity Number:</u>	518-0120
<u>Funding Source Identified:</u>	Development Assistance
<u>Duration:</u>	FY 95 - FY 99
<u>Proposed LOA Funding:</u>	\$6,000,000 (G)

2. Strategic Fit with Agency/Bureau Goal

The promotion of democracy is the primary objective of U.S. foreign policy. In its Strategies for Sustainable Development, USAID states that "Democratization is an essential part of sustainable development because it facilitates the protection of human rights, informed participation, and public sector accountability." The Justice Sector Program (JSP) will further deepen public and private sector efforts to implement judicial reform and improve the country's administration of justice sector - a process that was initiated through previous USAID support as summarized in the attachment to this NAD. Through the JSP, the mission will support Ecuadorian efforts to improve the effectiveness and governance of their judicial system. At the same time, the mission will assist Ecuadorians to become more active participants in democratic processes. These reform activities will involve local NGOs active in judicial reform, good governance, and human rights.

3. Consistency with Mission Strategy

A. Activity Goal: The proposed goal is "Improved responsiveness of selected democratic institutions with greater citizen participation." The proposed project goal and the mission democracy strategic objective are the same. Both fully support the Agency goal of Building Democracy and recognize that strong, functioning democratic institutions, coupled with the active participation of citizens in those institutions (both in terms of demanding continued improvement from the government and in terms of assisting the government to meet the challenge), are prerequisites to sustainable development. The preliminary indicators are "Number of reform proposals enacted and being implemented" and "Level of public confidence in the judicial system."

B. Activity Purpose: The proposed purpose is "To accelerate the Ecuadorian judicial reform process and promote improvements in the administration of justice, respect for human rights and better governance in the judicial sector." The preliminary Program Outcome is: "Improved operation of the justice system."

C. Brief Description of Activity Components: The JSP will consist of two components as follows: 1) Activities to help the public sector to accelerate the implementation of judicial reforms, to improve the administration and management of justice sector institutions, and to upgrade and better train the human resources in the sector. It is expected that the Supreme Court, Attorney General's Office, Fiscalia and Ministry of Government will be the principal implementing agencies for these activities. A major focus of USAID assistance will be preparing sector institutions to better and more quickly utilize larger resource transfers from other donors; and 2) Activities that support NGOs in advocating and accelerating implementation of judicial reforms, in generating greater Ecuadorian consensus and understanding of the need for actions to improve the administration of justice, support for human rights and good governance groups in the justice sector, and institutional strengthening of those NGOs. It is expected that a number of NGOs will participate in this component such as the CLD, the Center for Research on Law and Society (CIDES), the Latin American Human Rights Association (ALDHU), the Latin American School of Social Sciences (FLACSO, Ecuador), and other NGOs.

Component No. 1 will focus on implementing institutional reforms in the judicial sector. The judicial sector is plagued by outdated and outmoded approaches to the administration of justice. The majority of laws, codes and regulations have gone unchanged for decades and fail to meet the needs of a culturally diverse, developing country. Administration and management systems are cumbersome and overly bureaucratic. Their inefficiency is compounded by the "informal" system of personal favors, rent-seeking and graft. The judicial sector lacks methods through which to improve the performance, and thereby the career paths, of its employees. Judicial sector personnel do not receive continuous education or skill-upgrading training. Due to the "informal" system, the skill level of many judicial employees is far below that required for their position. Component No. 1, therefore, will:

(i) Support the implementation of secondary and ancillary legislation necessary to fully implement the 1992 judicial (constitutional) reforms;

(ii) Support selected administrative and management improvement needs. USAID support will largely be in the form of technical assistance; and

(iii) Provide in-service training in selected areas. A strategy to institutionalize training within the judicial sector will be developed.

USAID will also continue to provide support to the GOE Justice Reform Support Activity Group. USAID will assist the GOE Group to become a principal contact for other donors wishing to support judicial reform. The utilization of one information source, representative of all judicial sector agencies, will allow other donors to more quickly and efficiently determine intervention areas, as well as permitting the justice sector to better and more quickly utilize resource transfers from other donors.

Component No. 2 will focus on advocacy and consensus building in support of judicial reform. The judicial sector suffers from a poor image both within the government and in the mind of the average Ecuadorian citizen. The system is outdated and outmoded. It cannot respond to the needs of the country. Reform is clearly necessary. However, without support from the same individuals who have little respect for the judicial sector, reform will not take place. Component No. 2, therefore, will:

(i) Utilize local NGOs to promote greater Ecuadorian consensus and understanding of the need for reforms through public education and information dissemination activities. Reform areas to be addressed will include the secondary and ancillary legislation for the 1992 reforms, modernization of the judicial sector (through institutional and managerial improvements and better governance), and increased respect for human rights. The drafting of secondary and ancillary legislation will be supported under this component by those products used in the education and information events. Promoting passage of the draft legislation will also be part of the education and information events; and

(ii) Support the institutional and managerial improvement needs of the participating NGOs.

D. Anticipated Impact on Poverty Alleviation, Access, and Participation, Including Gender Level Impact: In achieving its project purpose, the JSP increases access to the judicial system and increases the level of citizen participation in a democratic institution. Administrative and governance improvements will increase the effectiveness and efficiency of the judicial system. Greater respect for human rights will encourage more active participation on the part of the average Ecuadorian citizen.

E. Dialogue Agenda: The dialogue agenda will include the need to reform the judicial system, e.g. the creation of up-to-date laws, codes and procedures that are responsive to the needs of a developing society; the provision of adequate financial and personnel resources to the judicial sector;

better measures to deal with corrupt acts; and greater respect for human rights. USAID will also encourage other donor organizations to support these policy dialogue issues and help Ecuadorian judicial sector institutions develop the absorptive capacity to more quickly and effectively utilize other donor funding.

F. Donor Coordination: Currently USAID is the sole donor active in the area of AOJ. Both the World Bank and the IDB have indicated strong interest in becoming active in complementary AOJ areas. The UNDP is implementing human rights training programs with the Ecuadorian military and police, and is interested in expanding its efforts in the justice sector. USAID has been encouraging other donors to become active in this sector by helping Ecuadorian institutions better articulate their needs and priorities to donors.

4. Policy and Design Issues

A. Sustainability of Proposed Activities: Under the proposed project, USAID does not envision the provision of large, high-tech commodities for which the government has limited maintenance funds. Neither will the project fund budget support. Instead, as part of the policy dialogue process, USAID will strongly encourage the GOE to provide greater financial and human resources to the justice sector. All NGOs receiving support under the project will be required to develop functioning boards of directors whose role will be to provide guidance to the NGOs and actively assist in fund raising.

B. Potential Issues and/or Innovative Program Approaches: In the light of existing economic difficulties, the GOE is requiring all government organizations to operate under austerity plans. This makes the success of the policy dialogue goal of sufficient financial and human resources dedicated to the justice sector crucial to the success of the overall project. In its policy dialogue discussions, USAID will continue to describe the strong linkage between a stable democracy and the achievement of sustainable development.

C. Linkages to and Utilization of Global Bureau Resources and LAC Regional Programs: All appropriate resources and programs will be considered during project design. The project will seek appropriate linkages with centrally-and regionally-funded projects.

D. Management and Support Requirements: The JSP will involve an array of activities in a number of public sector justice institutions, grants to a number of NGOs, and policy dialogue and institution-building activities in the public and

private sectors. Given the mission's declining staff resources, this will be a difficult activity to manage. As a result, the mission anticipates having one institutional contractor to handle most project activities in both the public and private sectors. A USDH and two FSNs will work with the institutional contractor in implementing and monitoring project activities. The mission may also have to employ a high-level U.S. PSC Justice Sector Advisor. This issue will be further examined as the project is developed.

E. Timetable and Resource Requirements: The project paper will be developed in FYs 94 and 95 based on the justice sector program proposal being developed under the Justice Reform Support Project. PD&S funds will be used for this purpose. An institutional contractor will be hired for the proposed FY 95 start.

F. An Annex is attached that more fully outlines the mission's previous support to the judicial sector reform process in Ecuador and describes the extensive analytic framework that has been developed for this new project.

G. Recommendations on Delegation of Authority: The mission recommends that approval authority be delegated to the field.

NAD ANNEX

USAID/ECUADOR'S JUDICIAL REFORM PROGRAM 1990-1994

SUMMARY

USAID/Ecuador has been supporting Ecuadorian Judicial Reform since 1990 as part of our effort to improve the responsiveness of selected democratic institutions with greater citizen participation. Over the past three years, USAID/Ecuador has provided approximately \$900,000 in DA and about \$45,000 in ESF local currency for technical assistance, training and other support costs. (This does not include new funds obligated for Judicial Reform in late September 1993, as further described below). In the short period of time since 1990, and with modest funding, USAID/Ecuador has succeeded in making judicial reform a topic of national importance, supporting key constitutional and legal reforms and increasing private sector commitment to judicial reform.

BACKGROUND

The Ecuadorian Justice Sector is composed of a Supreme Court, Attorney General, the Fiscal General, the Ministry of Government, university law schools and private sector entities such as bar associations and NGOs like CLD. This sector is highly-fragmented and poorly-coordinated, with weak institutions and human resources, low budgets and inadequate legal and procedural codes. Corruption is rampant at all levels. The sector does not enjoy widespread public support. Compounding the problem is the lack of coherence in defining justice sector funding needs within the GOE and to the donor communities. The depth and seriousness of the problem means that there are no "quick fixes" in this difficult area. It will probably take decades to fully reform the justice sector. USAID/Ecuador is currently the only donor supporting Judicial Reform in Ecuador.

ACCOMPLISHMENTS TO DATE

As a result of USAID/Ecuador support, important first steps in the reform of the Ecuadorian judicial sector have been taken. These steps are more fully described in a USAID reporting cable to Washington (Quito 01934) and outlined below:

- 1) During 1990-91, the first comprehensive evaluation and analysis of the Ecuadorian Justice Sector was completed with USAID-financed technical assistance from Management Sciences for Development and the Center for the Administration of Justice/Florida International University. A USAID sponsored "National Seminar on the Administration of Justice in Ecuador"

was held in mid-1991 to review and critique this document. As a result, this assessment is now being used throughout the sector to define and implement judicial reforms and activities to improve the administration of justice.

2) As part of the Sector Assessment, the United Nations Latin American Institute for Crime Prevention (ILANUD) completed a training needs assessment for penal judges. The training needs assessment, in conjunction with the Sector Assessment, stimulated the President of the Supreme Court to request USAID assistance in revising the outdated penal procedure and penal and sentencing codes.

3) In September 1991, USAID sponsored an observational trip to the U.S. for members of the Supreme Court and several prominent private lawyers who observed both the federal and state level legal systems and met with members of the U.S. Supreme Court and other American jurists. This stimulated greater Ecuadorian concern about judicial reform and better focused those interested in improving the administration of justice.

4) In the period 1991-93, USAID assistance also provided support to CLD to advocate and lobby for judicial reforms. These activities led to the creation of organized private sector judicial reform working groups in Guayaquil and Quito. These "Working Groups" consist of prominent private sector lawyers, law-school deans and professors, and ex-GOE justice sector officials who could provide technical and political support for an Ecuadorian judicial reform process.

5) It is important to note that in 1992, CLD and the private sector Working Groups played a critical leadership role in helping to draft and promote Ecuadorian Constitutional reforms aimed at providing the judiciary with greater political and financial independence, promoting justice sector professionalization, and strengthening the administration of justice. This would not have happened without USAID assistance to CLD and the Working Groups.

6) In his inaugural address in August 1992, President Sixto Durán-Ballén announced his government's support for the constitutional reforms developed by the Working Groups. These reforms were presented to the Ecuadorian Congress two months later. USAID then supported CLD in its provision of technical assistance to the Ecuadorian Congressional Committee which analyzed and promoted these Constitutional reforms. (ESF local currency was used to support this effort.) As a result, in December 1992, the reforms were passed into law, marking one of the more important actions taken by the Durán-Ballén government to date. While these reforms are only a small first step in a more complex reform process, they clearly

represent a positive reform momentum that, too, would not have occurred without USAID assistance.

7) As a follow-up to these historic Ecuadorian reforms, CLD and the Working Groups drafted and promoted (through seminars, workshops and technical assistance) the following judicial reform implementing legislation during 1993: (i) the Cassation Law under which Supreme Court review is limited to legal issues (where previously it reviewed all factual evidence); (ii) the National Judicial Council Law for the Administration of the Judiciary; and (iii) the Organic Law of the Judicial Function. Thus far, the Cassation Law has been signed into law by President Duran Ballen and the others are being debated in Congress.

8) In June 1992, USAID funded a CA with ILANUD designed to help Ecuador revise its Penal and Sentencing Codes, implement a publicity and consensus-building process for revised Penal Procedures code (financed by the Regional AOJ Project), organize observational trips for members of the Supreme Court and key actors to visit other countries to learn more about judicial reform, and complete a study of the informal justice system. ILANUD's administrative weaknesses have caused implementation of the CA to proceed more slowly than planned. As a result, the agreement will be extended from December 1993, to June 1994, in order to complete important activities.

9) In early 1993, USAID/Ecuador contracted Development Associates to produce a justice sector reform concept paper. The Development Associates technical assistance team worked with Ecuadorian counterparts in both the public and private sectors to develop a paper which identified and prioritized the most critical problems in the justice sector. This document helped USAID staff prepare a preliminary Project Paper which led to the obligation of additional funding in September 1993, to support further implementation of the USAID Judicial Reform Strategy in 1994. Embassy personnel met with the technical assistance team and participated in the review of both the concept paper and project paper.

As the above actions indicate (see Quito 01934), over the past three years USAID has been successful in helping Ecuador initiate and accelerate its judicial reform process. While this process is still in its early stages of development -- and is quite fragile, incomplete and imperfect -- USAID assistance has clearly helped Ecuador improve its understanding of judicial sector problems and has helped the country begin the reform process. What is needed in 1994-95 is to build upon, deepen and consolidate these preliminary efforts.

USAID JUDICIAL REFORM STRATEGY IN 1994-95

The next phase of USAID assistance will focus on supporting both public and private sector efforts to accelerate judicial reforms and further improve the administration of justice. To this end, a \$1.0 million Justice Reform Support Project (JRSP) was authorized in September 1993. The JRSP has two general purposes: 1) to support the formation and operation of a GOE Justice Sector Working Group comprised of the Supreme Court, the Ministry of Government, the Attorney General, the Fiscal General, the Secretary of Public Administration and private sector leaders; and 2) to continue support to CLD and its working groups in advocating and supporting Ecuador's judicial reform process.

As a result of these agreements, GOE justice sector institutions have already formally established a public sector Justice Sector Working Group to deepen reforms, to prepare a comprehensive action plan to improve the administration of justice and to develop a justice sector program proposal that can better guide the reform process and generate additional external funding. This is the first time in recent Ecuadorian history that all justice sector institutions have actually met together to discuss the problems of the sector and to better define and coordinate reform efforts. Prior to the creation of the Justice Sector Working Group a sectoral approach to problem resolution was prevented by institutional rivalries and jealousies. The factional judicial sector politics also deterred the interest of other donor organizations making USAID the only donor to support judicial reform in Ecuador.

Likewise, CLD and its Working Groups are developing a comprehensive work plan to intensify their advocacy and public education activities, and provide technical assistance to the judicial reform process. The USAID agreement with CLD is designed to further strengthen this NGO as Ecuador's leading private organization for advocating judicial reforms and mobilizing private sector support for them. The GOE has named CLD as the Technical Secretariat for the Justice Sector Working Group.

If the GOE's Justice Sector Working Group and CLD continue to demonstrate significant progress in supporting Ecuador's judicial reform process, USAID plans to develop and approve a larger Judicial Reform Project, possibly in FY 95. This Project would provide funding for a five-year Judicial Sector Program extending from 1995-2000 as proposed in this Action Plan.

1. **Basic Data**

<u>Activity Title:</u>	Microenterprise Assistance and Strengthening (MAS).
<u>Activity Number:</u>	518-0121
<u>Funding Source Identified:</u>	Development Assistance
<u>Duration:</u>	FY 95 - FY 99
<u>Proposed LOA Funding:</u>	\$5,000,000

2. **Strategic Fit with Agency/Bureau Goal**

This activity will significantly contribute to the Agency's goal of Encouraging Broad-Based Economic Growth, as defined in Strategies for Sustainable Development. Specifically, the activity will expand access and opportunities for microenterprises, small businesses and small farmers (target groups) by providing technology and access to credit, especially to women and disadvantaged groups. The activity will also invest in human capital by providing training in technical and business skills both to target groups, and to the NGO and financial community which provide credit and other services to target groups. The activity will meet the needs of the target groups by including their input in the design of the activity and any subsequent corrective actions in implementation, and by providing technical assistance and training directly to those groups. Participation by the target groups will be enhanced by working with local grassroots NGOs as the principal counterparts for the activity. The activity will also include the participation by international or U.S. NGOs with a proven record in implementing successful microenterprise development models.

3. **Consistency with Mission Strategy**

A. **Activity Goal:** The mission's SO 1, "Increase sustainable economic growth for a broad base of the population," is also the activity goal. Indicators at all levels demonstrate the emphasis on expanded opportunities and participation. Thus, two SO indicators are: (1) net income of selected small enterprises; and (2) percentage of small farmers with increasing net household incomes. The indicators for the program outcome which reflect expansion of participation and opportunities are: (1) employment in small enterprises; (2) number of small enterprises and small farmers making investments; (3) value of investments by small enterprises and small farmers; and (4) value of production by small farmers.

B. **Activity Purpose:** The purpose of the activity is to expand opportunities and participation by low-income groups in a growing market economy.

C. Brief Description of Activity Components: To achieve the purpose the following components are contemplated: (1) Strengthening of successful Ecuadorian NGOs: Through this component, USAID will provide technical assistance and training to the NGOs to enhance their capacity to expand services and geographical coverage; (2) Leveraging funds from the private financial system to expand credit and investment in small and microenterprise and small farms: This component will match contributions to an existing credit guarantee fund (Corpomicro) made by the private sector (e.g. banks), in order to expand the amount of credit available to the target group; (3) Technical Assistance and Training: technical assistance and training will be provided to target groups to help them improve their production of export products or inputs, to strengthen linkages with larger players in the export sector, and to improve business skills. Technical assistance and training will also be provided to the staffs of NGOs, and, possibly, to private bank personnel to enhance lending capacity.

D. Anticipated Impact on Poverty Alleviation, Access and Participation, Including Gender Level Impact: By concentrating at the lower end of the small and microenterprises (SME) and small farm sectors, the activity will have a direct impact on poverty alleviation. Emphasis will be placed on providing activity services in communities not currently receiving credit, technical assistance and training. The activity will assist NGOs to expand services to those SME or small farms owned and/or managed by women, to the extent that over 50 percent of new clients will be women.

E. Dialogue Agenda: Studies by the Gemini Project have concluded that in Ecuador, policies which affect the larger private sector also affect SME and small farmers. Thus, policies which impede the growth of exports will also impede the target groups' participation in the export sector. The lack of real and enforceable contract law affects the entire private sector in Ecuador and results in unfair treatment of small producers. (There are some policy reforms specific to SME, for example, lending NGOs, in order to mobilize savings by their clients and thereby obtain lending resources, must form cooperatives under current law). Similarly, when small producers try to associate, the legal process takes too long, thereby impeding access to resources. A simplification of these processes is necessary. The U.S. firm which provides technical assistance and training will provide assistance in policy reforms specific to the SME and small farm sectors.

F. Donor Coordination: To varying degrees, a number of donors and international or U.S. PVOs are involved in the SME and small farm sectors in Ecuador. The largest donor by far, has been the IDB, which from 1990 to 1993 provided a \$20.0

million dollar loan for SME through the National Development Bank (BNF). However, this project was not successful. Given the bad loan record of the BNF, the soundness of the portfolio is very questionable. The IDB is currently planning a new SME project, this time through the GOE's National Finance Corporation (CFN) as a second tier bank to onlend to private banks. Presumably sub-loans will be at levels approaching several thousand dollars, as with the previous IDB program. Therefore, the lending will really be at the small business level and will not involve NGOs. USAID's activity will be focused more on the microenterprise/producer level, i.e. loans with an average size of \$500 and that involve NGOs. A major focus in the activity will be to remove the major constraints faced by other donors and PVOs. During the activity design, the mission will work closely with the IDB and others so that the activity will complement and enhance other programs.

4. Policy and Design Issues

A. Sustainability of Proposed Activities: The mission will center its activities on NGOs currently implementing relatively successful models, but needing assistance to expand. Such NGOs pay their operating costs out of the spread between the interest rates on their sources of funds and sub-loans. Therefore, sustainability of local NGOs and their core programs will not be a major concern under the program. The activity will strengthen the expansion of lending programs and services. After the end of the activity, the expansion will be sustained by increased revenue from the spreads on lending activities. In other words, the activity will fund finite guarantee, training and assistance components, not budget support.

B. Potential Issues and/or Innovative Program Approaches: The activity is innovative in that it will capitalize a guarantee fund on a 1:1 matching basis, and will provide assistance and training to establish linkages to export sub-sectors. The activity will also increase utilization of existing credit lines by resolving policy and bureaucratic bottlenecks and by providing technical assistance to groups of poor producers to improve their ability to effectively use credit.

C. Linkages to the Utilization of Global Bureau Resources and LAC Regional Program: The mission has already utilized the Global Bureau's Gemini project to do preliminary analysis for the activity, and would like to involve Gemini in the Project Paper design. However, consulting firms in the Gemini consortium are concerned that they will be barred from implementation by the new contracting rules, if they assist in the design. The mission also recommended approval of FHA/PVC

matching grant proposals presented by ACCION International and FINCA to strengthen Ecuadorian microenterprise NGOs and establish village microenterprise lending programs, respectively. In the development of the new activity, the mission will closely coordinate with the Global Bureau to fully utilize all available resources. The mission looks forward to Agency definition of a Microenterprise Initiative and also supports LAC's proposed project: Financial Sector Reform for Small and Microenterprises.

D. Management and Support Requirements: Activity design will involve two USDH and two FSN employees, in addition to a U.S. consulting firm. Once authorized, the activity will require one USDH and two FSNs for activity management. The only assistance required from USAID/W will be in arranging buy-ins and access to Global Bureau projects such as Gemini.

E. Timetable and Resource Requirements for Developing the Project Paper: The mission has already started developing this FY 95 activity. The project paper will be completed by the end of FY 94, to enable obligation of funds in early FY 95. As noted above, the mission will require the assistance of a consulting firm to design the activity, possibly through the Gemini project.

F. Recommendations on Delegation of Authority: The mission recommends delegation to the field to approve and authorize the activity.

1. Basic Data

<u>Activity Title:</u>	Training for Development
<u>Activity Number:</u>	518-0118
<u>Funding Source Identified:</u>	Development Programs
<u>Duration:</u>	FY 96 - FY 2000
<u>Proposed LOA Funding:</u>	\$4,000,000 (G)

2. Strategic Fit with Agency/Bureau Goal

In Strategies for Sustainable Development, the Agency provides operational guidance for the goal of sustainable development. Specifically, the document states that "Development is 'sustainable' when it permanently enhances the capacity of a society to improve its quality of life." More than any other intervention, the development of human resource capital creates opportunities for active participation in the development process. Individuals trained in critical areas will be able to lead Ecuador to its goal of sustainable development.

3. Consistency with Mission Strategy

A. Activity Goal: The proposed activity goal is "To promote economic and social change." The preliminary verifiable indicator is "Increased public sector/private sector commitment and actions in the social and economic development of Ecuador." The mission's SOs are all designed to assist Ecuador to achieve critical goals in the economic and social sectors. In order to achieve those goals, an expanded and improved human resource base is required. The proposed activity is designed to support all the mission's SOs through the provision of training at the SO level, i.e. training which is directly related to the achievement of an SO.

B. Activity Purpose: The proposed activity purpose is "To expand and strengthen Ecuador's human resource base." The preliminary verifiable indicator is "Increased numbers of USAID-sponsored participants in leadership positions." An improved and expanded human resource base is necessary for Ecuador to achieve Program Outputs under all the mission SOs. The weakness of Ecuador's educational system has had an adverse effect on the development of human capital able to meet the needs of a developing society.

C. Brief Description of Activity Components: The proposed Training for Development Activity will consist of two components: (1) a Training Component; and (2) a Returned Participants Component. The Training Component will consist of both long-term and short-term training. All training provided under the activity will directly relate to the achievement of the mission's SOs. Key sectoral organizations

will be active participants in the identification of SO-level training needs and candidates. The Training Component will also include a policy dialogue activity. Those policy constraints identified as detrimental to improvement of the Ecuadorian educational system will be the subject of policy dialogue. Key sectoral organizations will also be encouraged to become more active players in determining the direction of Ecuador's educational policy by joining USAID in the dialogue process. Leadership or leadership potential will be used as a participant selection criteria. By the end of the activity, approximately 250 people will have been trained. A minimum of 40 percent of all participants will be women.

Activities supported under the Returned Participant Component will be open to all USAID-sponsored returned participants. The Returned Participant Component will provide the participants with additional information in their particular fields of training, opportunities to meet individuals with similar or complementary training and similar economic and social policy goals, and continued leadership training. The goal of the Returned Participant Component is to allow the returned participants to continue to grow professionally, learn from one another, and to create a network of development-oriented leaders. The Component will be implemented either through a to-become-sustainable alumni association or through the provision of follow-on activities. Follow-on will begin six months after the return of the first participants. The entire last year of the Activity will be devoted to follow-on.

D. Anticipated Impact on Poverty Alleviation, Access and Participation Including Gender Level Impact: Graduates of the proposed activity will fill national and local level, as well as community/institutional level leadership positions which will allow them to positively affect economic and social policies. A minimum of 40 percent of all activity participants will be women.

E. Dialogue Agenda: As part of the design of the activity, a concept paper will be developed which will identify policy constraints to a strengthened and responsive human resource base. The policies identified in the Concept paper, e.g. the 1982 Universities Law, will become part of the activity's policy dialogue agenda.

F. Donor Coordination: The proposed activity would be the only one of its kind in Ecuador. Other donors occasionally support training activities, but those activities are normally directly associated with specific projects funded by the donor. There are no other activities with such a far-reaching goal. The policy dialogue agenda will also include discussion with other donors to encourage them to provide additional

assistance to the strengthening of Ecuador's human resource base.

4. Policy and Design Issues

A. Sustainability of proposed activities: The training opportunities to be provided under the activity will terminate at the end of the activity. The professional relationships among graduates of the program will continue after the termination of the activity through the graduates' own efforts and self-sustaining alumni associations.

B. Potential Issues and/or Innovative Program Approaches: One of the proposed activities associated with the Training for Development Activity is the creation of a sustainable alumni association which would be open to all USAID-sponsored returned participants. The mission recognizes that this is a very ambitious goal. The potential success of such an activity will be examined in the planned concept paper. The concept paper will also examine an alternative to an alumni association, i.e. follow on activities open to all USAID-sponsored returned participants. Both alternatives provide for the networking and maintaining of contacts crucial to the development of a cadre of trained individuals with similar economic and social policy objectives.

C. Linkages to and Utilization of Global Bureau Resources and LAC Regional Programs: Unknown. Utilization of centrally-managed training opportunities will be considered as appropriate.

D. Management and Support Requirements: The activity will be managed by an activity-funded FSN. An institutional contractor will assist the activity manager in the identification of candidates and training areas, as well as the identification of training sites and programs, and required administrative support to participants in the U.S. The contractor may wish to sub-contract to a local NGO more familiar with the shortcomings in Ecuador's human resource base.

E. Timetable and Resource Requirements: The concept paper will be developed during FY 94. The project paper will be developed in FY 95. The institutional contractor will be selected in time for a FY 96 start.

F. Recommendations on Delegation of Authority: The mission recommends that approval authority be delegated to the field.

1. Basic Data

Activity Title: Child Survival and Health II (CS-II)
Activity Number: 518-0071
Funding Source Identified: Child Survival Funds
Duration: FY 95 - FY 99
Proposed LOA Funding: \$17,200,000 (LOA increased by \$5.0 million)

NOTE: This new activity represents a redesign of the current Child Survival and Health Project (518-0071). The current PACD is 12/31/94 and current LOA funding is \$12.2 million. This new activity proposes an extension of the project to a new PACD of 12/31/99 and increases the LOA funding by \$6.7 million to a new total LOA funding of \$18.9 million.

2. Strategic Fit with Agency/Bureau Goal

The Agency document, Strategies for Sustainable Development, states that global threats to peace come from a multitude of sources, including continuing poverty, population growth, and new diseases. In order to address these threats, the Agency has focused on stabilizing world population growth and protecting human health as one of its four main goals. The operational approach of the Agency in this regard concentrates on the theme of sustainable development based on participation of the people, partnerships with host governments, NGOs, and other donors, and integrated approaches and methods which take into account programs and objectives of other USAID activities.

The proposed CS-II activity is consonant with Agency goals and strategies. CS-II will contribute to the expansion and sustainability of child survival health services both in the public and private sectors. Activities contemplated within CS-II will pursue a systemic effect within the health sector, including redefinition of institutional roles, enhanced resource generation and improved resource allocation. By the end of CS-II, it is hoped that there will be an increase in access to primary health care/child survival services; a decrease in the proportion of the public budget spent on non-primary health care/child survival interventions; improved efficiencies in the private sector for provision of primary health care/child survival services; and an improved policy and regulatory environment, thereby facilitating provision of primary health care/child survival interventions.

3. Consistency with Mission Strategy

This activity is consistent with mission SO 2.

A. Activity Goal: The goal of the activity is to improve the health of infants and children in Ecuador. The verifiable indicator will be the infant mortality rate, which is also an SO indicator.

B. Activity Purpose: The purpose of the activity is to improve the effectiveness of child survival and primary health care programs and interventions nationwide. The verifiable indicators include: increased access to and availability of primary health care and child survival programs and intervention; improved efficiencies in public and private sectors leading to increased production of basic health services; and decreases in diseases amenable to primary health care/child survival interventions.

C. Brief Description of Activity Components: CS-II will support a process by which public and private roles in the financing and delivery of health services is reoriented. Through the activity USAID recognizes the role of government in redistributing its increasingly scarce resources to address the health needs of low-income populations and to guarantee them access to public health, and to preventive and other primary health care services. The CS-II activity aims to make better use of public resources to improve equity by targeting priority population groups, and by decreasing expenditures on expensive curative services and on other inefficiently produced services. CS-II also foments a greater role for the private sector in financing and providing personal medical services for those who are able to pay. It seeks to stimulate private sector involvement in the financing and provision of private good services (e.g., personal medical care) and thereby to relieve scarce government resources for more public good and child survival services (e.g., immunizations). The activity also aims to increase access to private providers and make better use of private resources by introducing ways to restructure the supply of and demand for private medical care.

The CS-II activity consists of three components: (1) Public Policy Support. Through this component, USAID will develop and support policies which improve efficiencies in the production and distribution of primary health care services in the public sector and which foster expansion of the private sector; (2) Policy Research and Analysis. Through this component, an independent private sector capability will be created to identify market and policy constraints through research and analysis. Also created will be an institutionalized capacity to work on eliminating constraints and improving market conditions to increase the supply of and demand for privately produced basic health services; and (3) Non-governmental Programs. This component's activities will assist the private

sector in developing efficient and effective ways to organize supply and demand of health services through demonstration projects, small grants, and technical assistance.

D. Anticipated Impact on Poverty Alleviation, Access and Participation Including Gender Level Impact: The activity addresses poverty alleviation directly since the greatest public health impact will be achieved by reaching rural and low-income populations; a specific focus will be placed on women of reproductive age; and increased participation will be achieved via direct support of local NGOs.

E. Dialogue Agenda: Three specific policy objectives will be addressed in this activity: (1) reform policies and guidelines allowing the financing of services through an effective user-fee system; (2) reform policies and guidelines increasing the collaboration between NGOs and the MOH in the production of services; and (3) reform policies and guidelines improving the intersectoral collaboration, specifically between MOH and the social security system (IESS). Above and beyond these three specific policies, the activity will enhance overall policy reform through continuous policy dialogue and support for policy analysis and dissemination.

F. Donor Coordination: This activity is complementary to activities of other donors. The World Bank has a major sector loan which strengthens the MOH's institutional and programmatic capacity. The proposed USAID activity focuses on policy issues, thereby complementing the World Bank activities. Other donors, such as PAHO, UNICEF, UNESCO, UNDP, UNFPA are all in agreement with USAID's policy agenda and have urged USAID to take the leadership in this area given its technical, financial, and policy leadership. USAID has maintained close coordination with the IDB, which is also considering a sector loan for reforms in the social security health service system.

4. Policy and Design Issues

A. Sustainability of Proposed Activities: The prospects for sustainability of proposed activities are excellent, especially those related to improving service delivery by the NGOs. The MOH's institutional reform process depends heavily on the leadership of the current Minister. In order to increase the probability of sustainability, one of the proposed activities will support a local NGO that will serve as a policy analysis and advocacy institution to maintain the direction of the reforms well after changes occur in the current GOE leadership.

B. Potential Issues and/or Innovative Program Approaches: The policy approach to establishing linkages between the NGOs

and the MOH is innovative to the extent that until now such linkages have existed only on an ad hoc basis. The combination of policy support, technical analysis for policy reform, and direct support to NGOs as a component of policy support, are all innovative and represent a major breakthrough for public health in Ecuador.

C. Linkages to and Utilization of Global Bureau Resources and LAC Regional Programs: The proposed activities will depend on Global programs (through buy-ins and other similar mechanisms) for selected and focused short-term technical assistance. In addition, one or two long term advisors may be required to assist in NGO service delivery and in policy analysis and dissemination.

D. Management and Support Requirements: From USAID/Ecuador, one full-time senior FSN activity manager, one full-time FSN program assistant, and one part-time USDH. In addition, support services from O/CONT, EXO, RCO, RLA, and PPD as needed. From USAID/W, support services related to processing of PIO/Ts and other related documents, limited oversight of centrally-funded activities providing TA.

E. Timetable and Resource Requirements: Draft project paper supplement will be ready by March 30, 1994. Amended PROAGs, CAs, etc. will be completed by September 30, 1994.

F. Recommendations on Delegation of Authority: Recommend that authority be delegated to the mission Director for authorization of the Project Paper Supplement, and for amendments to the PROAG, CAs, and other related documents.

B. STATUS OF PORTFOLIO

TABLE 3.
USAID/ECUADOR
PORTFOLIO PROJECT TIMELINE

PROJECT NUMBER AND TITLE	FY 92				FY 93				FY 94				FY 95				FY 96				FY 97			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
518-0019 NON TRADITIONAL AGRICULTURAL EXPORTS																								
518-0042 FISCAL ADMINISTRATION DEVELOPMENT																								
518-0044 TECHNICAL SKILLS TRAINING OPG																								
518-0051 AGRICULTURAL SECTOR REORIENTATION																								
518-0064 DRUG AWARENESS																								
518-0067 ANDEAN PEACE SCHOLARSHIP PROGRAM																								
518-0068 AGRICULTURAL RESEARCH, EXTENSION & EDUCATION																								
518-0069 SUSTAINABLE USES FOR BIOLOGICAL RESOURCES																								
518-0071 CHILD SURVIVAL																								
518-0076 NATIONAL SHELTER DELIVERY SYSTEM																								
518-0079 ENVIRONMENTAL EDUCATION III - EDUNAT OPG																								
518-0081 WATER & SANITATION FOR HEALTH EDUCATION																								

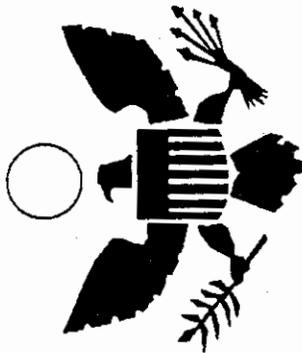
S = QUARTER PROJECT STARTS
T = QUARTER PROJECT TERMINATES

PROJECT NUMBER AND TITLE	FY 92				FY 93				FY 94				FY 95				FY 96				FY 97			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
518-0082 AGRICULTURAL EDUCATION II - OPG																								
518-0083 NARCOTICS AWARENESS																								
518-0084 HEALTH AND FAMILY PLANNING II																								
518-0089 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT																								
518-0091 CLASP II PROGRAM																								
518-0092 SUSTAINABLE LAND USE MANAGEMENT																								
518-0093 DRUGSTORE PROGRAM																								
518-0094 TRADE & INVESTMENT PROGRAM																								
518-0095 RTAC PROGRAM																								
518-0105 JUSTICE SECTOR REFORM SUPPORT																								
518-0107 CHARLES DARWIN - GALAPAGOS ISLANDS OPG																								
518-0108 CARE OPG - CHOLERA																								
518-0109 ELECTORAL EDUCATION & CIVIC TRAINING																								

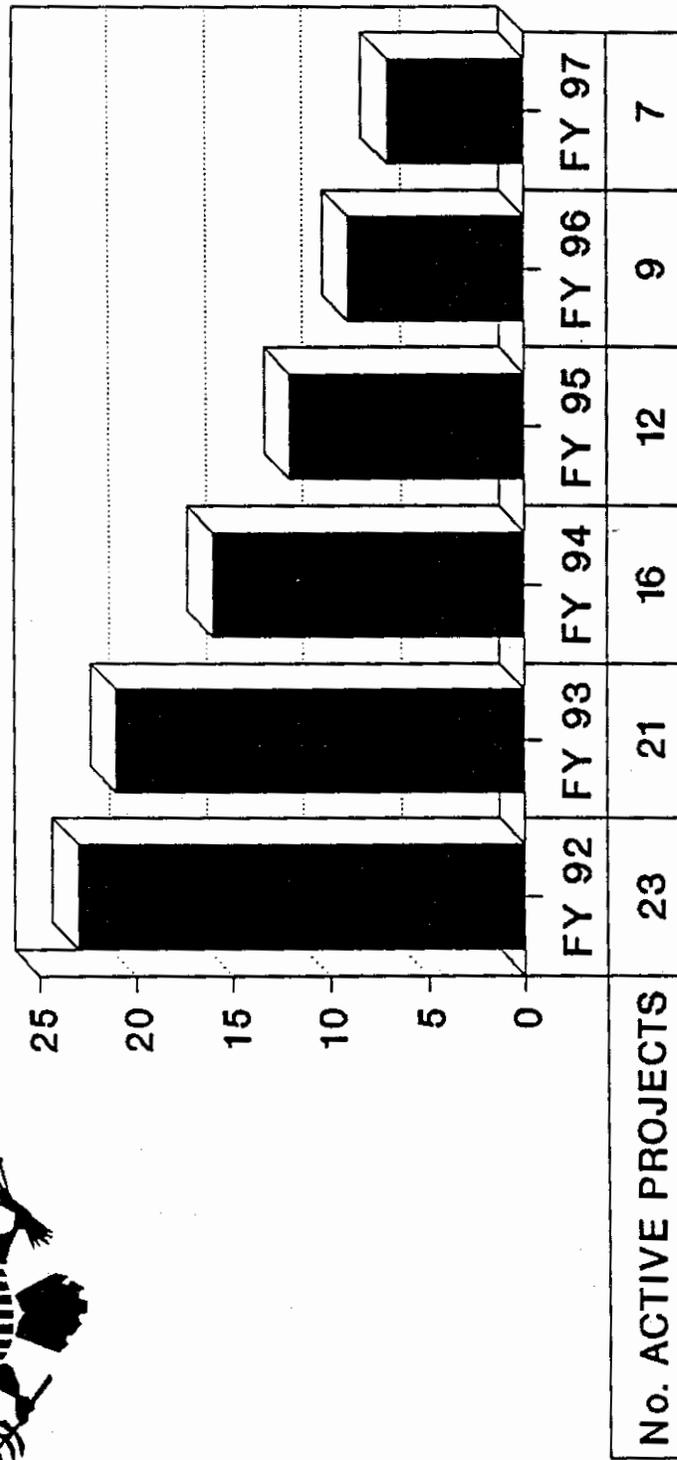
S = QUARTER PROJECT STARTS
T = QUARTER PROJECT TERMINATES

PROJECT NUMBER AND TITLE	FY 92				FY 93				FY 94				FY 95				FY 96				FY 97							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
518-0115 ADMINISTRATION OF JUSTICE																												
518-0117 ENVIRONMENTAL EDUCATION - EDUCAR OPG																												
518-0118 TRAINING FOR DEVELOPMENT																												
518-0120 JUSTICE SECTOR PROGRAM																												
518-0121 MICROENTERPRISE ASSISTANCE & STRENGTHENING																												
TOTAL PROJECTS	23				21				16				12				9				7							

S = QUARTER PROJECT STARTS



USAID/ECUADOR
TABLE 3. GRAPH
ACTIVE PROJECTS AT FISCAL YEAR END



■ No. ACTIVE PROJECTS

USAID/ECUADOR
FYs 95/96 ACTION PLAN

C. CENTRAL AND REGIONAL PROJECTS

1. Strategic Objective 1

Projects which support the SO:

- 938-0192 Regional Low-Cost Housing - CHF
- 598-0797 Trade and Investment Development (LAC)
- Financial Sector Development (G-PRE)
- Privatization and Development (G-PRE)
- LAC-TECH Project (LAC)
- Growth and Equity through Microenterprise Investments and Institutions (GEMINI) (G-PRE)
- Microenterprise Matching Grants-Accion Internacional and FINCA
- Post-NAFTA Free Trade (Proposed LAC)
- Financial Sector Reform for Small and Microenterprises (Proposed LAC)
- Partners of the Americas Farmer-to-Farmer Program

2. Strategic Objective 2

a. Projects which support the SO:

- 936-5974.01 Health Finance and Sustainability
- 936-5974.07 Private Sector Initiatives
- 936-5984 Healthcom II/Regional Cholera Funds
- 936-5973 Water and Sanitation for Health
- 936-3057 Central Contraceptive Procurement
- 936-3038 Family Planning Logistics Management
- 936-3051 Contraceptive Social Marketing
- 936-3052 Population Communication Services
- 936-3035 Options for Population Policy
- 936-3024 Population Technical Assistance
- 936-3030 Service Delivery Operations Research
- 936-5972.3 AIDSCAP

b. Projects which support the SO but are beyond mission capacity to manage:

- Hope PVO Grant
- Catholic Relief Services PVO Grant
- Applied Diarrheal Disease Project
- Vitamin A for Health (VITAL)
- Food and Nutrition Monitoring (IMPACT)

3. Strategic Objective 3

Projects which support the SO:

- 598-0800 Accountability and Financial Management 1995-

1996
-- 598-0591 Human Rights Initiative 1995-1996
-- 598-0642 Regional Administration of Justice Project
-- 598-0799 Regional Local Governance - FIU
-- 598-0806 American Institute for Free Labor Development
-- FVA/PVC Funded Matching Grants with US PVOs

4. Strategic Objective 4

Projects which support the SO:

-- 936-5839 Environmental Education AND Communication
Project (GREENCOM)
-- 936-5559 Environmental Pollution Prevention (EP3)
-- 936-0782 Parks in Peril
-- 518-0780 The Tagua Initiative
-- 936-4198 Sustainable Agricultural System (SANREM/CRSP)
-- 598-0605 Environmental Management System
-- 598-0807 LAC TECH

5. Supporting all Strategic Objectives

-- GENESYS

Section IV

Resource Requirements

IV. RESOURCE REQUIREMENTS
A. PROGRAM RESOURCE REQUIREMENTS

TABLE 4
USAID/ECUADOR
SUMMARY PROGRAM FUNDING TABLE
DOLLAR PROGRAM
(S000)

FUNDING CATEGORY	FY 94 ESTIMATED	FY 95 REQUESTED	FY 96 REQUESTED	
			75% FY 95	100% FY 95
DEVELOPMENT ASSISTANCE				
MISSION STRATEGIC OBJECTIVE No. 1				
518-0000 PD AND S	164,364	145,220	114,026	143,178
518-0004 SDAA	150,000	150,000	150,000	200,000
518-0051 AGRICULTURAL SECTOR REORIENTATION	159,311	0	0	0
518-0089 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT	665,212	800,000	272,787	600,850
518-0094 TRADE AND INVESTMENT	600,000	0		0
518-0118 TRAINING FOR DEVELOPMENT	0	0	250,000	300,000
518-0121 MICROENTERPRISE ASSISTANCE & STRENGTHENING	0	1,446,000	875,000	1,275,000
SUBTOTALS SO No. 1	1,738,887	2,541,220	1,661,813	2,519,028
MISSION STRATEGIC OBJECTIVE No. 2				
518-0000 PD AND S	70,000	100,000	60,000	70,000
518-0071 CHILD SURVIVAL	499,992	0	1,000,000	1,100,000
518-0076 NATIONAL SHELTER DELIVERY	162,119	0	0	0
518-0081 WATER AND SANITATION FOR HEALTH EDUCATION	767,169	0	0	0
518-0084 HEALTH AND FAMILY PLANNING II	2,500,000	2,500,000	2,500,000	2,500,000
518-0089 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT	241,220	758,780	250,000	500,000
518-0118 TRAINING FOR DEVELOPMENT	0	0	200,000	300,000
SUBTOTALS SO No. 2	4,240,500	3,358,780	4,010,000	4,470,000
MISSION STRATEGIC OBJECTIVE No. 3				
518-0000 PD AND S	70,000	100,000	60,000	70,000
518-0089 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT	300,000	500,000	250,000	500,000
518-0091 CLASP II PROGRAM	736,988	800,000	0	0
518-0095 RTAC II	449,625	0	0	0
518-0105 JUSTICE SECTOR REFORM SUPPORT	500,000	0	0	0
518-0120 JUSTICE SECTOR PROGRAM	0	1,400,000	500,000	1,050,000
518-0118 TRAINING FOR DEVELOPMENT	0	0	200,000	300,000
SUBTOTALS SO No. 3	2,056,613	2,800,000	1,010,000	1,920,000
MISSION STRATEGIC OBJECTIVE No. 4				
518-0000 PD AND S	70,000	100,000	60,000	70,000
518-0069 SUSTAINABLE USES FOR BIOLOGICAL RESOURCES	904,212	1,000,000	608,975	896,760
518-0117 ENVIRONMENTAL EDUCATION (EDUCAR) - OPG	675,788	700,000	324,212	324,212
518-0118 TRAINING FOR DEVELOPMENT	0	0	200,000	300,000
SUBTOTALS SO No. 4	1,650,000	1,800,000	1,193,187	1,590,972
SUBTOTAL DA	9,686,000	10,500,000	7,875,000	10,500,000
ECONOMIC SUPPORT FUND	0	0	0	0
P.L. 480 TITLE III	0	0	0	0
P.L. 480 TITLE II				
MISSION STRATEGIC OBJECTIVE No. 1	3,000,000.0	3,000,000.0	0.0	0.0
MISSION STRATEGIC OBJECTIVE No. 2	2,000,000.0	2,000,000.0	0.0	0.0
SUBTOTAL P.L. 480 TITLE II	5,000,000.0	5,000,000.0	0.0	0.0
PROGRAM TOTAL	14,686,000.0	15,500,000.0	7,875,000.0	10,500,000.0

B. PROGRAM MANAGEMENT REQUIREMENTS

TABLE 5
USAID/ECUADOR
OE FUNDING REQUIREMENTS
(\$ 000)

OE TRUST FUND LEVELS BY MAJOR FUNCTION CODE:	FY 94	FY 95	FY 96
U100 U.S. DIRECT HIRE	236.9	181.2	325.3
U200 F.N. DIRECT HIRE	226.1	191.7	210.7
U300 CONTRACT PERSONNEL	1,235.3	1,132.2	1,135.2
U400 HOUSING	225.3	206.5	248.7
U500 OFFICE OPERATIONS	712.0	748.6	782.7
U600 NXP PROCUREMENT	2.0	15.0	10.0
SUB-TOTAL - CORE COSTS	2,637.6	2,475.2	2,712.6
DOWN SIZING COST: U100	15.0	0.0	0.0
U200	21.0	0.0	0.0
U300	40.0	27.0	0.0
SUB-TOTAL DOWN SIZING COSTS	76.0	27.0	0.0
TOTAL OE/TF COSTS	2,713.6	2,502.2	2,712.6

MISSION STAFFING REQUIREMENTS

	FY 94				FY 95				FY 96			
	USDH	USPC	FSN	OTHER*	USDH	USPC	FSN	OTHER*	USDH	USPC	FSN	OTHER*
TOTAL FTEs OR WORKYEAR	12.25	7.25	97.0	2.0	11.0	6.0	83.75	1.0	11.0	5.0	81.5	1.0
OF WHICH PROGRAM FUNDED	0.0	4.25	4.5	2.0	0.0	3.0	8.0	1.0	0.0	2.0	9.0	1.0

* OTHER = PASAs OR TCNS

Section V

Mission and USAID/W Initiated Issues

V. MISSION INITIATED ISSUES

1. Resource Levels for the USAID Ecuador Program

Over the past year there has been a substantial reduction in funding for Ecuador. Yet as this Action Plan presents, given Ecuador's commitment to sustainable development objectives, the country's extensive poverty and its fragile democracy, there is a strong justification for increasing AID support to Ecuador. Two areas are urgently in need of additional resources that are vital for supporting both U.S. foreign policy and developmental objectives as follows:

-- Greater Support for Ecuador's Emergency Social Investment Fund (FISE): The mission has made a special request for an FY 94-95 Monetized PL-480 Title II Program to help FISE expand its activities with NGOs and to further develop FISE-NGO linkages that cannot be funded by other donors. Both the U.S. Ambassador to Ecuador and the USAID Director have received commitments from the Assistant Administrator for the Food for Peace and from AA/LAC that Ecuador would be granted high priority in Title II allocations. However, no AID/Washington decision has as yet been forthcoming and communicated to the mission and to the implementing agency (CARE). The GOE and especially President Sixto Durán Ballén have repeatedly requested additional USG assistance for FISE that cannot be met within existing funding levels. The Action Plan review should bring this issue to final decision.

-- Greater Support for Strengthening Ecuador's Fragile Democratic Institutions: Ecuador was one of the first countries in the LAC region to return to democratic government in August 1979. With four democratically elected administrations, Ecuador remains a leader in this important democratic transition. What happens to Ecuadorian democracy is especially critical to U.S. foreign policy objectives. Strengthening Ecuador's fragile democracy that is under serious strain from economic adjustment and low levels of growth is the U.S. mission's number one priority. However, USAID funding and staffing limitations have limited USAID's ability to fully support this vital U.S. objective. The most serious problems have been funding limitation in our Justice Sector Program and in obtaining LAC regional support for good governance/anti-corruption and civil-military activities. Equally significant, the downsizing of the mission has limited our ability to promote such activities which are sensitive and extremely staff intensive. The USAID is hopeful that FY 95-96 funding levels can be increased for these activities. The mission may also need to contract one or more senior PSCs to

better address staffing constraints in these areas.

2. Inadequate Operating Expense Budget

In FY 94 the mission is confronting a serious shortfall in proposed OE funding to operate the USAID Ecuador program. This includes three related issues as follows: i) inadequate FY 94 OE, ii) insufficient OE to fund USDH transfers in the summer of 1994, and iii) insufficient OE to implement mission's downsizing plan. A related issue discussed below under No. 4 is the low FSN morale in USAID Ecuador due to salary increases that are not keeping up with inflation and that are well below those recommended by an FSN salary survey.

- Inadequate FY 1994 OE Level: The Operating Expense level presented in the Action Plan (\$2.711 million) is the absolute minimum necessary for the operation of USAID/Ecuador for FY 94. This minimum is \$311,000 more than the proposed level given to us by the Bureau for inclusion in the Action Plan. At the proposed Bureau level we will not have enough money to fund non-discretionary items such as transfers of USDH employees to USAID/Washington or post assignments for replacements, Living Quarters Allowances, Education Allowances, Home Leaves or R&Rs.

USAID/Ecuador has already taken drastic steps to reduce discretionary spending. We will not purchase any non-expendable property this year. We have reduced supplies by 65 percent, cut operational travel by 15 percent, reduced FSN staff by 10 positions and USDH staff by two, negotiated a reduction in Office rent by 15 percent, cut long distance telephone calls by 30 percent, we have funded only one half of the approved FSN wage increase, and we plan to fill one of the USDH vacancies created by an end of tour transfer by a within mission reassignment, thereby saving post assignment costs. Yet, even with all this we find ourselves \$311,000 short.

We have a rightsizing plan that is gradual, multi-year and consistent with management needs of our ongoing program and existing pipeline. More precipitous reduction would inhibit our management and accountability responsibilities.

- Insufficient OE to Fund USDH Transfers: USAID/Ecuador requires funding for three post assignments and four transfers to USAID/Washington and for retirement purposes during FY 94. As mentioned above, we were able to fill one of the vacancies from within the mission. The remaining seven scheduled moves will cost USAID/Ecuador \$182,000 during FY 94. Without additional resources we would not be able to replace the USAID Deputy Director, fill the Project Development Officer position in PPD and the Chief of our Executive Office, vacant since

December 1993. We have included these funding requirements in the Operating Expense budget presented in this Action Plan, but it exceeds the proposed level provided by the Bureau. At the level provided we will not have sufficient resources to fund these transfers. The mission's FY 94 OE budget must be increased to cover these costs.

- Insufficient OE to Implement Mission's Downsizing Plan: A related issue is the rightsizing costs that USAID/Ecuador will have to fund during the current fiscal year. Ecuadorian law, and the Post FSN Compensation Plan, require USAID/Ecuador to pay a RIF'ed employee 1.25 months' salary for every year of service to the mission. To downsize, we plan to eliminate 20 OE funded positions by the end of FY 95. Some of this will occur because of internal reorganization. However, three long-time employees should be RIF'ed in FY 94. These three will cost the mission \$61,000 for indemnification payments. The annual salary cost of these three individuals is \$72,000. Therefore, in order to save scarce OE funds we must increase our spending in FY 94. Additional funds in both FY 94 and 1995 may also be needed for similar severance payments so we can realize greater OE savings in future years.

3. Low FSN Morale Due to Inadequate Salary Increases

At the present time USAID/Ecuador has a Foreign National staff which is demoralized because FSN salaries have not kept up with inflation and there have been delays in implementing even modest increases. A "Salary Change and Benefit Survey" was carried out in July and August 1993 which justified an average salary increase equal to 8.8 percent. Due to insufficient funds available in the Department of State, the US Embassy Quito has been forced to reduce the FSN wage adjustment by half. And because of delays in final approval by the Department, even this partial increase was not quickly implemented. Because all USG agencies must comply with the combined Post compensation plan, we can not pay our FSNs competitive salaries. This has led to low morale and the loss of some of our best senior FSNs. (During the past year USAID has lost a FSN Medical Doctor and Public Health Officer, a Population Specialist and a Senior Economist.)

As we rightsize, it is imperative that the FSN staff we retain be properly motivated and equitably compensated. As we reduce four USDH positions by the end of FY 95, a greater burden falls upon FSN professionals. As mentioned above, the full, calculated wage adjustment for the FSNs could be only partially funded this year. Additionally, there has not been a full and comprehensive wage survey and adjustment in Ecuador for more than five years. Although individual spot checks have been carried out, there are some discrepancies within the plan. The Embassy is requesting a full wage survey in the summer of FY 94. As has been the case historically, a major wage adjustment may result in an increase of

30 to 40 percent or more. Even with the rightsizing, this could cost the mission \$300,000 above the Action Plan budget for FY 95. However, it is unlikely that the State Department budget for our Embassy in Quito will be increased to permit any significant FSN salary increases in FY 95-96 thereby precluding significant increases in USAID FSN salaries. Therefore, the most likely outcome in FY 95-96 is that USAID will continue to lose its best qualified and experienced FSN staff. This will be detrimental to the program and further undermine our ability to manage during a difficult period of rightsizing.

4. Elimination of Regional Positions in USAID Ecuador

USAID/Ecuador has managed both a bilateral program and regional services. Due to the reduction in the size of South America AID programs and rightsizing exercises, the mission together with the LAC Bureau have proposed that most regional services be consolidated in USAID Bolivia rather than be divided between two missions. This will result in the elimination of the AID Regional Legal Office (RLA) and Regional Contracts Office (RCO) in Quito. Beginning in the summer of 1994 these services will be provided to South America missions mainly from USAID Bolivia. This will allow USAID/Ecuador to reduce 2 FTEs and FSN support staff in accordance with AID/Washington guidance to reduce USDHs in most missions. It will also allow AID to realize certain economies of scale by locating RLA/RCO positions in one mission rather than dividing them among two missions.

We understand that the LAC Bureau has obtained necessary Agency approvals for the elimination of the RLA position in Quito. However, elimination of the RCO position is still pending further discussion between the LAC and M Bureaus in accordance with State Cable 369755 of December 9, 1993. It is important at the Action Plan review that a final decision be made on the elimination of these regional positions in Quito, Ecuador and that this decision be clearly communicated so that the incumbent Officers can make necessary transfer plans and affected FSN employees can find other positions.