



**USAID/ECUADOR**

**ACTION PLAN**

**FY 1996-1997**

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## ACTION PLAN

FY 96-97

### I. INTRODUCTION

#### A. Strategy Overview

Ecuador remains one of the least developed countries in South America. Despite some recent improvements in economic growth the country has experienced over a decade long recession since the early 1980s. Due to inadequate economic policies during the 1980s, per capita GNP growth was negative and real wages decreased by 60 percent. Income distribution is one of the worst in the LAC region. These problems are compounded by a high population growth rate, poor health conditions, large scale rural and urban poverty, and a recent border conflict with Perú. Democratic institutions remain fragile and ineffective in dealing with some of the country's most critical problems. Ecuador's growing environmental degradation has attracted international attention.

The challenge for Ecuador in this decade is to continue and accelerate the reform momentum begun in the early 1990s under the Sixto Durán-Ballén Administration and further deepen it when a newly elected GOE assumes office in August 1996. Much has already 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 contrast, this country is blessed with abundant natural resources, a vigorous private sector, and democratically-elected leadership that led Latin America's transition to democracy in the late 1970's. Yet the political process is highly fragmented, some elites and middle class groups continue to capture many of the benefits of development, and entrenched interests of every type combine to resist change. The net result is a country attempting to break the stranglehold of the past and commit itself to a course of modernization and more equitable growth for the future. It is in the interest of the United States that Ecuador take that course.

The country needs to redirect its historic dependence on its small declining oil reserves and other traditional exports and to reverse the impact of a paternalistic philosophy of government and the remnants of an import-substitution/mercantilist 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 more effectively benefit poor people. The fragile institutions that underpin democracy must be strengthened in order to ensure continued political stability. Environmental protection policies and strategies need to be more forcefully implemented. These are urgent matters for Ecuador; public frustration has been growing over declining living standards and what is perceived as the limited ability of democratic government to more quickly promote economic growth, modernization and reform. The current border conflict with Perú may further frustrate Ecuador's ability to achieve sustainable development and fully participate in the Hemispheric Partnership announced at the Summit of the Americas.

The USAID program is helping Ecuador better address these problems by supporting the Strategic Objectives (SOs) outlined below. This Action Plan proposes that USAID continue this effort by providing \$14.8 million in LAC/Global funding in FY 96 and \$15.6 million in FY 97. These resources will support Ecuadorian actions to achieve critical objectives contained in the Summit of the Americas Action Plan and better prepare the country for full participation in a new hemispheric free trade zone by the year 2005. The results expected from our assistance by the end of this decade are outlined below in Section E.

The SOs being supported by the USAID/Ecuador program are as follows:

- Increase sustainable economic growth for a broad-base of the population;
- Reduce levels of infant mortality and fertility to levels which are commensurate with sustainable development;
- Improve responsiveness of selected democratic institutions with greater citizen participation; and,
- Promote the sustainable use of natural resources, conservation of biodiversity and the control of pollution.

These SOs are fully consistent with USAID's Strategic Goals as contained in Strategies for Sustainable Development of encouraging broad-based economic growth, stabilizing world population, and protecting human health, building democracy and protecting the environment. Furthermore, they are responsive to the LAC Bureau's Strategic Role of U.S. Assistance in the Americas. As described below, the proposed program is a vital instrument for implementing the Summit of the Americas Action Plan and for achieving U.S. foreign policy objectives in Ecuador. These objectives are contained in the U.S. Mission Program Plan (MPP) and include strengthening Ecuadorian democracy, supporting anti-narcotics activities, promoting economic growth and protecting the environment.

The USAID/Ecuador program directly supports the LAC Strategy and the Action Plan of the Summit of the Americas in the following SO areas:

Sustainable Economic Growth: To achieve higher economic growth for a broad-base of the Ecuadorian population, USAID is assisting the country to adopt and implement new social and economic reforms and modernization actions. This is implemented through the Mission's ongoing Policy Dialogue and Implementation Project (PDI) that provides assistance to the Fundación Ecuador, the Central American Institute for Business Administration (INCAE), other NGOs and the GOE to promote, advocate, and implement key policy reforms needed to support sustainable development. Among the reforms being supported are structural and policy changes in the social sectors (education, health, social security, housing) so that Ecuador can better address its serious poverty problems. In the economic areas actions have been supported that promote capital market reforms, privatization, financial sector liberalization, intellectual property rights, tariff reform and free trade agreements and NAFTA accession among others. From 1995-98 this Project will directly help Ecuador achieve objectives contained in the Summit Action Plan and LAC Strategy.

Another important initiative of the Summit and LAC Strategy is expanded assistance to microenterprises. In FY 95, with Accion International, USAID assistance is being provided to establish a private Microenterprise Financiera modeled after BancoSol in Bolivia. In FY 96, new USAID assistance will expand training for Ecuadorians who can implement selected policy and program changes recommended in the Summit Action Plan and LAC Strategy.

Family Planning and Basic Health Services: USAID's ongoing family planning program is achieving dramatic results increasing contraceptive prevalence and lowering Ecuador's high population growth rate. With USAID support local NGOs such as the Association of Family Well-Being (APROFE) and the Medical Center for Family Planning (CEMOPLAF) are expanding access to family planning services especially among indigenous and other hard-to-reach groups. These NGOs are gradually moving toward financial self-sufficiency. New USAID funding will be provided in the period FY 1997-2000. As a result, it is expected that both CEMOPLAF and APROFE will reach full financial self-sufficiency by the year 2000 and successfully graduate from USAID assistance. A third NGO, the Center for Population Studies (CEPAR), lobbies for improved family planning and population policies and is broadening its activities to include promoting improved health policies.

To increase access to basic health services, USAID's Child Survival II Project is providing assistance to the Ministry of Health, CARE and Ecuadorian NGOs to expand primary health services through community-based groups, municipalities and private entities and to improve health sector policies. These include better targeting of

public health expenditures to the poorest and most vulnerable groups, decentralization of services, cost recovery, increasing NGO and private sector participation in the health delivery system and rationalizing public/private sector roles. This Project will be implemented throughout the 1990s and directly supports the basic health objectives contained in the Summit Action Plan and the LAC Strategy.

Strengthening Democracy: The Summit and LAC Strategy call for a series of actions to strengthen the rule of law, improve criminal law procedures and due process, promote human rights and good governance, combat corruption and strengthen civil society and NGOs. USAID's ongoing Justice Sector Reform Project has helped Ecuador initiate its first judicial reform efforts and begin a process of improving its administration of justice. These are implemented through a Justice Sector Working Group and an NGO "think tank" and advocacy group, the Corporación Latinoamericana de Desarrollo (CLD). This program has assisted the preparation of new laws to reform the judicial process, supported a CLD anti-corruption campaign in the justice sector, developed a system for tracking thousands of unsentenced prisoners in Ecuadorian jails and developed the strategic framework for major assistance from World Bank and IDB. To further accelerate and deepen this reform momentum a new Justice Sector Project is planned for FY 96.

USAID training assistance is also provided to develop democratic leadership skills. Continued central funding has been requested to support anti-corruption activities, open a dialogue on civil military affairs and develop a joint planning process with the G Bureau's Democracy Center. Finally, most USAID assistance is channeled through Ecuadorian NGOs that strengthen civil society, promote greater democratic pluralism and empower citizens to more fully participate in the development of their country. These actions are vital for achieving Summit and LAC Strategy Objectives.

Environmental Protection: The Summit Action Plan and LAC Strategy call for major initiatives in environmental and biodiversity protection, natural resources conservation, and urban-industrial pollution prevention. USAID's environmental activities are oriented to improving environmental and natural resources protection policies, demonstrating more effective resource management practices in local communities, and pioneering techniques for addressing urban-industrial pollution. A new FY 97 Environmental Project will be initiated to continue these efforts into the 21st Century.

USAID helped the GOE organize a high level Presidential Advisory Commission (CAAM) to develop a comprehensive Environmental Action Plan that will be debated by a National Environmental Congress later this year. USAID assistance to environmental NGO "think tanks" has supported the development and dissemination of major analyses of Ecuador's environmental degradation and weaknesses in

policy implementation. Through USAID agreements with CARE and The Nature Conservancy a major project (SUBIR) is being implemented to develop community-based models for sustainable uses of natural resources especially in buffer zones needed to protect national parks. Assistance to Fundación NATURA, the Charles Darwin Foundation on the Galápagos Islands and to other NGOs is helping better manage national parks. Together with the Global Bureau's Environmental Center, USAID is developing a local NGO--the OIKOS Corporation-- as a highly innovative mechanism for addressing urban-industrial pollution by transferring new prevention technologies to industrial enterprises, Chambers of Industries and municipal governments. USAID is also requesting continued Global Bureau technical assistance to help Ecuador establish a Petroleum Clean-up Fund modeled after similar initiatives implemented by U.S. States such as Oklahoma and Texas.

Other Activities: USAID is the USG's coordinating agency for disaster relief and preparedness in a country that has at least one major disaster every five years. In 1993, \$2.0 million in USG assistance was provided to support the Ecuadorian response to the Paute landslides. In 1994, USAID was called upon to assess wildfire emergencies on the Galápagos Islands and to manage disaster preparedness activities. In addition, the Regional Housing and Urban Development Office (RHUDO) located in Quito provides assistance to Ecuador in housing and infrastructure financing and policy reform, strengthening local governments, privatizing municipal services and improving the urban environment. USAID also has helped the GOE finance its Emergency Social Investment Fund (FISE) with ESF and PL-480 Title II local currencies to help cushion the impact of economic reforms on the poorest and most vulnerable groups.

The SOs contained in our FY 96-97 Action Plan respond directly to the current context for development assistance in Ecuador. The Mission program looks ahead to the end of the century with results expected by the year 2000 (see Section I.E. below) and places greatest emphasis on creating an "enabling environmental" for a modern democratic state and a healthy growing economy with benefits widely distributed. Our program builds 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 social, economic 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, housing, environmental protection and training. In the public sector, USAID assistance strengthens 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.

The Mission has successfully 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 has a long history of 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 groundwork and increase the absorptive capacity so that other donors can more quickly develop and implement their larger programs. USAID/Ecuador's FY 96-97 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.

In addition, USAID works in close coordination with larger donors such as IDB and World Bank which concentrate their assistance in the public sector. We fill important gaps not covered by other donors, pioneer program frameworks that attract larger donor funding, and help Ecuador better and more quickly utilize other donor resources. For example, this strategy helped Ecuador establish its Emergency Social Investment Fund (FISE) that has already mobilized over \$100 million in donor funding. USAID support promoted the GOEs National Modernization/Privatization Commission (CONAM) and established the program framework for large IDB financial and agricultural sector loans, and World Bank structural adjustment and agricultural modernization programs.

USAID is playing a similar leadership role in helping Ecuador reform its health, education, and social security policies and better prepare a policy-based program for larger donor funding. A comprehensive social reform agenda is being supported by INCAE, Fundación Ecuador and other NGOs using USAID funding. A Presidential Environmental Commission (CAAM) was made operational with USAID support and has mobilized other donor assistance. Under the USAID Justice Sector Project, the GOE has been able to develop a justice sector strategy that is leading to projects with World Bank and IDB.

## **B. Current Trends**

From August 1992, when the Sixto Durán-Ballén Government assumed office, to December 1994, Ecuador made substantial progress implementing historic economic and some social reforms. As a result, the economy was well positioned for a 4-5 percent growth rate in 1995--one of the highest in the past fifteen years.

However, in January-March 1995 this progress was threatened by an unexpected border conflict with Peru. While the full impact of this conflict on the Ecuadorian economy is still unfolding, it is clear that resources have had to be diverted away from economic and social development. The strong recovery expected in 1995-96 could be dampened as a result of the conflict.

Already the GOE's Economic Team has scaled back its projected 1995 economic growth rate to 3-4 percent and some private analysts believe that Ecuador will be fortunate to achieve a 2-3 percent growth rate. Recovering from the border conflict, and rebuilding the reform momentum of 1992-94, will be a major challenge for Ecuador and the international donors as this country approaches national elections in May 1996.

This is particularly unfortunate because in 1992-94 Ecuador made substantial progress stabilizing its economy, renegotiating its external debt and initiating structural reforms. As a result, GDP grew at 4 percent during 1994 almost double the rate of population growth. The inflation rate was reduced from over 50 percent during the 1989/92 period to less than 25 percent in 1994. The fiscal deficit has been slashed from 7 percent of GDP in 1992 to 0.1 percent in 1994. Net international reserves have increased from \$224 million in 1992 to \$1.3 billion. A historic commercial bank debt agreement has been finalized and is still being implemented despite the border conflict.

Major progress was also made on structural reforms with significant new legislation being passed in such areas as tariff and custom reforms, capital markets, financial sector liberalization, facilitation of exports and foreign investment, hydrocarbon reforms, improvements in agricultural land tenure, and privatization and modernization of the state. Government employment has been reduced by over 30,000 and state-owned enterprises worth \$150 million have been privatized. Intellectual Property Rights (IPR) and Bilateral Investment Treaty (BIT) agreements were signed with the USG. Eligibility for the Andean Trade Preference Act was achieved, free trade agreements with other Andean Countries were implemented and Ecuador is nearing approval for GATT accession. Finally, an IMF Standby was signed, three large IDB policy-based sector loans were approved, a World Bank Structural Adjustment Program was finalized and the GOE successfully mobilized over \$600 million in new donor funding.

However, this substantial progress is being eroded by the border conflict. The external shock on Ecuador's small open economy is reducing private investment and economic growth. The Economic Team has taken firm and decisive fiscal and monetary measures. The GOE has slashed non-military public sector expenditures and raised domestic interest rates to protect the exchange rate and reduce capital flight. New legislation to pay for the war has been approved by raising taxes on all automobiles and Congress is

discussing a draft law that would eliminate exemptions in the VAT. The 1995 target for inflation has been increased from 17 to 21 percent, the exchange rate depreciation adjusted upward from 12 to 16 percent and economic growth rate reduced to 3-4 percent. Depending on the course of the border conflict, further adjustments may be necessary.

As a result, the main sources of economic growth--construction, commerce, tourism, industry--are stalled. Moreover, the GOEs Economic Program is seriously being affected. Excessively high interest rates that prevent capital flight are dampening economic activity and postponing new investments. The border conflict has delayed Congressional action needed to privatize the telecommunications and electrical sectors and overhaul the social security system. While the GOE is cutting back in public sector investment, the border conflict could generate pressure on the fiscal deficit and reduce economic growth and employment.

On the positive side, the border conflict and the prospects of negotiating a permanent peace with Perú after more than 50 years of intermittent border hostilities has unified Ecuadorian society like no other event in recent history. Numerous political protests against GOE privatization and modernization reforms have been suspended. The unending cycle of disruptive ministerial impeachments by opposition political parties has ended at least for now. A new nationalistic fervor has produced greater public willingness to consider and pay taxes, to make other sacrifices for the national interest, and to accept the Rio Protocol and final demarcation of the Ecuador-Perú border. There also appears greater willingness to accept new modernization and development measures. The Sixto Durán Ballén government has gained renewed credibility that some observers believe could open a reformist window of opportunity prior to the May 1996 national elections. If this analysis proves correct, despite its negative impact on the economy in 1995, the border conflict and prospects for a permanent peace could in fact encourage Ecuador to accelerate its reform and modernization process much like national crises have done in other countries (e.g. Chile, Bolivia, El Salvador).

Nevertheless, the extreme prevalence of poverty in Ecuador as revealed in a wide variety of studies makes the border conflict particularly tragic. All of these studies estimate that between 50 and 60 percent of the Ecuadorian population falls under the poverty line. One USAID 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. A second study by the UN indicated that 50 percent of the population falls within one of four groups--structurally poor, impoverished poor, transitional poor or income poor.

A UNICEF study looking at income distribution in Ecuador concluded that 42 percent of the population had an annual income per capita of about \$500 or less in 1990. 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 60 percent between 1980 and 1992 although some improvements were achieved in 1993-94 as a result of declining inflation, modest increases in economic growth and major statutory increases in the minimum wage.

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. In most of rural Ecuador, diarrheal disease and acute respiratory infections are still the number one cause of mortality for children under age five; a large proportion 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 investment to keep pace with 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 small rural towns 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.

The World Bank is finalizing a major Poverty Assessment of Ecuador that should be issued later in 1995 and its living standards measurement survey will be up-dated yearly through 1997.

Preliminary findings show that many 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 other public or private health services, one-fourth of the population lacks access to potable water and one-third lacks household sanitation.

Ongoing World Bank/UNDP studies concluded that poverty should be measured by including deterioration of health and malnutrition rates, rising unemployment and underemployment and trends in government social expenditures. Surveys revealed that over 40 percent of the families questioned had a caloric intake lower than the minimum accepted by international standards. Central government social expenditures (e.g. education and health) which accounted for about 36 percent of total GOE expenditures in 1981, were down to 33 percent in 1988, 32 percent in 1992 and a low of 25 percent in 1994. These declines are attributed to stabilization programs in the 1980s which cut back social spending. In addition to declining resources, social sector development has been exacerbated by poor targeting, over-centralization of programs, inadequate management and cost recovery practices, underutilization of NGOs and private delivery systems, and corruption and mismanagement of resources.

World Bank/UNDP reports find that most GOE social development and compensatory measures aimed at the poor have proven to be ineffective and inefficient. "They were neither targeted at the neediest households nor did they operate through market mechanisms". The one exception cited by these reports is the GOEs Emergency Social Investment Fund (FISE) established with USAID funding that has proven to be a highly effective and efficient means of better targeting social expenditures to the neediest population.

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. 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 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 of protecting its 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. Certain oil exploration and development activities, Amazonian migration, logging, mineral development, shrimp farming, pesticide contamination and urban-industrial 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 titling all contribute to resource degradation. Urban pollution is a growing health hazard.

USAID assisted NGOs 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 implementing environmental education programs and 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 development and the potential loss of biodiversity of worldwide importance located in the Galápagos Islands and other regions of the country. However, the GOE with assistance from USAID, other donors and international NGOs has taken important steps to address these issues with the establishment of a high level Presidential Commission on the Environment (CAAM) that is finalizing the country's first environmental action plan for public debate and Congressional ratification. The challenge for Ecuador and donors in the 1990s is to channel public awareness about environmental problems into improved GOE policy 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 a continuation of USAID/Ecuador's strategic planning process. Even before current USAID reengineering initiatives, this Mission began to concentrate its resources in a few selected areas of priority program activity and to increase management accountability for program results. A Mission Program Performance Assessment System (PPAS) has been in place and was further refined this year with the completion of Monitoring and Evaluation Plans for Strategic Objectives (SOs) One and Three. As further discussed below, SO teams including Mission staff and partner counterparts manage and coordinate the Strategic Objective framework and policy dialogue activities. Mission reporting and management systems, especially the Semi-Annual Review, are fully integrated into the strategic planning process. It was this process, with its increased focus on managing for results, that helped Ecuador produce the following significant accomplishments, both at the policy and the "impact on people" level.

#### **Strategic Objective 1 (Sustainable Economic Growth)**

- ♦ Major progress was made in 1994 stabilizing the Ecuadorian economy, reducing the fiscal deficit and inflation, negotiating a historic commercial debt agreement, initiating major structural reforms and achieving a 4 percent growth rate.
- ♦ The GOE expanded its Emergency Social Investment Fund (FISE) and initiated an important process for developing a comprehensive social policy reform agenda that can better address the country's serious poverty problems. This agenda includes structural reforms in education, health, social security, housing and social welfare that can better target resources to the poorest and most vulnerable groups.
- ♦ New initiatives were begun to expand credit for microenterprises and develop new microenterprise financing mechanisms.
- ♦ GOE progress was made in privatizing several state-owned enterprises in cement, sugar and wood industries, privatizing some public services through concessions and implementing capital market reforms and public sector modernization actions.
- ♦ Ecuador is near final approval for GATT accession, free trade agreements were signed with other Andean countries and further progress was made on price liberalization and measures to reduce governmental controls and regulations.
- ♦ The Non-Traditional Exports (NTE) Projects created 60,000 new jobs. They assisted 2,000 new low-income producers, 65 percent of which are women.
- ♦ A private sector second-story mortgage bank was created that when made operational can enable rapid capital mobilization for housing finance with private capital from 21 financial institutions.

## **Strategic Objective 2 (Population and Health)**

- ♦ Total fertility rate has dropped from 3.8 in 1989 to 3.6 in 1994.
- ♦ Infant mortality rate has dropped from 53 in 1989 to 40 in 1994.
- ♦ The two largest family planning NGOs have increased their level of cost recovery from 30 percent in 1989 to 62 percent in 1994.
- ♦ Contraceptive prevalence rate has increased from 52.9 percent in 1989 to 56.8 percent in 1994.
- ♦ Prevalence of diarrheal disease has declined from 25 percent in 1989 to 19.2 percent in 1994.
- ♦ Assistance to Quito's Water Authority has resulted in the establishment of 70,000 new water connections in marginal neighborhoods. This assistance has enabled Quito's Water Authority to increase its coverage from 55 percent in 1988 to 92 percent in 1994.
- ♦ Legislative and regulatory modification in the City of Machala resulted in a legal charter to privatize water and sanitation services. This development will expand resources for the underserved population totaling up to 75 percent of the population who do not now receive water, garbage and other sanitation services.

## **Strategic Objective 3 (Strengthening Democracy)**

- ♦ Ecuador's process of judicial reform and improving its administration of justice was accelerated and there was greater public debate on the need to modernize this sector.
- ♦ The GOE's Justice Sector Working Group prepared a Justice Action Plan designed to provide the analytic basis for major donor participation in selected areas of the sector.
- ♦ The Corporación Latinoamericana de Desarrollo (CLD) developed an electronic database which tracks the status of approximately 9,000 detainees/prisoners and their cases in jails throughout the country and expanded its anti-corruption campaign in the justice sector.
- ♦ Under RTAC II, 50 percent of professors whose subject matter is covered by the RTAC catalog, now base their classes on textbooks made available through the project. This is up from 36 percent in the previous year.

## **Strategic Objective 4 (Environmental Protection)**

- ♦ A draft of Ecuador's Environmental Action Plan was completed and arrangements were initiated to review and approve this Plan at a 1995 nationwide Environmental Congress composed of Ecuadorian interest groups, NGOs, indigenous communities, etc.
- ♦ A new Ecuadorian NGO, the OIKOS Corporation, was made operational to address urban-industrial pollution; it completed over 30 pollution prevention assessments and pre-assessments with industrial enterprises and municipalities, and developed effective working relations with Global Bureau Projects (EP-3, Greencom).
- ♦ Number of communities adopting models of non-destructive natural resource use increased from 3 to 17 in 1994.

- ◆ Fees collected from users of national parks and dedicated to park management increased from \$500,000 (1993 Base Year) to \$2,190,000 in 1994.
- ◆ Number of local organizations managing biological resources effectively increased from 3 to 17 in 1994.
- ◆ Twenty-four "para-biologists" from fourteen indigenous communities located in and around three major ecological reserves trained by ECOCIENCIA to provide local expert environmental impact assessment technical assistance.
- ◆ USAID provided assistance to help the GOE assess major wildfire problems in the Galápagos Islands that threatened the islands ecosystem.

#### **D. Reengineering and Managing for Results**

USAID/Ecuador is fully implementing the Agency's reengineering efforts to the extent to which guidance has been provided to the field. Indeed, because of our experience in using Strategic Objectives to plan and manage our program, we may be ahead of most other Missions. Nevertheless, we are awaiting further reengineering guidance that can help us implement a smooth transition to USAID's new systems in FY 96. For example: How will Results Packages be defined and justified? What will replace PIOs and other implementing documents? How will the Mission obligate by Strategic Objective given the predominance of NGO implementing organizations in our portfolio? When will we see a new host country agreement? How will these new agreements relate to the existing project-based portfolio? How will our existing portfolio be transitioned into the Results Packages? With the new systems scheduled to begin implementation on October 1, 1995 when can USAID expect definitive guidance on these and other reengineering questions so that we can better prepare our host country partners and customers for these changes?

Several years ago, with PPC/CDIE assistance, USAID/Ecuador began programming and managing its assistance through strategic planning. This Mission has fully internalized Strategic Objectives and they are implemented by cross-functional SO teams. For the past two years, USAID's Semi-Annual Reports have been organized according to Strategic Objectives and Mission monitoring has focused on how SOs are being achieved.

USAID/Ecuador looks forward to incorporating LAC and Global Bureau technical personnel into our SO teams provided that inadequate Washington OE travel funds and other logistical problems do not end up disrupting SO implementation and monitoring. For many years centrally-funded Population and Health Projects have made a highly positive contribution to our ongoing Program. Environmental coordination with LAC and Global Bureau personnel has also been excellent and will be deepened under the Environmental Initiative for the Americas (EIA). In all sectors, USAID Strategic Objective Team Leaders have already established productive working relations with their Global counterparts. This is reflected in our

agreements presented to Global Bureau Centers.

USAID is already working closely with each Global Center. For example, we have fully integrated such centrally-funded projects as EP-3 and GREENCOM into our Environmental SO and we have received excellent technical support and backstopping from EP-3 personnel. To more effectively implement our Democracy SO, we hope to initiate a joint-planning process with the Global Bureau to obtain increased assistance from its Regional Administration of Justice Project and greater help in our proposed anti-corruption and civil-military activities. Achievement of our Population and Health SO is closely dependent on such centrally-funded activities as contraceptive procurement and technical assistance in health financing and sustainability. To support our Economic Growth SO we expect to utilize extensive assistance from Global's Privatization, Microenterprise and Education Projects. The SO trees in Section II reflect projects contained in Mission/Global draft agreements.

The Mission's partners-in-implementation are also integrated into SO teams, with greater emphasis on managing for results. Because USAID has now worked with SOs and SO indicators for a number of years, as well as Program Outcomes and indicators, the results-oriented approach is well established. For the past year all Cooperative Agreements (CAs) executed with partner NGOs have been explicitly results or output-oriented. For example, CAs with INCAE and Fundación Ecuador on social policy reform contain specific policy outputs which they must deliver as their "products." Those CA outputs tie in directly to program outcomes in the SO frameworks.

The Mission has taken steps to ensure that Cooperative Agreements with NGO partners explicitly support program outcomes and indicators. For each CA, the project manager prepares an output matrix which is shared with the key staff of the NGO partner as well as Mission staff. This is a simple way of emphasizing the importance of outputs and providing a convenient means of frequently monitoring results. This output orientation leads to more efficient management of scarce resources.

The Mission has also strengthened the linkages between project outputs and SO and program outcomes in its monitoring and evaluation (M&E) systems. Recently, with the assistance of an evaluation expert, the Mission refined M&E plans for all of the SOs. These are now directly tied to the individual project M&E plans, and responsibility for collecting data on SO Program Outcome Indicators involve implementing partners.

Although USAID/Ecuador is not an "experimental lab", the Mission has begun to experiment with some reengineering activities currently being tested in other Missions, in addition to implementing the actions described above. For example, the Mission--assisted by a sociologist/M&E expert--conducted a series

of focus groups, including indigenous leaders, CLASP training alumni, auxiliary nurses, judges with first-hand experience with USAID-supported judicial reform, and microentrepreneurs. Questions to these groups ranged from specific (impact of judicial reforms) to general (perceived impact of stabilization and structural reform on different populations). The focus group experiment was instructive. For example, from the group of judges, USAID learned of an unanticipated adverse impact of a judicial reform. USAID will continue to organize focus groups of customers under all four SOs in order to better assess the impact of activities on beneficiaries and to obtain inputs for adjusting our portfolio to meet local development needs.

Planning within the Strategic Objective framework has also enabled the Mission to better focus and integrate its program and to increasingly manage for results. In 1996, the program will consist of 10 projects, eight of which directly relate to individual Strategic Objectives while the other two support multiple SOs. The Policy Dialogue and Implementation Project and the Training for Development Results Package (FY 96 start) will support three and four SOs, respectively. The much reduced scope of the current program contrasts sharply to the portfolio of several years ago that included a number of "targets of opportunity".

The SO framework is continuing to provide criteria for decisions on streamlining the portfolio in terms of potential contribution to achieving SO and Program Outcome indicators, Ecuadorian institutional capacity, other donor interest and available Mission resources. For example, during 1995 the Mission will complete its phase out of several projects under SO 1 (broad-based economic growth), including the Trade and Investment (two years before the PACD), Agricultural Sector Reorientation, and the Agricultural Research, Extension and Education projects. Under SO 3 (democracy strengthening/citizen participation) the Ecuador Development Scholarship/CLASP II and the Regional Technical Aid Center projects will both end in 1996. A new Training for Development Results Package will be designed that directly contributes to the achievement of all Mission Strategic Objectives.

To better prepare for October 1, 1995 the Mission has also organized a number of discussion groups to review Reengineering Documents and the Video tapes we have received. (Note: A number of key tapes have not been received here, especially the one on Reengineering Contracting, Procurement and Financial Management Systems.) A USAID Reengineering Team is also being organized and major Mission presentations and retreats will be held.

The efforts described above and other ongoing reengineering actions put USAID Ecuador well on the way toward preparing itself for the Agency's new systems as described in "Results Oriented Operations System" and other Reengineering Documents. If final reengineering guidance is issued well before October 1, 1995, the Mission expects

to be positioned to initiate these new systems in FY 1996.

**E. Looking to the Year 2000: Results Packages for Ecuador's Entry into the 21st Century**

This Action Plan outlines the USAID/Ecuador Program for FY 96 and FY 97. However, the Mission believes that solidly placing Ecuador on a sound road to sustainable development will require USAID assistance until the year 2005. The reason for this is because Ecuador was trapped in low level recessionary conditions for much of the past fifteen years (1980-92). Unlike other LAC countries, it has not been able to achieve high rates of sustainable economic growth over an extended period of time. This lack of growth has accentuated all of Ecuador's other development problems and worsened the country's already serious poverty and environmental problems.

Even if higher rates of growth are achieved, Ecuador would still be confronting serious problems in addressing the basic needs of its large poverty groups (estimated at 50 to 60 percent of the population) and improving its extremely skewed income distribution. These and the country's weak democratic institutions and internationally recognized environmental problems all point to a ten-year USAID effort supporting major social, economic, democratic and environmental reforms.

Furthermore, the Summit of the Americas committed all countries to implementing an ambitious Plan of Action of vital importance to achieving U.S. foreign policy objectives throughout the hemisphere. It will be difficult for Ecuador to achieve these objectives because of its weak institutional structures, its highly fragmented political process, and the historic problems that this county has had in rapidly formulating and aggressively implementing sustainable development policies. USAID is already helping Ecuador address these problems. Continued assistance will be even more important in preparing Ecuador for full participation in a new Hemispheric Free Trade Zone by the year 2005 and implementing other Summit objectives.

Ecuador should be able to graduate from bilateral assistance by the year 2005. Given the extensive poverty and institutional weaknesses, it would be difficult to accelerate such a graduation prior to the year 2005.

Accordingly, the Mission sees a ten-year USAID Program in Ecuador divided into two phases (1995-2000 and 2000-2005) with programming heavily influenced by the Summit of the Americas Action Plan. For this reason most of the Strategic Objective Tables shown below in Section II extend the estimated targets until the year 2000. What is proposed is relatively modest USAID assistance averaging \$15 million per fiscal year that finances highly focused technical assistance, training, NGO and private sector support, and selected

institutional and managerial assistance. The USAID funding requirements would total \$75 million in USAID Development Assistance from FY 1996 to FY 2000 to support the type of strategy outlined in this Action Plan and currently being successfully implemented. This Program would be complemented by a USG debt reduction initiative of USAID and PL-480 Title I loans (totaling \$123 million) to be used to support environmental NGOs and possibly some additional funding from Global Bureau Projects and other USG Agencies such as the U.S. TIES Program being funded by the U.S. Environmental Protection Agency.

This FY 1996-2000 program would fund the achievement of the preliminary Results Packages shown below under our four Strategic Objectives. These reflect tentative statements of results which the Mission will continue to refine during the next year once final reengineering guidance on Results Packages has been issued. By the year 2000 we could expect Ecuador to achieve the following results:

Strategic Objective 1: Sustainable Economic Growth for a Broad-Base of the Population

--Ecuador will be aggressively implementing new economic and social reforms and modernization measures that are producing sustainable economic growth rates of at least 4 percent annually and are substantially improving poverty indicators published by international agencies.

--Ecuador is making significant progress implementing reforms and other measures needed for membership in the "Free Trade Area of the Americas" and is implementing other objectives of the Summit of the Americas Action Plan.

--The USAID assisted Microenterprise Bank has a portfolio of 100,000 microenterprise borrowers.

Strategic Objective 2: Reduce Levels of Fertility and Mortality which are Commensurate with Sustainable Development

--Increase contraceptive prevalence rate of women in reproductive age currently using contraception from 56 percent in 1994 to 60 percent in 2000, thereby reducing Ecuador's population growth rate to 2 percent or less by the year 2000.

--CEMOPLAF and APROFE achieve financial self-sustainability by the year 2000, while continuing to provide services to hard-to-reach groups.

--Reduce Infant Mortality to 30 per 1,000 births by improving health sector policies and expanding primary health service delivery through both public and private sector mechanisms.

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

--Ecuador will be fully implementing a justice sector modernization and structural reform agenda to improve administration of justice with at least eight major reforms legislated and being implemented.

--To support justice sector reform, Ecuador will be implementing a multi-donor assistance program (from World Bank, IDB, UNDP, USAID, other donors) to improve its administration of justice including increased GOE budget allocations to this sector.

--Results of an independent and scientifically designed survey will show at least a 25 percent increase in the level of public confidence in the justice system as compared to baseline data collected in 1995.

--Ecuador will be decentralizing social and economic services to municipal governments, NGOs and other private entities and promoting greater participation in the development process by community-based groups.

--Progress will be made implementing the country's first systematic anti-corruption campaign and opening a dialogue between civilian and military leaders on the most appropriate role of the military within Ecuadorian democracy.

--Ecuador will be recognized internationally for strengthening its democratic institutions, overcoming fragmentation of its political process, developing new and more modern democratic leadership, and strengthening its civil society by further integrating NGOs into the social, economic and political life of the country.

Strategic Objective 4: Promote Sustainable Use of Natural Resources, Conservation of Biodiversity and Control of Pollution

--Most activities included in the Environmental Action Plan and regulations under a new Natural Resources Law are being implemented.

--There is a 25 percent improvement in the abundance and distribution of species in and around selected national parks and protected areas, compared to 1995 baseline data.

--Internationally recognized pollution prevention technologies are being transferred to Ecuadorian industrial-agricultural enterprises and municipal governments.

--The market in Ecuador for U.S. environmental equipment and technologies is increasing.

## II. PERFORMANCE REPORT

### A. Achieving Broad Based Sustainable Economic Growth

Mission Strategic Objective 1:            **Increase        Sustainable  
Economic Development for  
a Broad Base of the  
Population.**

#### 1. Relationship of Strategic Objective to Agency Goals

The Mission's SO 1 responds directly to the three areas of emphasis under the Agency's strategic goal: (1) strengthening markets; (2) expanding access and opportunity; and (3) investing in people. In the area of strengthening markets, USAID recently brought to a successful close projects which helped the Ecuadorian public and private sectors in legislating and implementing important reforms including land security and tenancy, capital markets, and privatization. Mature projects also contributed to expanding access and opportunity. For example, USAID supported agricultural reforms resulted in a \$100 million increase in rice production in 1993, benefitting 150,000 people who depend on rice production. Assistance in non-traditional agricultural and industrial exports resulted in the creation of 60,000 new jobs and 2,000 new small producers in a four year period.

The current program, which began last year with the new SO 1, is even more responsive to the areas of concentration. In strengthening markets, assistance will be provided through INCAE and the Fundación Ecuador in preparing Ecuador to enter the "Free Trade Area of the Americas". The areas to receive most of the attention of the current program are expanding access and opportunity and investing in people in order to reduce poverty. A major social policy reform program, culminating in the GOE's enunciation of a comprehensive social policy, is being undertaken cooperatively by INCAE and the Fundación Ecuador. A new microenterprise development project based on successful "licensed leveraging" financial institutions will be started in late 1995, and should exponentially increase financial resources to microenterprises.

With USAID support, INCAE and Fundación Ecuador is emphasizing in social policy reform (now the most important "results package" under SO 1), encompassing reform processes that lead up to and include actual implementation of reforms. SO 1 will thereby be "investing in people." Under the Policy Dialogue and Implementation project (PDI), these USAID partners are working towards definition by the GOE of a comprehensive social policy agenda, which includes decentralization, cost recovery, increasing the role of the private sector, defining the public sector's normative role, and targeting of benefits. These principles will

be applied to health, basic education, pension and housing reform.

All of the activities described above respond directly to the LAC Strategy and the Summit of the Americas Plan, both of which prescribe activities in free trade, and poverty eradication and the responsiveness of countries to the needs of their populations, especially those of vulnerable groups.

## **2. Mission Performance on Strategic Objective**

This SO is new and was presented for the first time in last year's Action Plan. The SO indicators of achievement are as follows: Reduction in internationally recognized poverty indicators, Net income of small enterprises increasing, Net income of selected (USAID assisted) microenterprises increasing in both urban and rural areas, Percentage of small farmers with increasing real agricultural income. The impact of USAID's program on these SO indicators will take several years to become evident. However, progress is more readily evident in the Program Outcomes and their indicators. These are discussed below.

### **PO 1: Improved social and economic policies.**

In 1994, USAID/Ecuador redesigned the Policy Dialogue & Implementation (PDI) Project as the primary vehicle contributing toward Program Outcome 1. During FY 95, the Mission will design a new Microenterprise Assistance & Strengthening (MAS) Results Package as the major project supporting Program Outcome 2. Bearing in mind the newness of SO 1 and the ongoing design process, the following accomplishments occurred in support of SO 1.

With the redesigned PDI Project, Fundación Ecuador and INCAE are working together to assist the GOE in preparation of the GOE's social policy agenda. PO Indicator 1.1 is the **Development and Initial Implementation of a Coherent Social Policy Agenda.**

During 1994, Fundación Ecuador, in partnership with INCAE and USAID/Ecuador, began the process of analysis and informing Ecuadorian public and private sector leaders regarding models of social sector reform by bringing to Ecuador top international experts on the overall social sector reform experience in Latin America, particularly Chile, in social security and education reform. This timely technical assistance helped to shape the Ministry of Social Welfare's nascent development of social policy and raised the Ministry of Education's and private sector's awareness of serious, basic problems in education administration and targeting. With USAID-funded technical assistance, the Fundación Ecuador and INCAE have also explored private sector alternatives in social security reform, which are now being considered in the Ecuadorian Congress.

Another Program Outcome Indicator is **1.3 Policy Initiatives toward**

**Free Trade Agreement Membership.** Working through the Fundación Ecuador, USAID played a catalytic role in this area by developing the Capital Markets Law and providing technical assistance for a regulatory function. USAID/Ecuador then lined up major follow-up support by the IDB in stock market development.

Other steps taken by the GOE which are conducive toward **free trade agreement membership** and contributed to the World Trade Council's imminent approval of Ecuador for GATT membership, include the elimination of many unnecessary and market-distorting regulations, including reducing tariffs on imported finished products. Ecuador's tariff schedule is now based on the GATT's harmonized system of nomenclature.

Based upon USTR and GATT trade reform analyses and training (provided through a buy-in to the USAID centrally-funded Ag Policy Analysis III Project, modifications were negotiated to further reduce the GOE agricultural price band system and achieve an overall reduction and uniformity of tariffs. Nominal rates of protection on wheat, rice and hard corn were thus reduced from their 1992 levels of 15, 2, and 25 percent, respectively, to -4, -9 and 2 percent.

Measures to attract investment also helped Ecuador in achieving free trade agreement membership. With strong economic policy reform advocacy from Fundación Ecuador and the Ecuadorian Federation of Exporters (FEDEXPOR), investment liberalization measures were implemented by the GOE which provided foreign investors with equal treatment and eliminated prior authorization requirements for investment in most industries. Importantly, a bilateral investment treaty that provides free transfers and a binding arbitration dispute settlement procedure was signed with the United States in August 1993 and ratified by Ecuador's Congress in September 1994.

Further examples of Fundación Ecuador and FEDEXPOR lobbying efforts influencing the GOE to upgrade its business climate leading toward accession to new regional Free Trade Agreements include: GOE implementation of a new customs reform law to reduce corruption and improve efficiency in the customs service; and Ecuador's Congress is in the process of enacting legislation to harmonize local law with the U.S./Ecuador Intellectual Property Rights Agreement signed in 1993.

Continued mission support during 1994 to the six-year old Agricultural Policy Institute (the IDEA Foundation - an NGO dedicated to economic and social policy analysis, dialogue and reform) culminated in the promulgation and passage of a new Agrarian Law in June 1994, in what many Ecuadorians consider to be the most significant piece of socio-economic reform in 30 years. Thus, PO Indicator No. 1.4, Legislation enacted and implemented to provide tenancy security and ease land transfers, was achieved

during 1994. The new law, conceived and promoted under the IDEA Foundation's sponsorship, is expected to dramatically increase rural economic growth, guarantee property rights, promote increased participation by indigenous peoples in self-governance and sustainable management of the nation's unique biodiversity, and enable the development of efficient and transparent land markets. Passage of the new law, which simultaneously eliminated the government's power to set commodity prices and delivery quotas, enabled the IDB and World Bank to finalize over \$180 million in loans and grants to modernize the sector.

In **privatization** (PO Indicator 1.5) and capital markets development, the GOE concluded in an open and transparent manner the sale of state-owned enterprises utilizing advice and guidance from a USAID-funded contractor. The GOE's National Council of Modernization of the State (CONAM), with USAID contractor technical services, developed the capacity to attract privatization assistance from World Bank, Inter-american Development Bank, and Corporación Andina de Fomento. Fundación Ecuador provided a technical assistance team to establish a Securities Exchange Commission-type agency and prepare the appropriate implementing regulations. Two results were notable: (1) several privatization transactions were conducted through the upgraded and transparent stock markets; and, (2) the GOE's regulatory agency has become a successful model for modernization of a state bureaucracy in Ecuador as it has substantially reduced its work force in an efficient manner.

The Mission is assisted by RHUDO/SA in its efforts to achieve PO Indicator 1.6, **Markets facilitated to mobilize savings for housing finance**. In May 1993, the National Congress passed a law approving the use of the Constant Value Unit (UVC), an accounting unit indexed to inflation. During 1994 the UVC implementation regulations were published. The UVC increases low-income families access to credit by protecting them from the effects of inflation. Currently, the Ecuadorian Housing Bank and credit unions refinance and lend to low-income families in UVCs. Mission and RHUDO efforts have also resulted in the establishment of a secondary mortgage bank, formed primarily with private capital from twenty-one financial institutions. Several housing cooperatives with low-income portfolios are participating in this mortgage bank.

**PO 2: Expanded opportunities and participation by low-income groups**

Achievement of most of this Program Outcome Indicators depend on implementation of the Microenterprise Assistance & Strengthening Results Package which is expected to be authorized in FY 95. However, much has been achieved under several of the mature activities which were phased-out in 1994. Those accomplishments contributed to the Program Outcome.

-- The Non-Traditional Agricultural Exports (NTAE) and Non-Traditional Industrial Export activities achieved extraordinary successes. They generated more than \$125,000 million in total non-traditional exports; they created 60,000 new jobs; and, they assisted more than 2,000 new mostly small producers. Most importantly, 65 percent of the new producers are women. There are now six new NTAE products exceeding projected annual export value of \$2 million.

--The Mission/RHUDO is providing assistance to International NGOs involved in the shelter sector. Technical assistance to a U.S. NGO, PLAN International, builds sustainability in their low-income housing programs. Currently, PLAN International spends over \$2 million a year on home improvement programs in Ecuador's slums reaching the poorest of the poor. (Average monthly income between \$60 - \$100). USAID support has assisted the NGO in establishing rotating loan funds that will double, every two years, the housing resources available to meet the needs of these very low-income families. Assistance to the Cooperative Housing Foundation (CHF) has resulted in Ecuadorian credit unions gaining access to \$1.5 million for 1,000 new housing loans to low income families.

### **3. Economic and Political Developments**

With the escalating hostilities between Ecuador and Peru in January and February 1995, the impact upon the Ecuadorian economy has been keenly felt by small- and micro-entrepreneurs. In late January and early February, Ecuadorian banks (reacting to the Government of Ecuador's monetary and fiscal policy decisions) rapidly raised interest rates and restricted new lending. USAID\Ecuador's Microenterprise Assistance & Strengthening Results Package contemplates working with experienced NGOs wishing to establish licensed, leveraged financial institutions aimed at delivering quality financial services (credit and savings programs) to microentrepreneurs.

Due to the following factors, it is possible our design effort may be delayed if a cease fire and peace agreement are not achieved within the immediate future. Fundación Ecuatoriana de Desarrollo (FED), working with ACCION International and this mission, is currently preparing a detailed financial feasibility study upon which to establish a microenterprise-oriented finance company. FED's \$5 million loan portfolio is a key component of the study. In early February 1995, an Ecuadorian private sector bank raised FED's working capital loan interest rate from 45 percent to 105 percent. Reflecting hardships and uncertainties in the local economy, microentrepreneur clients\borrowers delayed making payments or made partial payments on their FED loans. Dealing with this problems may delay FED's participation in designing the project and the start of implementation.

#### **4. Poverty Reduction**

Activities which are described under the PO Outcome No. 2, Expanded opportunities and participation by low-income groups, naturally contribute to poverty reduction. The employment generation, small enterprise creation and low income housing achievements described above led to poverty reduction. The Mission's comprehensive program in poverty reduction will be packaged in the MAS Results Package to be authorized towards the end of 1995. Other direct poverty reduction efforts are described below.

In early October, CARE International received and monetized USAID's \$3 million Title II donation of commodities, to establish a mechanism through the GOE's Emergency Social Investment Fund (FISE) in order to promote and support productive and environmental projects submitted by NGOs and PVOs from Ecuador's poorest rural, peri-urban and indigenous regions. FISE has now approved nearly 3,000 projects (\$50 million) for school buildings, child care centers, health centers, sewage systems, potable water and productive environmental activities, all benefitting approximately 3 million Ecuadorians in extreme poverty. USAID's seed capital of \$4.5 million in ESF local currency provided in 1993 mobilized contributions of approximately \$30 million each from the World Bank, IDB and Andean Development Corporation, making the total FISE funding approximately \$125 million.

The Mission's final investment to consolidate the Agricultural Sector Reorientation Project's data collection and (more importantly) short and medium term policy analysis units into the Ministry of Agriculture's new Policy Sub-Secretariat provided tangible and additive results. The timely and well-conceived analyses resulted in a \$20 million increase in the value of rice production (mostly by small farmers) over what would have occurred without the reforms, and an increase of over \$100 million from 1993, thus providing significant direct increases in the real incomes of over 150,000 people who depend directly on rice production as their major source of income.

#### **5. Highlights of Results of Mission Activities**

- The GOE expanded its Emergency Social Investment Fund (FISE) and initiated an important process for developing a comprehensive social policy reform agenda that can better address the country's serious poverty problems. This agenda includes structural reforms in education, health, social security, housing and social welfare that can better target resources to the poorest and most vulnerable groups.
- New initiatives were begun to expand credit for microenterprises and develop new microenterprise financing mechanisms.
- Promulgation and passage of new Agrarian Development Law and Commodity Producer Association Law, and derogation of legislation enabling government to set commodity prices and delivery orders.

- Reduction in price-band system, resulting in further reductions of nominal rates of protection for six major commodities.
- Turnover of former GOE grain marketing facilities to the private sector, resulting in \$20 million increase in value of rice production (mostly small farmers), directly increasing income of over 150,000 people.
- In a major breakthrough, Ecuador and the U.S. signed a bilateral intellectual property rights agreement in October 1993. The Ecuadorian Congress is in the process of enacting legislation to harmonize local law with the agreements's requirements
- As a result of USAID's catalytic technical assistance and IDB's follow-up activities, the increase in stock market trading volume continued in 1994 with share trades reaching \$297 million, up 69 percent from \$134 million in 1993. The volume of trading in public and private sector debt paper on the capital market also rose to approximately \$303 million in 1994, up from \$112 million in 1993.
- With the expansion of the GOE privatization program, Ecuador's stock markets expanded remarkably. The GOE sold state-owned enterprises in the cement, sugar and wood industries plus privatizing public services, e.g., customs and some postal services.
- In 1994, the investment environment improved significantly. Many unnecessary and market-distorting regulations were eliminated. With a few exceptions for pharmaceuticals and some foodstuffs, all prices are now set by the free market.
- In 1994, Ecuador demonstrated its commitment to joining GATT by reducing tariffs on imported finished products. GATT accession is imminent.

#### Small Business Firms and Microenterprises are Creating Jobs in Ecuador.....

Ecuador is witnessing the merging of lessons learned and achievements made by PROEXANT and FEDEXPOR with microcredit financial institutions established by NGOs. Those NGOs are meeting the needs of the poor by assisting small firms and microenterprises to expand production and productivity, thus creating jobs and increasing household income among Ecuador's poor.

In Ecuador, microenterprises are a major path through which poor people participate in the economy, an important source of income and employment. In 1994 and prior years, USAID/Ecuador worked closely with two project counterpart NGOs, PROEXANT and FEDEXPOR, to expand the outreach and efficiency of backward and forward production and distribution linkages to increase production and productivity. In recent years, our non-traditional agricultural and industrial export project counterparts, PROEXANT and FEDEXPOR, achieved extraordinary success. They generated more than \$125 million in total non-traditional agricultural and industrial exports; they created 60,000 new jobs; and, they assisted more than 2000 new producers, most of them small- and micro-enterprises. Most importantly, 65% of the new producers are women.

In 1995 USAID's new Microenterprise Assistance & Strengthening Project counterparts will increase income and employment among the poor and marginalized segments of society. The licensed, leveraged financial institutions to be established this year by our MAS Project counterpart NGOs will build upon the success established by PROEXANT and FEDEXPOR.

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

PROGRAM OUTCOME NO. 1 Improved social and economic policies	PROGRAM OUTCOME NO. 2 Expanded opportunities and participation by low-income groups in a growing market economy
Projects (Number\Title)	Projects (Number\Title)
518-0051 Agricultural Sector Reorientation (phase-out, FY 95)	518-0068 Agricultural Research, Extension, and Education (phase-out, FY 95)
518-0094 Trade and Investment (phase-out, FY 95)	518-0076 Shelter Sector Technical Assistance (phase-out, FY 96)
940-0406 Microenterprise Innovation Project G/EG/MD	PL-480 Title II CARE-FISE-NGO Support Fund (new start, FY 94)
518-0089 Policy Dialogue and Implementation	518-0121 Microenterprise Assistance & Strengthening (new start, FY 95)
518-0118 Training for Development (new start, FY 96)	518-0004 Special Development Activities
Trade and Investment Development (LAC)	Regional Low-Cost Housing (CHF)
940-0025 Financial Sector Development II G/EG	LAC-TECH Project (LAC)
940-0016 Privatization and Development G/EG	936-5448 Growth and Equity through Microenterprise Investments and (G-EG)
Post-NAFTA Free Trade (LAC)	Cooperative Agreement with FINCA
Financial Sector Reform for Small and Microenterprises (Proposed LAC)	940-0401 Microenterprise Impact Evaluation System G/EG
936-4201 Agricultural Policy Analysis (APAP) III G/EG	940-0406 Microenterprise Innovation Project G/EG/MD
936-0900 The International Law Development Institute G/EG	
598-0807 LAC TECH II G/EG	

Ecuador

STRATEGIC OBJECTIVE No. 1

Increase sustainable growth for a broad base of the population

SO Indicator No. 1.1 Social Sector Indicators

Unit: Percentage improvements in social sector indicators

Source: World Bank, SECAP and INEC

Comments: The Mission decided to include social sector indicators because SO 1 has a heavy emphasis on social policy reforms to reduce poverty, as well as improvement in economic conditions to increase sustainable growth. As a result, it is using the Living Standards Measurement Survey (LSMS) initiated in Ecuador by the World Bank in 1994. The LSMS is financed by the World Bank through a project with SECAP (Servicio Ecuatoriano de Capacitación Profesional) through 1997 and then it will be institutionalized on a yearly basis by the GOE's INEC. The Mission has selected four social indicators from the LSMS: health (H), basic services (S), education (Ed), and household expenditures (Ex) of the poor. The Mission will incorporate changes in the four indicators during late 1995 as they become available.

\* The planned indicators marked to be determined (TDB) will be established in July 1995, once they are compared to the 1994 data.

Year	Planned	Actual
1995	(H) TDB* (S) TDB (Ed) TDB (Ex) TDB	(H) N.A. (S) N.A. (Ed) N.A. (Ex) N.A.
1996	(H) TDB (S) TDB (Ed) TDB (Ex) TDB	(H) N.A. (S) N.A. (Ed) N.A. (Ex) N.A.
1997	(H) TDB (S) TDB (Ed) TDB (Ex) TDB	(H) N.A. (S) N.A. (Ed) N.A. (Ex) N.A.
1998	(H) TDB (S) TDB (Ed) TDB (Ex) TDB	(H) N.A. (S) N.A. (Ed) N.A. (Ex) N.A.
1999	(H) TDB (S) TDB (Ed) TDB (Ex) TDB	(H) N.A. (S) N.A. (Ed) N.A. (Ex) N.A.
2000	(H) TDB (S) TDB (Ed) TDB (Ex) TDB	(H) N.A. (S) N.A. (Ed) N.A. (Ex) N.A.

Strategic Objective Performance

ECUADOR		STRATEGIC OBJECTIVE NO. 1 Increase sustainable economic growth for a broad base of the population			
SO Indicator No. 1.2: Net incomes of small and microenterprises increasing in both urban and rural areas.		Year	Planned	Actual	
<p>Unit: Percentage increase in real terms</p> <p>Source: INEC and Fundación Ecuatoriana de Desarrollo (FED)</p> <p>Comments: These indicators compliment the social indicators above and reflect the complimentary relationship between the activities of both the Policy Dialogue &amp; Implementation Project and the Microenterprise Development (MSE) project. USAID objectives cannot be met without policy reforms designed to remove the numerous obstacles that impede both small enterprise and MSE productivity and growth. Secondly, this data is used to show the trend in nationwide small enterprise performance (N), which can then be compared to the performance of the MSEs in urban and rural areas, supported by the Microenterprise Assistance and Strengthening project (M). As the frontier conflict between Ecuador and Peru adversely affected the FED's borrowers, the baseline net income data which was going to be generated in early 1995 has been delayed until mid - 1995, assuming the conflict is resolved soon. The village banking component of the MAS project is expected to be implemented in 1997.</p> <p>(i.e. <math>\frac{\Delta M}{\Delta N} &gt; 1</math> = positive project impact)</p>	Baseline	1991	(M) N.A.	(N) 44% (M) N.A.	
		1992	(M) N.A.	(N) 10% (M) N.A.	
		1993	(M) N.A.	(N) 14% (M) N.A.	
		1994	(M) N.A.	(N) N.A. (M) N.A.	
		1995	(M) T.B.D.	(N) N.A. (M) N.A.	
		1996	(M) T.B.D.	(N) N.A. (M) N.A.	
		1997	(M) T.B.D.	(N) N.A. (M) N.A.	
		1998	(M) T.B.D.	(N) N.A. (M) N.A.	
		1999	(M) T.B.D.	(N) N.A. (M) N.A.	
		2000	(M) T.B.D.	(N) N.A. (M) N.A.	
	Target				
SO Indicator No. 2.1: Percentage of small farmers with increasing real agricultural incomes		Year	Planned	Actual	
<p>Unit: Percentage change in small farmer incomes</p> <p>Source: Ministry of Agriculture</p> <p>Comments: The Mission included this indicator to measure policy reform impact because of the importance of agriculture in the Ecuadorian economy. Moreover, previous USAID/Ecuador Ag. Sector projects played a significant role in influencing IDB's Agricultural Sector Loan to Ecuador for \$93 million.</p> <p>Due to a delay in a World Bank project with the Ministry of Agriculture that will improve agriculture statistics, the baseline date has been postponed to 1995. USAID has received information that household income of small farmers will be produced as part of the World Bank Project. Another source will be data obtained from a national rural household survey that will be carried out in 1996 or 1997.</p>	Baseline	1995	TBD	N.A.	
		1996	TBD	N.A.	
		1997	TBD	N.A.	
		1998	TBD	N.A.	
		1999	TBD	N.A.	
		2000	TBD	N.A.	
	Target				

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: GOE Development of a (detailed) social policy				
Unit: A consensus on a National Program	Year	Planned	Actual	
Source: Fundación Ecuador	1994	none	none	
<p>Comments: The PDIS project with its two major counterpart organizations - Fundación Ecuador and IMCAE are working together to help design, and develop a social marketing strategy that will help Ecuador reach a consensus on a Social Policy Reform Agenda.</p>	1995	none	none	
	1996	Design of a social policy reform agenda	N.A.	
	1997	Discussion of the agenda	N.A.	
	1998	Implementation of the agenda	N.A.	
	1999	Implementation of the agenda	N.A.	
	2000	Implementation of the agenda	N.A.	
PO Indicator No. 1.2: Reductions in the Nominal Rates of Protection (NPR)				
Unit: Nominal Protection Rates (NPR)	Year	Planned	Actual	
Source: World Bank, and Policy Analysis Unit of the MAG	1992	N.A.	(W) 14.6% (R) 1.60% (C) 23.0%	
<p>Comments: The Policy Analysis Unit of the MAG selected 9 products and calculated their NPR utilizing an adjusted shadow exchange rate with available statistical data. The 9 products include: wheat, rice, corn, soya, palm oil, refined sugar, barley, powdered milk, and chicken meat. It was decided to include in the indicators only the most significant products - wheat (W), rice (R) and corn (C), to simplify the presentation. Planned rates were not available as the GOE has been accelerating its trade liberalization program since 1992. Decreases in the rates show decreasing rates of protection. Negative signs for some rates indicate that there is excessive openness and rents can be made from importing these alternative products. The ideal rate is zero.</p>	1993	N.A.	(W) 6.90% (R) -21.3% (C) -14.2%	
	1994	N.A.	(W) -3.5% (R) -6.9% (C) 2.1%	
	1995	(W) 0% (R) 0% (C) 0%	N.A.	
	1996	(W) 0% (R) 0% (C) 0%	N.A.	
	1997	(W) 0% (R) 0% (C) 0%	N.A.	
	Target			N.A.

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: Policy Initiatives towards accession to the Free Trade Area of the Americas				
Unit: Status of policies, codes and legislation	Year	Planned	Actual	
Source: USAID counterpart and International Financial Institutions (IFIs)	1994	Commercial code drafted	CC 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	Private sector preparing CC for presentation to Congress, FI law enacted in 1994.	
	1996	Financial Institutions law implementation regulations published	F.I. law implementing regulations published in 1994.	
	1997	Commercial code implementing regulations published; Intellectual Property Rights enacted	Bilateral (Ecuador & U.S.) IPR Agreement signed Oct. 1993. Legislation is in process to harmonize local law with the agreement's requirements.	
	1998	Ecuador near accession to Free Trade Area of the Americas	N.A.	
Target	2000	Ecuador is ready for accession	N.A.	

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. 1.4: 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: This historical amendment to the land Reforma was made possible through USAID's counterpart agricultural reform NGO, IDEA (Instituto de Estrategias Agropecuarias).	1994	Presented to Congress and enacted	Achieved	
	1995	Implementing regulations published	Achieved	
	1996	Continuing successful implementation	N.A.	
PO Indicator No. 1.5: Privatization				
Unit: Number of public entities sold	Year	Planned	Actual	
Source: CONAM  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	N.A.	
	1996	3	N.A.	
	1997	3	N.A.	
	1998	5	N.A.	

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. 1.6: Markets facilitated to mobilize savings for housing finance					
Baseline	Year	Planned	Actual		
<p>Unit: Policy benchmarks</p> <p>Source: Ministry of Urban Development and Housing and private statistical institutions</p> <p>Comments: Since last year's, action plan significant progress has been made toward meeting planned outputs: 14 participating financial institutions received approval of US\$ 2,000,000 for UVC lending with USAID HG007. In addition, 22 financial institutions had made commitments to participate in 60 percent of the equity to establish a privately managed second story mortgage bank. The Superintendency of Banks approved the request for the operation of the Second Story Mortgage Bank (SSMB). As a result, the 1997 target has been modified to reflect these results. The new target is the implementation of a "Housing Subsidy Policy".</p>	1993	UVC Legislation presented	UVC law enacted		
	1994	UVC implementation regulations published; Mortgage refinancings in UVCs	UVC implemented; mortgage refinancings initiated in UVCs		
	1995	Establishment of Secondary Mortgage Bank	1. Approved by the Superintendency of Banks. 2. Housing Subsidy Policy already designed.		
	1996	Housing Subsidy Policy Design	Done in 1995		
	1997	Housing Subsidy Policy implemented	N.A.		
	1998	Mortgage-backed securities issued on stock market	N.A.		
	1999	TBD	N.A.		
	2000	TBD	N.A.		
	Target				

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: Percentage change in total amount of loans to selected microenterprises compared with percentage change in total amount of loans under US\$ 400 dollars by institutions supervised by the Superintendency of Banks				
Unit: Percentage Increase in Loans	Year	Planned	Actual	
<p>Source: Ecuadorian Development Foundation (FED), National Development Bank (BNF), ASCMICRO, Banco del Pacifico and INEC</p> <p>Comments: This indicator is based on data collected by USAID counterparts and Superintendency of Banks. We propose that any positive change in the ratio between the target group assisted by the MASS Project and the control group monitored by the Superintendency of Banks, that is greater than 1 indicates project impact. Our plan target of 1.2 indicates that our target groups will be increasing at a rate of 20% higher than the national control group.</p> <p>(i.e. <math>\frac{\Delta I}{\Delta N} &gt; 1</math> = positive project impact)</p>	1995	N.A.	N.A.	
	1996	1.2	N.A.	
	1997	1.2	N.A.	
	1998	1.2	N.A.	
	1999	1.2	N.A.	
	2000	1.2	N.A.	
Target				
PO Indicator No. 2.2: Increase in employment change in selected micro and small enterprises compared with nationwide employment change				
Unit: Percentage Increase in Employment	Year	Planned	Actual	
<p>Source: USAID counterparts and INEM</p> <p>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 group assisted by the MASS Project and the control group greater than 1 indicates project impact.</p> <p>(i.e. <math>\frac{\Delta I}{\Delta N} &gt; 1</math> = positive project impact)</p>	1995	N.A.	N.A.	
	1996	1.2	N.A.	
	1997	1.2	N.A.	
	1998	1.2	N.A.	
	1999	1.2	N.A.	
	2000	1.2	N.A.	
Target				

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: Growth of selected microenterprises						
Unit: Change in sales + total assets		Year	Planned	Actual		
Source: FED		1995	T.B.D	N.A.		
Comments: This indicator should be available in late 1995 following MAS project authorization.		1996	T.B.D	N.A.		
		1997	T.B.D	N.A.		
		1998	T.B.D	N.A.		
		1999	T.B.D	N.A.		
PO Indicator No. 2.4: 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.		Year	Planned	Actual		
Source: Ministry of Urban Development and Housing		1993	N.A.	N.A.		
Comments: This indicator measures the ability of the private sector to mobilize resources to address the shelter needs of low income groups.		1994	1,000	2,133		
		1995	2,000	N.A.		
		1996	5,000	N.A.		
		1997	9,000	N.A.		
		1998	10,000	N.A.		

## II. PERFORMANCE REPORT

### B. Stabilizing World Population Growth and Protecting Human Health

Mission Strategic Objective 2:      Reduce Levels of Mortality and Fertility to Levels which are Commensurate with Sustainable Development.

#### 1. Relationship of Strategic Objective to Agency Goals

This SO directly supports the Agency goals of reducing high rates of population growth as well as LAC Regional Strategies for supporting programs in population, health, and nutrition. Traditionally high rates of fertility and mortality (especially infant mortality) have had a significant negative effect on Ecuador's ability to sustain development progress. This is especially true among the poor and among the indigenous rural populations, where poor access and quality of health services is compounded by large family sizes and their inability to meet the basic human requirements of food, nutrition, health, and education of the family members.

The SO contributes to the Agency goals through a combination of projects, policy dialogue, and donor coordination. The target for the SO is to reduce the total fertility rate from 3.8 children per woman in 1989 to 3.0 in 2000; and to reduce the infant mortality rate from 53.0 in 1989 to 30.0 in 2000. Unlike the other SOs, this SO uses the year 2000 as its target for the following reasons: 1) The Ministry of Health, CONADE, and NGO think tanks utilize the year 2000 as a benchmark for accomplishment of a number of social sector targets. These targets have been established in conjunction with other donors, such as UNICEF, PAHO, and UNFPA, and are consonant with international declarations, including the Declaration of the Rights of the Child (UNICEF, 1990) and the Plan of Action of Population (Cairo, UNFPA 1994); 2) With continued success in this area, USAID is in a position to begin planning on a strategy for phasing out this SO. The year 2000 coincides with the completion of the Child Survival Project (1999) and the proposed Population and Family Planning project (2000); 3) One of the most important means of independent verification of many of the indicators is the national demographic and health survey. Since the next one is planned for 1999, it will coincide with the target benchmarks.

#### 2. Mission Performance on Strategic Objective

At the Strategic Objective Level, the performance of the SO has been excellent. During 1994, a National Demographic and Health Survey (ENDEMAIN - 94) was carried out and the results show the

success of mission activities: the total fertility rate has fallen from 3.8 in 1989 to 3.6 in 1994; the infant mortality rate has fallen from 53.0 in 1989 to 40.0 in 1994.

The success of the SO goes far beyond the statistics. In population and family planning, the two local family planning NGO service providers have embarked on a strategic planning direction that will lead to their "graduation" from USAID support. This particular objective has been a centerpiece of USAID assistance since 1991, when the Health and Family Planning Project (518-0084) started. With this Action Plan, the Mission is proposing a follow-on activity which will begin in FY 97 and continue through FY 2000. This will complete ten years of "transition" assistance to the two organizations whereby they will graduate from two small organizations with low coverage, no cost recovery, and primitive management and information systems to organizations covering virtually the entire geographical expanse of the country, high levels of cost recovery, established endowments, and business practices based on concepts of decentralized management, franchise and micro enterprise techniques.

The policy dialogue efforts in population have also been highly successful. As a result of continuous awareness raising and public information regarding population topics, over 90 percent of the population is in favor of family planning and know of at least one kind of family planning method. However this knowledge and acceptance of family planning across population groups did not translate into the GOE's official position at the Cairo Population Conference. At this Conference, strong conservative elements within the government prevailed, which resulted in a highly conservative stance, reflecting the Vatican's position on reproductive rights. Despite this official stance, the policy dialogue activities of the SO and the close coordination that has been maintained with UNFPA resulted in a final Ecuadorian Population Plan of Action that is moderate and in keeping with the recommendations of the Cairo Conference's Plan of Action.

The success of the child survival activities, though not as generalized and impressive as those in

population, have been equally important. As a result of the SO efforts, there have been a number of success stories regarding the improvement of service delivery by the Ministry of Public Health.

#### Good Business Practices

In the province of Ibarra, the director of the provincial hospital utilized management tools and training provided by the Child Survival and Health Project (518-0071) to improve efficiencies and cut costs. As a direct result of these efforts, the hospital now has an accounting system by separate cost centers, has reduced overall operational costs, and improved the quality of care in all areas. This approach has spread to the remainder of the province, including health areas and health posts. The Provincial Directorate of Health is now able to meet a much greater percent of its needs without additional financial or human resources.

The SO's policy dialogue activities in child survival have continued on strong footing since last year. The Ministries of Health and of Social Welfare have joined forces in conjunction with the Presidential Commission on Modernization of the State to establish an Interagency Commission on Health Sector Reform. USAID was invited to participate in this Commission, and has done so at both the technical and policy levels. The inputs of SO team members have been invaluable in shaping the reform process.

Donor coordination has been especially important in the achievement of this SO. With UNFPA, in addition to coordinating strategies for the Cairo Population Conference, USAID has coordinated a number of programmatic activities, such as establishing a unified contraceptive logistic system, unifying the support being provided to the Ministry of Health and to CONADE. Continued success in the SO will depend on UNFPA's ability to provide support in population matters. With the World Bank, USAID has maintained very close coordination, including the sharing of consultants and review of work plans. Moreover, USAID was instrumental in modifying the initial design of the World Bank project which was overly ambitious. USAID also coordinates with IDB and their activities related to policy reform and water and sanitation programs. Together, the World Bank and the IDB are important partners in improving health services. The USAID strategy in the health sector is based on the assumption that the World Bank and the IDB will focus their support on public sector institutions, thus leaving USAID to support the private sector groups. If the World Bank and IDB drop their support, USAID will need to reconsider their strategy as well.

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

Progress towards this outcome has been excellent. The national contraceptive prevalence rate increased from 52.9 percent in 1989 to 56.8 percent in 1994; the prevalence of diarrheal disease in the population under age 1 decreased from 25 percent to 19.2 percent; and the population under age 1 that is fully immunized with DPT3 increased from 68.7 percent to 79.5 percent.

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

Progress under this outcome has been steady. While data are not yet available for 1994, preliminary indications are that public sector health units are increasingly applying the family planning and maternal and child health norms and count with effective cold chains. At another level, the national demographic and health survey (Endemain -94) shows that 80 percent of all users of family planning methods utilize a modern and efficacious method.

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

Progress under this outcome has been excellent for family planning, and steady for selected health services. The two major family planning NGOs, APROFE and CEMOPLAF, have increased their levels of cost recovery from 30 percent in 1989 to 62 percent in 1994. User fee systems in the public sector have been put on hold by the newly appointed minister of health. This issue will be one of the main points to be followed up in the SO's policy dialogue agenda. In water and sanitation, the merging of the previously independent Water and Sanitation Institute (IEOS) with the newly created Ministry of Urban Development and Housing (MINDUVI) has resulted in a new policy for the design and delivery of potable water and sanitation services to urban and rural areas. The policy document is being finalized and initial pilot activities are being carried out. The SO's support for water and sanitation will end with the termination of the WASHED (518-0081) project this summer. A very positive development has been the Work Bank decision to pick up the water and sanitation activities under its sector loan to the tune of \$13 million. The WASHED technical assistance team is currently preparing technical packages for World Bank follow-up.

It is for this Program Outcome that policy dialogue and donor coordination are the most important. The USAID strategy in this sense is based on the belief that an "enabling policy environment", which allows for widespread access to health and family planning services, which provides factual information to consumers at all levels, and which guarantees a minimum level of quality of care, is crucial for all services and for the sustainability of those services. Moreover, USAID is well aware that such a policy environment can not be established by one donor alone. A concerted effort by all donors is necessary. USAID not only coordinates with donors at the country level, but relies on international fora and declarations that specify goals and targets which are related to this SO. Thus for example, USAID has worked closely with its partners in identifying the targets to be established in the National Child Survival Plan of Action, which is the outcome of the UNICEF World Summit for Children. Likewise, the targets established in the National Population Plan of Action which is the outcome of the UN International Conference on Population and Development have been reviewed and discussed by USAID and other partners.

**3. Economic and Political Developments**

The principal development affecting this SO has been the change in the Minister of Health, which occurred in the second half of 1994. Although the new Minister's policies are in line with USAID's policy agenda, the change in the entire top leadership of the Ministry of Health has created significant chaos. The Minister is not an experienced administrator and knows little about public health. His lack of experience has been severely tested by a

nationwide strike by health workers, a renewed outbreak of cholera, and more recently, the border conflict between Peru and Ecuador. These events have slowed the implementation of routine child survival interventions, and has postponed a planned national immunization campaign against neonatal tetanus.

#### **4. Poverty Reduction**

This SO has had an indirect effect on poverty reduction. Smaller and healthier families are able to better provide basic needs for their children. The evidence over the past fifteen years is that the SO has had a significant impact in rural areas where poverty levels are greater. Thus, increases in contraceptive use, declines in diarrheal disease, and coverage of immunization in program-assisted areas have all kept up with or have exceeded national averages. Given the high marginal cost of reaching these rural areas, the improvements point to an evident success in empowering women and families with the basic conditions (smaller and healthier families) to allow them to improve their economic conditions.

#### **5. Highlights of Results of Mission Activities**

- The "unmet need" for family planning services has been reduced to 9 percent.
- Immunization coverage rates for BCG exceed 90 percent. For DPT, polio, and measles, the coverage is nearly 80 percent.
- The two major family planning NGOs have exceeded the 60 percent cost recovery levels.
- Nearly 96 percent of women with young children are breastfeeding.
- Nearly 80 percent of all contraceptive use corresponds to modern, efficacious and safe methods.

6. Table 1: Strategic Objective Tree (Attached)

7. Table 2: Strategic Objective Performance (Attached)

Strategic Objective Program Tree

Ecuador	
Agency Goal:	Stabilizing World Population Growth and Protecting Human Health
STRATEGIC OBJECTIVE NO. 2:	Reduce Levels of Mortality and Fertility to Levels which are commensurate with sustainable development

PROGRAM OUTCOME NO. 1	PROGRAM OUTCOME NO. 2	PROGRAM OUTCOME NO. 3
Increased number of users of family planning and selected health services	Improved quality and effectiveness of family planning and selected health services	Improved policy and institutional environment for long-term sustainability of family planning and selected health services
Project (Number/Title)	Project (Number/Title)	Project (Number/Title)
518-0071 Child Survival and Health	518-0071 Child Survival and Health	518-0071 Child Survival and Health
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	*936-3045 Reproductive Health Education	518-0118 Training for Development
*936-3052 Population Communication Services	*936-3052 Population Communication Services	*936-5974.01 Health Finance and Sustainability
*936-3057 Central Contraceptive Procurement	*936-3068 AVSC	*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	*936-5992 Quality Assurance Project	*936-3060 Evaluating Family Planning Impact
	*936-6006 Basics	*936-5970 TAACS Program

\* Centrally and Regionally-funded projects

ECUADOR					
STRATEGIC OBJECTIVE No. 2 Reduce levels of mortality and fertility to levels which are commensurate with sustainable development					
SO Indicator No. 1: Total fertility Rate (TFR)					
Unit:	Average number of children per women in reproductive years	Year	Planned	Actual	
Source:	National Survey	1989	---	3.83	
<p>Comments: This indicator is independently verified every five years through National Demographic and Health Surveys. The target of 3.0 for the year 2000 is consistent with estimates and projections of the GOE (INEC- the national statistical institute), and NGOs (CEPAR). The target is also consistent with the target proposed in the National Population Plan of Action which is also the target accepted by UNFPA. Achievement of this target will depend on continued support for family planning by the public sector institutions and a continued positive policy environment allowing access to family planning services. Assumptions which may affect the achievement of this target include the continued support of other donors, especially UNFPA, continued improvements in women's status, including girl's education, access to employment and other opportunities, and access to democratic processes.</p>	1991	3.75	N.A.		
	1992	3.71	N.A.		
	1993	3.67	N.A.		
	1994	3.60	3.60		
	1995	3.50	N.A.		
	1996	3.40	N.A.		
	1997	3.30	N.A.		
	1998	3.20	N.A.		
	1999	3.10	N.A.		
	2000	3.00	N.A.		
	Baseline				
	Target				
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	
Source:	National Survey	1989	---	53.0	
<p>Comments: This indicator is independently verified every five years by a National Demographic and Health Survey. This indicator is chosen over the childhood mortality rate (number of deaths to children under age 5) because in Ecuador, the majority of childhood mortality occurs before age 1. Thus infant mortality rate more accurately measures the success of primary health care interventions. The target for the year 2000 is somewhat more optimistic than those presented by the Ministry of Health, INEC, and UNICEF in their document "National Plan for Protection of the Child, 1990-2000. The optimism is based on the recent Endemix survey which indicates that infant mortality has been falling faster than expected. If the target of year 2000 is reached, Ecuador will be in a position similar to Chile and Argentina. Continued sector policy reform will be critical to the achievement of this indicator, since most of the improvements in health must take place amongst the hardest to reach populations. As well, other donor input especially PAHO, World Bank, and IDB will be necessary for the achievement of the target.</p>	1991	47.8	N.A.		
	1992	45.2	N.A.		
	1993	42.6	N.A.		
	1994	40.0	40.0		
	1995	37.4	N.A.		
	1996	34.8	N.A.		
	1997	33.0	N.A.		
	1998	32.0	N.A.		
	1999	31.0	N.A.		
	2000	30.0	N.A.		
	Baseline				
	Target				

Strategic Objective Performance

ECUADOR					
STRATEGIC OBJECTIVE No. 2 Reduce levels of mortality and fertility to levels which are commensurate with sustainable development					
PO Indicator No. 1.1: Contraceptive Prevalence Rate					
Unit: Percentage of women in reproductive age currently using a method of contraception	Source: National Survey	Year	Planned	Actual	
<p>Comments: This indicator will be verified independently every five years through a National Demographic Survey. It should be noted that figures reflect all contraceptive methods, including modern and traditional. The target for the year 2000 was established based on current trends and contraceptive use profiles from the Ministry of Health, CONADE, and CEPAR. If the target is achieved, contraceptive use will be similar to 1990-95 levels in Colombia, Mexico, and Costa Rica. Achievement of the target will depend on strong participation by USAID partners, especially UNFPA, and a policy environment which allows for access to family planning methods by all women.</p>	Baseline	1989	---	52.9	
		1992	54.9	N.A.	
		1993	55.5	N.A.	
		1994	56.1	56.8	
		1995	56.8	N.A.	
		1996	57.4	N.A.	
		1997	58.0	N.A.	
		1998	58.8	N.A.	
		1999	59.6	N.A.	
		2000	60.0	N.A.	
	Target				
PO Indicator No. 1.2: Prevalence of Diarrheal Disease in Population Under Age 5					
Unit: Percentage of population under age 5	Source: National Survey and MOH Statistics	Year	Planned	Actual	
<p>Comments: Diarrheal disease continues to be the main cause of mortality for the population under age 5. Declines in the prevalence would indicate increased access and efficiency of primary health care services. The indicator will be verified independently every five years through a National Demographic and Health Survey, and periodically between surveys utilizing MOH statistics. The target for this indicator is based on discussions with MOH. Achievement of this target will depend on MOH's continued priority on primary and preventive health care programs and on other donor resources, especially of World Bank and IDB.</p>	Baseline	1989	---	25.0	
		1992	22.0	N.A.	
		1993	21.0	N.A.	
		1994	20.0	19.2	
		1995	19.0	N.A.	
		1996	18.0	N.A.	
		1997	17.0	N.A.	
		1998	16.0	N.A.	
		1999	15.0	N.A.	
		2000	14.0	N.A.	
	Target				

Strategic Objective Performance

ECUADOR				
STRATEGIC OBJECTIVE NO. 2 Reduce levels of mortality and fertility to levels commensurate with sustainable development				
PO Indicator No. 1.3: Population under age 5 that is fully immunized with DPT3				
Unit: Percentage of the population under age 5	Year	Planned	Actual	
Source: National Survey and MOH Statistics	1989	---	73.1	
<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. The indicator will be independently verified every five years through National Demographic Surveys. Interim data will be provided by MOH statistics. The target for this indicator was established through discussion with MOH officials. Achievement of the target will depend on the continued support of other donors, especially UNICEF and PAHO for biologicals and cold chain equipment.</p>	1992	76.9	79.0	
	1993	79.7	N.A.	
	1994	82.4	79.5	
	1995	85.0	N.A.	
	1996	89.0	N.A.	
	1997	92.0	N.A.	
	1998	95.0	N.A.	
	1999	97.5	N.A.	
Target	2000	100.0	N.A.	
PO Indicator No. 2.1: Number of NGO primary health care providers applying FP/MCH Norms				
Unit: No. of NGO providers supported by USAID.	Year	Planned	Actual	
Source: USAID evaluations and site audits	1995	5	N.A.	
<p>Comments: This is a new indicator arising from the redesign of the Child Survival and Health Project. The NGOs that USAID will support have little or no experience and knowledge of how to provide primary and preventive health care services. Most have provided purely curative and tertiary care. In order to improve the overall quality of health services in the country, it is crucial that NGOs and other private sector providers take an active role in the provision of primary and preventive care. An important assumption for the achievement of this indicator is that the World Bank and IDB will focus their support on public sector entities, while USAID focuses their support on private sector entities.</p>	1996	8	N.A.	
	1997	12	N.A.	
	1998	18	N.A.	
	1999	22	N.A.	
	2000	25	N.A.	
Target				

Strategic Objective Performance

Ecuador				
STRATEGIC OBJECTIVE NO. 2 Reduce levels of mortality and fertility to levels which are commensurate with sustainable development				
PO Indicator No. 2.2: Percent of MOH health centers with a working Cold Chain				
Unit: Percentage of MOH health centers nation wide.	Baseline	Year	Planned	Actual
<p>Source: MOH Statistics</p> <p>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. This indicator will be verified with MOH statistics, and periodically with external audit and evaluation teams. The target established is consonant with the targets accorded to at the UNICEF Summit for Children and Infants. Success in this indicator will depend on the MOH's capacity to operate and maintain the cold chain, and on other donor support for biologicals and other immunization equipment.</p>	Baseline	1989	N.A.	65.0
		1992	N.A.	N.A.
		1993	N.A.	N.A.
		1994	N.A.	N.A.
		1995	85	N.A.
		1996	89	N.A.
		1997	92	N.A.
		1998	94	N.A.
		1999	96	N.A.
		2000	100	N.A.
	Target			

PO Indicator No. 3.1: Percentage of cost recovery of the two main family planning NGO's, APROFE and CENOPLAF				
Unit: Percentage of total costs recovered by own generated resources	Baseline	Year	Planned	Actual
<p>Source: NGO statistics and financial audits</p> <p>Comments: Cost recovery, along with institutional maturity, is crucial to long term sustainability of the family planning organization. This indicator will be verified by NGO statistics and periodic financial audits. The target is based on the assumption that the USAID support for the two organizations will terminate at the end of the century. An equally crucial assumption is that the two organizations, with assistance from USAID, will have established endowments of significant proportions and will have a separate rotating fund for the procurement of contraceptives.</p>	Baseline	1989	---	30
		1992	38	N.A.
		1993	45	50
		1994	50	62
		1995	58	N.A.
		1996	65	N.A.
		1997	70	N.A.
		1998	80	N.A.
		1999	90	N.A.
		2000	100	N.A.
	Target			

Ecuador				
STRATEGIC OBJECTIVE No. 2 Reduce levels of mortality and fertility to levels that are commensurate with sustainable development				
PO Indicator No. 3.2: Ten USAID supported health sector NGOs with an established and effective user fee system				
Unit: Number of NGOs supported by USAID.	Year	Planned	Actual	
Source: NGO statistics and financial audits	1995	0	N.A.	
Comments: This indicator has been changed as a result of the redesign of the Child Survival Project. USAID will support a number of health sector NGOs attain sustainability. An important assumption underlying this indicator is that the public institutions and policies will support the private provision of public services. The policy activities of the Child Survival Project will be crucial to attaining this indicator. Likewise crucial will be continued support for public sector institutions on part of the World Bank and the IDB.	1996	0	N.A.	
	1997	2	N.A.	
	1998	4	N.A.	
	1999	8	N.A.	
	2000	10	N.A.	
Target				
PO Indicator No. 3.3: Ten local and regional water authorities collecting adequate water user fees				
Unit: Number of authorities	Year	Planned	Actual	
Source: GOE Statistics and Independent Evaluations	1989	n.a.	0	
Comments: This indicator responds to the new GOE policy of decentralizing water and sanitation construction, operations, and maintenance to municipalities. The decentralization process implies the transfer of technology and technical assistance to a number of local municipalities. USAID and RHUO will identify ten in conjunction with the Ministry of Housing and Urban Development which will be the targets for concentrated technical assistance. Achievement of this target will depend in large part on the involvement of the World Bank and the IDB in the water and sanitation sector.	1992	1	1	
	1993	2	2	
	1994	2	2	
	1995	3	N.A.	
	1996	4	N.A.	
	1997	5	N.A.	
	1998	7	N.A.	
	1999	9	N.A.	
	2000	10	N.A.	
	Target			

## II. PERFORMANCE REPORT

### C. Building Democracy

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

#### 1. Relationship of Strategic Objective to Agency Goal

An 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; March 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).

#### 2. Mission Performance on Strategic Objective

The progress noted under this SO in last year's Action Plan has continued unabated during the current reporting period. Ecuador's Justice Sector Working Group (JSWG), a strategy formulation and direction body which supports judicial reform, has made significant strides in identifying the principal needs of the sector and in initiating a focussed approach to meeting the needs. The group has been successful in bringing together the country's principal justice sector institutions and elements of the private sector to prepare a Justice Sector Action Plan (JSAP) designed to improve the administration of justice in Ecuador.

The draft JSAP identifies the requirements of the justice sector and is intended to serve as the basic analytical tool to both establish a sound division of labor among the donors and to coordinate the roles to be taken by them in support of the GOE.

This is especially important at this time when the major donors, especially the World Bank and the IDB, have shown keen interest in working in the justice sector.

The draft JSAP has been informally shared with the donor institutions and has received a very positive response from them. Each of the donors has been asked to provide comments, and to begin preparations for their participation in a justice sector donors' coordination meeting, expected to be held in Quito in the next few months. The World Bank is already in the advanced stages of developing a project to improve Supreme Court operations.

Important activities have been undertaken to help the major GOE and private sector entities better understand the judicial reform process and the roles each can most appropriately play. Members of the Supreme Court, the General Attorney's Office, the General Prosecutor's Office and the Chief of Staff's Office participated in observational visits to Uruguay, Argentina, Chile, Colombia, Costa Rica and Puerto Rico to learn about the reform processes. These trips have been valuable experiences for key personnel of the justice sector institutions, including the recently elected President of Ecuador's Supreme Court, and have served to promote greater understanding and support for judicial reform.

Progress in the implementation of the Cooperative Agreement (CA) with the Corporación Latinoamericana para el Desarrollo (CLD) has been excellent. Under the CA's Judicial Reform Constituency Building and Public Education component, CLD has continued to actively promote public understanding of and support for the judicial reform and anti-corruption. Indeed, public awareness of the problems that the judicial system faces and of citizens' rights in a democracy has greatly increased since the signing of the CA. This is demonstrated by the dramatic 400 percent increase in the number of newspaper articles dealing with justice issues. Also, CLD has developed and is implementing a public opinion campaign which is based on the objective of marketing the judicial reform process as a national goal. The campaign consists of a series of advertisements which appear in newspapers and magazines circulated throughout the country.

Under the Judicial Reform Technical Support component, CLD has continued providing the JSWG with technical and secretariat support. Major pieces of legislation have been revised or drafted and are now ready for public discussion. They include the Penal Procedures Code and the Organic Law of the Judicial Function. Also, the JSWGs have played an indispensable role in the discussion and analysis of the constitutional reform process that is currently underway. Working Group participation assures that proposed reforms to the justice system's structure are in consonance with judicial reform efforts.

CLD's institutional strengthening process has continued to move

forward. A major accomplishment was the recent designation of the members of CLD's Board of Directors (BOD) and the election of the Board's President. With these important steps accomplished, the BOD then prepared a strategy to incorporate new members into CLD, and to establish commissions to oversee technical, administrative and fund raising activities. Training of Board members in their principal duties and responsibilities is the next most important step in the continuation of Board development.

Under the Monitoring and Evaluation (M&E) component, CLD has designed a methodology to monitor and evaluate the results of the activity through questionnaires, interviews and focus groups to determine how the reforms (e.g. the cassation law) have impacted on the judicial system and its users. These M&E activities will continue to be carried out in order to establish the need for future reforms and to make adjustments in those already accomplished.

As part of the Justice Reform Support Project, the Supreme Court and CLD collaborated in the design and implementation of a database designed to track criminal cases in Ecuador and to promote human rights of some 9,000 prisoners in Ecuador. The database serves as a powerful instrument to increase the processing capabilities of the country's criminal justice system. Using reports generated by the database, each judge in the nation can quickly determine the length of time each of the prisoners in his jurisdiction have spent in incarceration awaiting trial. Since the database shows how much time each judge uses to move a case forward, this information can be used by a special Supreme Court commission to compare judges' performances. In addition, the database identifies bottlenecks in penal procedures, thereby serving as an effective device for coherent legal reform.

Finally, the system produces a series of interesting facts about the criminal system. Recent data indicates that nearly 6,000 of the 9,000 prisoners are either awaiting trial or sentencing. Take the example of two small cities - Latacunga and Guaranda. They are similar in size, ethnic composition, socio-economic data and general location. Notwithstanding the similarities, data show that in Latacunga 50 percent of the detainees spend less than 8 days in jail, while in Guaranda the average jail time for detainees is a remarkable 657 days.

The Regional Technical Aid Center (RTAC) II Project offers high quality university textbooks of modern editions for sale at affordable prices. Approximately 203,800 books have been purchased by RTAC II as of December 1994. Students who previously had no access to textbooks due to limited financial resources and because very few titles were available in the market, can now afford to choose from a very wide selection of titles. University libraries have also taken advantage of the RTAC catalog and of the affordable prices offered and have restocked their libraries for the first time in years. Students are no longer forced to rely on expensive texts, pirated copies or out-dated professors' notes. The RTAC II texts open up a world of previously unavailable information, exposing students to competing ideas and theories and allowing them to form their own opinions. RTAC texts are now used in the classroom by almost fifty percent of university level professors. This has been achieved also due to the "Academic Support Program" designed to give professors access to new methodologies and teaching techniques through conferences and seminars in universities all over the country. The RTAC II Project in Ecuador

is implemented by the Corporation for the Development of University Education (CODEU), a local NGO.

The Caribbean and Latin America Scholarship Program II (CLASP II)/Ecuador Development Scholarship Program (EDSP) provides short-term and long-term training in the United States to the poor and disenfranchised by requiring that at least 70 percent of all participants be economically, socially or culturally disadvantaged and that a minimum of 40 percent be women. Both targets have been surpassed. In addition, each area of participant study is linked to a Mission SO. CLASP/EDSP participants receive technical training and leadership training. This enables them to share their new knowledge with their community and local organizations, thereby increasing the benefits of training through the multiplier effect. One hundred percent of returned CLASP/EDSP participants report greater effectiveness as a result of their CLASP/EDSP training. CLASP II will be brought to an early close due to budget reductions. No additional participants will be trained during the life of the project and all local activities will terminate in July 1995.

**PO 1: Improved operation of the justice system**

The Justice Reform Support Project improves the governance and effectiveness of the judicial system, thereby increasing access to the judicial system and improving the level of participation in the democratic process. The recently prepared Justice Sector Action Plan (JSAP) will serve as the most important tool to improve the operation of the justice system in the country. The Action Plan is the first GOE effort to identify the requirements of the entire justice sector and enable the GOE and international donors to address the needs through a rational and coordinated allocation of resources.

The JSWG has expanded the government's interest and commitment to justice reform-related issues, thus increasing the level of importance granted to the institutions that form the justice sector. The preparation of the JSAP demonstrates that the Ecuadorian government is willing to dedicate its efforts and resources to improve the justice system in order to better provide for the population's needs for a fair, timely and effective administration of justice. The JSAP will incorporate comments and recommendations from private sector sources in order to ensure broad citizen participation.

Improved operation of the justice system will also be ensured by the recently drafted Organic Law of the Judicial Function. CLD and the Supreme Court have worked together in the drafting of important reforms to this law. The reforms imply major changes to the structure of the court system and the functioning of its judicial and administrative levels. The current law dates from the 1930's and does not respond to the increasing pressures on the justice

system. These efforts are being effectively complemented by CLD's consciousness-raising activities, which will create greater public pressure on the decision makers to approve the necessary reforms. The most important institutional strengthening activity undertaken by CLD is the incorporation of new members to CLD's Board Of Directors and the election of Board officers.

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

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 identified as leaders or potential leaders. The latter requirement ensures that the benefit of the training program will also be shared with members of the participants's community and organization.

During the reporting period, 20 long-term academic participants were sent to the U.S. for training--9 women and 11 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 continue to be very positive.

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

RTAC II offers high-quality, university-level textbooks for sale at affordable prices. Students, professors and university libraries can now afford to purchase high quality textbooks, thereby increasing access to information critical to their education.

RTAC II/Ecuador has met 83 percent of its textbook adoption rate goal, and 100 percent of its textbook "usage in class" goal, according to a survey for the period 1993-1994. To increase the number of professors using texts in the classroom, RTAC II created a data bank which summarizes textbook content of the most demanded titles, thus making it easier for professors to decide which textbooks meet their and their students' needs. The RTAC II Bibliographic Orientation Centers in Quito and Guayaquil play an important role in helping professors choose their textbooks. RTAC II will also continue sponsoring conferences and seminars to improve the teaching-learning process.

**3. Economic and Political Developments**

The major political development affecting progress in this SO is the recent change of the president of the Supreme Court. The new

Supreme Court president is highly supportive of the GOE's stated intention to bring about appropriate reforms in the justice sector, and to make the system more transparent and responsive to a broad citizen base. The new court president has had several contacts with members of the Justice Sector Working Groups and with CLD, with each group providing a detailed description of their current and planned activities in the sector.

#### **4. Poverty Reduction**

The Mission's two activities in this SO, a Limited Scope Grant Agreement with the GOE and a Cooperative Agreement with CLD, are not designed specifically to have a direct and measurable effect on poverty reduction. There are, however, indirect effects on the socially and economically disadvantaged. Ensuring access to the justice system through such future activities as providing mechanisms for alternative dispute resolution, the creation of community courts, and guaranteeing legal representation for the indigent will have beneficial effects on the poor.

#### **5 Highlights of Results of Mission Activities**

- The Justice Sector Working Groups, with assistance from CLD, completed and presented to the GOE the Organic Law of Judicial Function and the Executive Function Statute.
- The Justice Sector Working Groups prepared a Justice Sector Action Plan (JSAP) for presentation, approval and implementation with donor institutions.
- CLD's activities to increase public awareness of and support for the need for judicial reform and anti-corruption has resulted in a 200 percent increase in newspaper coverage dealing with justice issues.
- CLD developed and implemented an electronic database to track the status of all prisoners awaiting trial throughout the nation.
- CLD formed its Board of Directors, elected a Board president and initiated planning to secure financing from other donors and from the private sector.
- The percentage of Ecuador's university professors now using RTACII textbooks has increased from 36 percent to 50 percent
- 100 percent of EDSP returnees report that they are using the skills they acquired in training in their daily lives. C.

**6. Table 1: Strategy Objective Tree (Attached)**

**7. Table 2: Strategy Objective Performance (Attached)**

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 University students 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	Planned	Actual		
Source: Official Register  Comments: The Executive Function's Statute was enacted; it sets up a series of standard procedures for Executive Branch's agencies. The National Judicial Council Law which was presented to Congress in the last reporting period was not enacted. Congress has been busy working on a long and complicated constitutional reform process. It is expected that this law will be enacted in the next reporting period.	Baseline	1992	1	1		
		1993	1	1		
		1994	2	1		
		1995	2	N.A.		
		1996	2	N.A.		
		1997	8	N.A.		
		1998	8	N.A.		
		1999	8	N.A.		
		2000	8	N.A.		
	Target					
SO Indicator No. 2: Level of public confidence in the judicial system						
Unit: Percentage of respondents	Baseline	Year	Planned	Actual		
Source: National Survey Data  Comments: The collection of baseline data is planned for fourth quarter FY 95.	Baseline	1995	TBD	N.A.		
		1996	TBD	N.A.		
		1997	TBD	N.A.		
		1998	TBD	N.A.		
		1999	TBD	N.A.		
		2000	TBD	N.A.		
Target						

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		Year	Planned	Actual	
Source: Contractor quarterly reports  Comments: FY 94 participants have not been evaluated because only long-term academic participants were sent for training and they have not returned yet.  This indicator will not be evaluated on a cumulative basis, but on a yearly basis.	Baseline	1992	85%	100%	
		1993	85%	100%	
		1994	85%	N.A.	
		1995	85%	N.A.	
		1996	85%	N.A.	
	Target	1997	85%	N.A.	
SO Indicator No. 4: Percent of professors using RTAC texts for classroom teaching					
Unit: Percentage of respondents		Year	Planned	Actual	
Source: Yearly Survey  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. (3) Survey conducted for the period July 1993-June 1994.	Baseline	1992	50%	41.6% (1)	
		1993	40%	36% (2)	
		1994	50%	50% (3)	
		1995	60%	N.A.	
		1996	70%	N.A.	
	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		Year	Planned	Actual	
Source: Counterparts, Official Register	Baseline	1992	1		
Comments: Draft laws presented include the Organic Law of the Judicial Function and Executive Function's Statute.		1993	2	2	2
		1994	2	2	2
		1995	2	2	2
		1996	1		N.A.
		1997	8		N.A.
		1998	8		N.A.
		1999	8		N.A.
		Target	2000	8	

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. 1.2.: Number of public education and information dissemination activities to promote the AOJ reform process conducted by NGOs			
Unit: Number of activities			
Source: NGO quarterly reports			
<p>Comments: The accomplished activities include the publishing and dissemination of a book on the National Judicial Council and another one on the role of the prosecutor in criminal cases, 4 informational posters, as well as 4 seminars on judicial reform, and the implementation of a public awareness campaign through the written press.</p> <p>Decisions on how to measure progress beginning in 1996 will be made during the design of the planned FY 96 JS project.</p>	Year	Planned	Actual
	Baseline	3	3
	1993	3	4
	1994	5	N.A.
	1995	TBD	N.A.
	1996	TBD	N.A.
	1997	TBD	N.A.
	1998	TBD	N.A.
	1999	TBD	N.A.
	2000	TBD	N.A.
Target	TBD	N.A.	
PO Indicator No. 1.3: Number of institutional strengthening elements established in NGOs promoting project purpose			
Unit: Number of activities			
Source: NGO quarterly reports			
<p>Comments: The accomplishments include the election of the Board of Director's President, the designation of working commissions within the Board. Training activities for Board members were delayed and will be implemented in FY 95.</p> <p>Decisions on how to measure progress beginning in 1996 will be made during the design of the planned FY 96 JS project.</p>	Year	Planned	Actual
	Baseline		
	1992		
	1993	7	7
	1994	3	2
	1995	1	N.A.
	1996	TBD	N.A.
	1997	TBD	N.A.
	1998	TBD	N.A.
	1999	TBD	N.A.
2000	TBD	N.A.	
Target	TBD	N.A.	

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		Year	Planned	Actual	
Source: Contractor quarterly reports	Baseline	1992	60	55	
Comments: Baseline data is not a valid comparison tool for this indicator.  The number of participants trained in FY 94 is less than planned because targets were lowered as a result of budget reductions.		1993	64	65	
		1994	76	20	
		1995	50	N.A.	
		1996	0	N.A.	
		1997		N.A.	
	Target				
PO Indicator No. 2.2.: Number of people exposed to democratic values and activities in the U.S.					
Unit: Number of people		Year	Planned	Actual	
Source: Contractor quarterly reports	Baseline	1992	60	55	
Comments: Baseline data is not a valid comparison tool for this indicator.		1993	64	65	
		1994	76	20	
		1995	50	N.A.	
		1996	0	N.A.	
		1997		N.A.	
	Target		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			Year	Planned	Actual
Source: Contractor quarterly reports		Baseline	1992	85%	100%
Comments: FY 94 participants have not been evaluated because only long-term academic participants were sent for training and they have not returned yet. This indicator will not be evaluated on cumulative basis, but on a yearly basis.			1993	85%	100%
			1994	85%	N.A.
			1995	85%	N.A.
		Target	1996	85%	N.A.
PO Indicator No. 2.4.: Percent of CLASP trainees applying new skills					
Unit: Percentage of respondents			Year	Planned	Actual
Source: Contractor quarterly reports		Baseline	1992	85%	100%
Comments: FY 94 participants have not been evaluated because only long-term academic participants were sent for training and they have not returned yet. This indicator will not be evaluated on cumulative basis, but on a yearly basis.			1993	85%	100%
			1994	85%	N.A.
			1995	85%	N.A.
		Target	1996	85%	N.A.

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	Year	Planned	Actual	
Source:	Annual RTAC surveys	1992	40%	0	
Comments: Education and the social sciences account for 31 percent of the total number of university professors and students involved in these fields. However of the 3,000 book titles available in the RTAC catalog, only 140 relate to education or the social sciences. Therefore, for reporting purposes the total number of professors or students in the RTAC universe has been reduced by 31 percent.	Baseline	1993	50%	36.14%	
		1994	60%	50 %	
		1995	70%	N.A.	
	Target	1996	80%	N.A.	
PO Indicator No. 3.2.: Number of RTAC texts purchased					
Unit:	Number of RTAC texts	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.	Baseline	1993	32,000	30,326	
		1994	47,000	39,270	
		1995	55,000	N.A.	
	Target	1996	56,000	N.A.	

## II. PERFORMANCE REPORT

### 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. Relationship of Strategic Objective to Agency Goals

Ecuador has been described as containing the highest concentration of biodiversity in Latin America, if not the world, wherein 45 percent of the mainland is located in the Amazonian watershed. Although 17 percent (2.1 million hectares) of the country's Amazonian Basin has been designated a "protected area", less than 75 persons are officially assigned to manage the area, and it suffers the highest rate of deforestation (200,000 hectares/year) among the Amazonian countries, primarily due to petroleum production, timber extraction and colonization.

The Galápagos Marine Resource Reserve, 1000 kilometers east of Ecuador's mainland, encompasses 70,000 sq. km. of open water and shoreline, making it the second largest marine park in the world after the Australian Great Barrier Reef. Thirteen large islands and some 40 islets in the archipelago have over 1000 kilometers of coastline, surpassing the length of Ecuador's continental shore. The Reserve includes vertical cliffs, sandy beaches, rocky shores, mangroves, coral reefs, lagoons, embayments and hypersaline panne habitats. Submarine mountains, plateaus, ridges and valleys provide habitat to an array of benthic communities, while the open ocean waters attract rich stocks of pelagic species.

Nevertheless, the Reserve remains largely a "paper park". Government-set rates of extraction for sea cucumbers in the Galápagos Islands (to be processed and sold in Asian markets) were recently exceeded by 800 percent, only halfway into the authorized "open" season.

The detrimental impact of inadequate pesticide management, which has created enormous tensions between banana and shrimp producers in the coastal lowlands, and which has endangered the health of a large number of young women employed by Ecuador's rapidly expanding flower producing sector in the highlands, has only recently begun to be documented and addressed.

Ecuador's urban growth rate, one of the highest in the hemisphere, is placing increased demands on the national and municipal governments for critical environmental services and improved pollution prevention. The lack of these services has immediate, direct, and measurable impacts on the health, productivity, and quality of life of Ecuador's urban poor. Living in marginal neighborhoods without access to clean water, adequate sewerage disposal, or garbage and waste collection, Ecuador's poor are exposed to high health risks. The problems of inadequate service

are frequently compounded by these communities' proximity to industrial areas whose pollution goes largely uncontrolled, adding to the toxicity levels found in urban slums. The cholera epidemic of 1991 and recurrent smaller outbreaks during 1994 underscore the environmental health risks that are present throughout Ecuador. Poor water and sanitation systems in urban areas and lack of any potable water in rural areas are main causes of water borne diseases. These diseases are compounded by "modern" ills, such as industrial waste, lead, pesticide, and other pollutants.

Ecuador nevertheless remains a relatively well-endowed country with respect to species habitat, harvestable timber, accessible mineral resources and petroleum reserves, and world-renowned coastal and island resources. With appropriate policies in place, urban growth can bring about substantial positive environmental impacts. Urban development creates alternative employment that reduces the pressure for developing environmentally fragile areas such as marginal farm lands and the Galápagos Islands; urbanization is associated with declining birth rates, reducing national population pressures; and urban densities reduce the cost per capita of municipal services and environmental infrastructure. The increasing incomes associated with urbanization also permit a higher level of environmental protection because critical infrastructure, such as waste treatment plants, becomes more affordable. Latest statistics indicate that over 50 percent of the population live in urban areas; over the next 10-15 years, that figure is projected to increase by another 10 percent. The most rapidly increasing concentrations (some at greater than 4 percent per year) are the small and medium sized cities, which are also those with the least capability and resources to provide basic environmental services to a growing population. At a time when modernization of the state is dictating an increasing decentralization and municipal responsibility, such rates of growth could render municipal services useless and unsustainable, if not accompanied by stronger municipal environmental management.

However, despite increased investments during the last three years in policy reforms and in programs by local NGOs and government agencies, the country's incipient strategies for dealing with these green and brown environmental issues beg to be strengthened.

The Mission's strategy to increasingly enable Ecuador to protect its environment has been crafted to serve both medium and long-term goals. The long-term goal will be achieved when all Ecuadorians value biodiversity and a pollution-free environment, and exercise through a broad range of organizations and mechanisms (legal, regulatory, research, policy dialogue), their individual and collective stewardship over these resources, in a manner which is economically, socially and politically sustainable.

The Mission's strategy to enable the achievement of a medium-term goal addresses the transitional but critical period during which the fate of Ecuador's unique natural resource base will be less secure. The potential to address burgeoning pollution and environmental health issues will be under constant threat from many directions, some known, but others unforeseen. The Program

Outcomes: (1) improved environmental policies and implementation; (2) improved management of natural resource and biodiversity activities in selected areas; and (3) improved practices for pollution control and urban environmental management in selected areas, and related Program Outcomes under SO 1 and SO 2 allow the Mission to support activities which address tractable problems with clear and tangible results and which demonstrate reasonable outcomes in relation to their cost. The strategy is furthermore crafted to assist Ecuador in meeting the policy reforms which are conditions precedent to the disbursement of approved IDB and World Bank loans designed to achieve the long range goals described above. The ease of Mission access to a broad array of top quality technical assistance through the Global Bureau has immensely facilitated our ability to respond quickly, effectively and cost-efficiently to achieve the strategic program outcomes and enable Ecuador to increasingly meet its medium-term environmental goals.

## **2. Mission Performance on Strategic Objective**

### **PO 1: Improved environmental policies and implementation**

Following 18 months of arduous negotiation, analysis, innumerable workshops, seminars, and the wide dissemination and publication of interim working documents, the Presidential Environmental Advisory Commission (CAAM) published and distributed the final draft of the National Environmental Action Plan. The 155 page document will be the centerpiece for discussion and ratification at the Second National Environmental Congress (the first occurred in 1988), to be convened April 25 through 28, 1995.

The Congress, jointly sponsored by the CAAM and the Ecuadorian Environmental Defense Council (CEDENMA - an umbrella PVO grouping over 50 environmental NGOs) and organized by Ecuador's 6,000 member Fundación Natura, will provide a forum for the presentation of scientific analyses of environmental issues and concerns, but more importantly, will provide an imprimatur of national consensus regarding the official adoption and publication of the Action Plan by the Ecuadorian government. The Plan provides a national blueprint for environmental policies and actions to be undertaken across every sector, defining problems, their source and cause, and options for their remediation. The most outstanding feature of the Plan was the participation by every governmental agency in its elaboration, and thus, their commitment to operationalizing the Plan (rather than establishing yet another governmental bureaucracy charged with protecting the environment).

Equally noteworthy is the cost-effective investment by the Mission which culminated in the completion of the Plan over this 18 month period: \$275,000 for initial technical assistance from the World Resources Institute through a buy-in to the Center for International Development and the Environment (936-5517), and an additional \$250,000 Limited Scope Grant Agreement with CAAM to contract technical assistance, prepare for the Environmental Congress, begin follow-on activities related to drafting and passage of a new Natural Resources Law (based in large part upon the Environmental Action Plan), conduct three pesticide management

workshops, and to partially cover the start-up costs to develop an oil clean-up fund (with EPA assistance) and a national environmental action trust fund. The initial \$250,000 USAID investment and close mission coordination with other donors (leading to the creation of the CAAM) triggered the release of a \$1.05 million loan by the IDB (matched with \$400,000 of GOE funds) to establish an environmental technical support unit within the National Planning Office (CONADE). The purpose of the unit, as counterpart to the CAAM policy reform effort, is to provide analytical support to each of the governmental agencies as they implement the Environmental Action Plan within their sector.

The positive impact of the Plan is projected to be especially strong among indigenous communities in the Amazonian basin, where petroleum exploration and mining activities are concentrated, and among the Chachi and Afro-Ecuadorian indigenous communities in the northwest, where remaining tracts of native forest and 300 year-old mangrove habitat are threatened by commercial timber and shrimp-pond interests.

**PO 2: Improved management of natural resource and biodiversity activities in selected areas**

Twenty-four "para-biologists" completed their four month intensive training program under the auspices of Ecociencia, which according to the mid-term outside evaluation of the Mission's Sustainable Uses for Biological Resources (SUBIR) project, has become Ecuador's "premier biological research and training institution". This project supported activity, similar to the "para-legal" training program, drew upon candidates nominated by fourteen indigenous communities located within and nearby Ecuador's largest ecological reserves in the Amazonian, highlands and northwest coastal regions. These para-biologists (and future trainees) serve their communities to reinforce eco-tourism activities (training other community members as trail guides), to provide local expert, low-cost technical assistance for the preparation of environmental impact assessment, management, and biodiversity monitoring plans now legally required from petroleum and timber harvesting investors, and to provide a community-based, technically trained resource to ensure compliance with the environmental management plans subscribed by the investors.

The modest financial support from the SUBIR project has helped to strengthen the five-year old Ecociencia, an NGO which has quickly gained a solid national and international reputation. Their intensive training of community level para-biologists has extended the effective "reach" of their biological research capability far beyond the traditionally urban-based confines of Ecuador's scientists, and lays the groundwork for a much more aggressive mission strategy in 1996-97 to support the implementation of the new Environmental Action Plan and Natural Resources Law (now in draft). Active mission coordination with the National Forestry and Parks Agency (INEFAN) and the World Bank managed Global Environmental Facility (GEF) has leveraged a \$7.2 million grant to fortify Ecuador's national system of protected areas and ecological reserves, which will be used primarily to support and strengthen

the role of NGOs like Ecociencia. The GOE is contributing an additional \$1.5 million to this activity.

**PO 3: Improved practices for pollution control and urban environmental management in selected areas**

Within 12 months, a very modest initial mission investment of \$300,000 has enabled the OIKOS Foundation to establish itself as the country's leading NGO to promote the adoption of improved technologies addressing industrial pollution problems, either by prevention techniques or by reducing costs of proposed solutions. The Foundation has established its presence and developed a unique operational plan through formal contracts with national, regional and municipal chambers of industry and commerce (including the Ecuadorian-American Chamber in Quito), municipal governments, and the CAAM and environmental NGOs. Three full PPDAs (pollution prevention diagnostic assessments) have been completed for a tannery complex and two auto assembly firms, selected from 35 pre-assessments.

A mission buy-in to the Environmental Pollution Prevention Project (EP3 936-5559) has provided OIKOS with expert and timely technical assistance, enabling the Foundation to establish an Ecuadorian Pollution Prevention Program (a "local EP3" unit). Additional strategic program outcomes were dramatic, as Ecuador's fourth largest and second fastest growing city, Machala, moved aggressively forward to legally modify its ordinances, in order to modernize water, sewage and solid waste services, and to institutionalize rational, budget-based decision making. Over fifty percent of the municipal residents do not receive garbage collection services and only 25 percent receive adequate water coverage. The mini-garbage collection companies, to be mostly owned and operated by the barrio residents they serve, will utilize tricycles to service the hard to access city streets. The achievement of this strategic activity is closely coordinated among the Mission's Agriculture/Natural Resources Office, the General Development Office's Health and Family Planning Division, and the Regional Housing and Urban Development Office (RHUDO) located in the Quito mission. A Peace Corps Volunteer working in the city's Department of Planning has been instrumental in guiding Machala's efforts to access financing for infrastructure through the Municipal Development Fund, which was established under a \$300 million, five-year IDB/World Bank loan to the Ecuadorian Development Bank.

**GET THE LEAD OUT!**

Cottage-scale pottery makers in the highlands near Latacunga have listened to experts for years extol the benefits of substituting lead-free materials in the manufacture of their handicrafts. But of course, the new technology costs more, thus why would anyone among the indigenous artisans price themselves out of the thriving market. Why indeed, until the OIKOS Foundation proposed a market-based scheme wherein handicraft wholesalers, retailers, and Quito's most prestigious gift shops will be encouraged to purchase lead-free pottery, and thus be allowed to display a green seal of approval: "Our Handicrafts Contain No Lead". Ditto the handicraft manufacturers, who enjoy a brisk "roadside" business.

### **3. Economic and Political Developments**

The strategic achievements of the CAAM could not have been obtained in the absence of a concerted GOE policy to modernize the country's social and economic base (described above, in Section I B - Current Trends.) Simultaneously, the passage of the new Agrarian Development Law in July to strengthen the inviolability of land tenure and property rights, the removal of legislative agricultural commodity price, quantity and import/export controls, and the passage of commodity producer association legislation (all of which are described above, in Section II A - SO 1), are expected to have a direct, positive impact upon rural economic growth, and thus the increased, sustainable use of natural resources and the conservation of biological diversity.

### **4. Poverty Reduction**

Achievement of the SO is closely linked to the reduction of poverty in and around the protected areas. Strategic activities incorporated into the SUBIR project include the testing and development of community-based economic models to promote ecotourism (e.g. the completion of environmental information centers in communities adjacent to ecological reserves), the sustainable utilization (and increased value-added processing) of forest and non-forest products (e.g. the production and processing of weed-palm woven baskets in the northwest), the delineation of community property rights and sustainable forest management plans (63 percent of the plans have been completed), and the introduction of technologies to reduce environmental contamination while increasing the value of the product (e.g. elimination of lead in handicrafts and "clean" processing of sisal in villages adjacent to the Cotacachi-Cayapas Ecological reserve).

### **5. Highlights of Results of Mission Activities**

- Publication and wide distribution of 155 page National Environmental Action Plan final draft by the Presidential Environmental Advisory Commission (CAAM);
- Fees collected from users of national parks and dedicated to park management increased from \$500,000 (1993 Base Year) to \$2,190,000 in 1994, in spite of downturn in Galápagos tourism;
- Number of communities adopting models of non-destructive natural resource use increased from 3 to 17 in 1994.
- Number of local organizations managing biological resources effectively (based upon SUBIR Design diagnostic study) increased from 13 to 47 in 1994;
- Twenty-four "para-biologists" from seven ethnic groups located in and around three major ecological reserves trained by ECOCIENCIA to provide local expert environmental impact assessment technical assistance;
- Fourteen "para-legals" from seven indigenous communities located in and around three major ecological reserves completed eight-month course recognized by Quito Bar Association and now actively pursuing recognition of communal property rights and demarcation of protected areas in order to implement sustainable-use management plans.

- Ecuadorian Environmental Pollution Prevention Project launched by OIKOS Foundation;
  - Legislative and regulatory modification of City of Machala's legal charter to apply cost recovery and modern management techniques to water, sewage and solid waste services;
  - Completion of three pollution-prevention diagnostic assessments by OIKOS Foundation, chosen from among 35 pre-assessments made for different industrial sectors;
  - First national seminar on plant-animal quarantine plan for Galápagos Islands held by Charles Darwin Foundation, Ministry of Agriculture, National Forestry and Parks Agency, Sub-Secretariat of Fisheries, and CAAM.
  - REUDO/SA's Regional Disaster Advisor coordinated U.S. Forest Service response to help contain major wildfire on largest of Galápagos Islands, which threatened unique wildlife and their ecosystems;
6. Table 1: Strategic Objective Program Tree (Attached)
7. Table 2: Strategic Objective Performance (Attached)

#### BLOOD OF THE DRAGON

That's the local name for a plant species of *croton*, no doubt because of its bloody red sap. Amazonian cultures have used the juice for centuries to heal wounds in their hot and humid environment, as well as to treat snake and insect bites, even gastric ulcers, which lowland residents discovered simply don't respond to store-bought medicines from the big cities. The plant has recently gained notoriety among pharmaceutical firms, several of which have launched trials to obtain FDA approval of the tree's extract. The native tree species is an integral part of the SUBIR project's reforestation activities in areas bordering the nation's largest biodiversity reserves, thus providing an alternative source of income for the native and colonist communities in the region, while preserving a traditional custom among the indigenous peoples.

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)
518-0069 Sust. Uses Biological Resources	518-0069 Sust. Uses Biological Resources	518-0117 Env. Ed/Tech Transfer (Oikos)
518-0117 Env. Ed/Tech Transfer (Oikos)	518-0107 Biological Resources-Galápagos OPG	518-0076 Shelter Sector Technical Assistance
518-0076 Shelter Sector Technical Assistance	518-0117 Env. Ed/Tech Transfer (Oikos)	518-0118 Training for Development
518-0123 Environmental Support Program (new start, FY 97)	518-0123 Environmental Support Program (new start, FY 97)	518-0123 Environmental Support Program (new start, FY 97)
	PL 480 TITLE II - CARE/FISE/NGO Support Fund	PL 480 TITLE II - CARE/FISE/NGO Support Fund
* 936-5517 Environmental Action Plan (MRI)	* 936-5517 Environmental Action Plan (MRI)	* 936-5559 Env. Pollution Prevention (EP3)
* 936-5839 Env. Education Comm. (GREENCOM)	* 936-0782 Parks in Peril	* 936-5544 US-Israel Coop. Rsch Project
* 936-5559 Env. Pollution Prevention (EP3)	* 598-0605 Environmental Mgt. Systems	* 936-4196 Integ. Pest Management CRSP
* 936-4215 LAC TECH	* 936-5453 Access to Land, Water, Nat Rscs II	* 936-5839 Env. Education Comm. (GREENCOM)
* 936-4201 Ag Policy Analysis (APAP III)	* 936-4198 Sust. Agri. Systems (SANREM/CRSP)	* 940-4040 Institute for Contemporary Studies

\* Global Bureau-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, approval, publication and implementation of Environmental Action Plan				
Unit: Status of Plan	Year	Planned	Actual	
Source: Mission monitoring through CAAM Grant	Baseline	Draft	Draft	
<p>Comments: <u>Completion</u> refers to preparation of final version; <u>approval</u> to National Environmental Congress ratification; <u>publication</u> to official registry publication; <u>implementation</u> to action upon recommendations.</p> <p>Percentages refer to the percentages of Plan recommendations implemented; planned units are <u>cumulative</u>.</p>	1993	Draft	Draft	
	1994	Completion	Completed	
	1995	Approval, & publication, & implementation	N.A.	
	1996	25%	N.A.	
	1997	40%	N.A.	
	1998	60%	N.A.	
	1999	80%	N.A.	
Target	2000	100%	N.A.	
SO Indicator No. 2: Change in abundance and distribution of species in and around selected protected areas				
Unit: Rate of change	Year	Planned	Actual	
Source: SURIR and Charles Darwin Foundation Projects	Baseline	Baselines completed	Baselines completed	
<p>Comments:</p> <p>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 area (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 completed. Subset of indicator species selected to sample during 1995 and compare against baseline. * NOTE: Subset indicators will provide basis for expected (planned) percentage increases, which will be shown in subsequent indicator tables (planned and actual) for 1995-2000. However, it is assumed that a 25% increase could be achieved by the year 2000.</p>	1994	Baselines completed	N.A.	
	1995	Monitoring on sub-set of indicator species completed	N.A.	
	1996	Second monitoring*	N.A.	
	1997	Third monitoring*	N.A.	
	1998	Fourth monitoring*	N.A.	
	1999	Fifth monitoring*	N.A.	
Target	2000	Sixth monitoring*	N.A.	

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		1994	0	1	
Comments: Models being implemented by different types of industries; planned indicators are <u>cumulative</u> .		Baseline			
			1995	3	N.A.
			1997	5	N.A.
			1998	8	N.A.
			1999	12	N.A.
Target		2000	16	N.A.	

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: Completion, approval, publication and implementation of Natural Resources Law						
Unit: Status of Law	Year	Planned	Actual			
Source: Mission monitoring through CAAM Grant	1995	Draft	N.A.			
Comments: Completion refers to preparation of final version; approval to Congressional ratification; publication to official registry publication; implementation to subsequent preparation, approval and implementation of regulatory legislation. Percentages refer to implementation of regulations throughout the country; planned units are cumulative.	1996	Completion	N.A.			
	1997	Approval and publication	N.A.			
	1998	Implementation	N.A.			
	1999	50%	N.A.			
	2000	75%	N.A.			
PO Indicator No. 1.2: Establishment of national Environmental Endowment Fund						
Unit: Status of Fund	Year	Planned	Actual			
Source: Mission monitoring through CAAM Grant and Fundación Natura	1995	Drafted	N.A.			
Comments: Status refers to progression of legal establishment of such a fund within the Ecuadorian legal framework. Planned units refer to cumulative subscription of public, private and international donations into the fund, as US\$ millions, to be determined.	1996	Approved	N.A.			
	1997	\$ TBD	N.A.			
	1998	\$ TBD	N.A.			
	1999	\$ TBD	N.A.			
	2000	\$ TBD	N.A.			
PO Indicator No. 1.3: 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 (INEFAN)	1992	\$500,000	\$500,000			
Comments: *Actual 1994 data for November/December visits (a normally high visitation period) to Galapagos Islands are not yet available. Nevertheless, visits during 1994 are expected to decline due to wildfire and international campaign protesting the over-harvesting of sea cucumbers and shark fins. Note: Planned targets for 1997-2000 to be determined and will be based upon tourism projection analysis	1993	\$2,000,000	\$2,300,000			
	1994	\$2,400,000	\$2,190,000*			
	1995	\$3,000,000	N.A.			
	1996	\$3,500,000	N.A.			
	1997	TBD	N.A.			
	1998	TBD	N.A.			
	1999	TBD	N.A.			
	2000	TBD	N.A.			

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. 1.4: Modern cost accounting system for water and sewage authorities approved by the Controller General				
Unit:	Modern cost accounting system	Year	Planned	Actual
Source:	Controller General Reports and OIKOS foundation	1994	1	1
Comments:	Cost accounting system was approved by Controller General and is expected to be adopted by different cities of Ecuador (see PO Indicator 3.1).	1995	1	1

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					
PD Indicator No. 2.1: Number communities adopting models of non-destructive natural resource use					
Unit: Number of communities		Year	Planned	Actual	
Source: Technical reports, extension agents' workplans, SUBIR Project	Baseline	1992	0	0	
Comments: Indicator is the number of communities adopting each model, summed across models. * For 1995-97, indicator depends upon the final structure of SUBIR Phase II. ** Indicators 1997 will be determined based upon Phase II Evaluation.		1993	3	3	
		1994	16	17	
		1995	29	N.A.	
		1996	TBD*	N.A.	
		1997	TBD*	N.A.	
		1998	TBD**	N.A.	
		1999	TBD**	N.A.	
	Target	2000	TBD**	N.A.	
PD Indicator No. 2.2: Number of NGOs with local community organizations managing biological resources effectively					
Unit: Number of organizations		Year	Planned	Actual	
Source: Monitoring and evaluation of SUBIR Project	Baseline	1993	0	13	
Comments: "Effectiveness" is defined in terms of standards developed from the diagnostic study conducted during the design of SUBIR. Organizations in Cuellaje, Coca (Quichua Federation), and Borja are managing biological resource activities. * For 1995-97, indicator depends upon the final structure of SUBIR Phase II. ** Indicators 1997 will be determined based upon Phase II Evaluation.		1994	8	47	
		1995	25	N.A.	
		1996	TBD	N.A.	
		1997	TBD	N.A.	
		1998	TBD	N.A.	
		1999	TBD	N.A.	
		Target	2000	TBD	N.A.

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. 2.3: Adoption and implementation of plant/animal quarantine regulations to protect Galápagos Islands			
Unit: Status of regulations	Year	Planned	Actual
Source: SUBIR and Charles Darwin Foundation Projects	1995	Draft	N.A.
Comments: Completion refers to preparation of final version; approval to Congressional ratification; publication to official registry publication; implementation to subsequent implementation of regulatory legislation.  Percentages refer to implementation of regulations; planned units are cumulative.	1996	Completion, approval, and publication	N.A.
	1997	Implementation	N.A.
	1998	50%	N.A.
	1999	75%	N.A.
	2000	100%	N.A.
Target			
PO Indicator No. 2.4: Completion of infrastructure and management systems for Galápagos Marine Resources Reserve			
Unit: Status of Reserve	Year	Planned	Actual
Source: Charles Darwin Foundation, Parks in Peril and Coral Reef Initiative Reports, The Nature Conservancy (TNC)	1995	Draft plan	N.A.
Comments: Percentages refer to completion of infrastructure and management systems, assuming Marine Reserve becomes part of TNC's PIP Program. Planned units are cumulative.	1996	Reserve included in PIP	N.A.
	1997	25%	N.A.
	1998	50%	N.A.
	1999	75%	N.A.
	2000	100%	N.A.
Target			

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 water sewer and solid waste authorities using modern financial management systems						
Unit: Modern management information systems		Year	Planned	Actual		
Source: Reports from Controller General, RIMUDO, Municipalities and OIKOS Foundation		1994	1	1		
<p>Comments:</p> <p>Local and Regional sewer and solid waste authorities using modern financial management systems.</p> <p>The Indicator tracks the use of modern accounting and management information systems by municipal enterprises to improve the provision of environmental services (water, sewerage, waste disposal). Indicators beyond 1997 to be based upon evaluation.</p>		1995	3	N.A.		
		1996	5	N.A.		
		1997	7	N.A.		
		1998	TBD	N.A.		
		1999	TBD	N.A.		
Target		2000	TBD	N.A.		
PO Indicator No. 3.2: Number of cities with improved solid waste collection system						
Unit: Number of Municipalities		Year	Planned	Actual		
Source: Reports from Municipalities, RIMUDO, and OIKOS Foundation		1994	1	1		
<p>Comments:</p> <p>The Indicator measures the development of plans for improvements to solid waste systems in selected municipalities. The plans advocate expanding service through lower cost/higher quality options for collection and disposal. Indicators beyond 1997 to be based upon evaluation.</p>		1995	2	N.A.		
		1996	3	N.A.		
		1997	TBD	N.A.		
		1998	TBD	N.A.		
		1999	TBD	N.A.		
Target		2000	TBD	N.A.		
PO Indicator No. 3.3: Oil Clean-up Trust Fund established						
Unit: Status of Fund		Year	Planned	Actual		
Source: Reports from CAAM, CONADE and Ministry of Energy and Mines		1995	Drafted	N.A.		
<p>Comments:</p> <p>Status refers to progression of legal establishment of such a fund within the Ecuadorian legal framework. Planned units refer to cumulative subscription of public, private and international donations into the fund, as US\$ millions, to be determined.</p>		1996	Approved	N.A.		
		1997	\$ TBD	N.A.		
		1998	\$ TBD	N.A.		
		1999	\$ TBD	N.A.		
		2000	\$ TBD	N.A.		
Target		2000	\$ TBD	N.A.		

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. 3.4: Lead-free manufacturing and marketing models adopted by handicrafts industry			
Unit: Number of models adopted and implemented	Year	Planned	Actual
Source: Reports from Chambers of Industry, Tourism, and OIKOS Foundation	1995	1	N.A.
Comments: Models being implemented by different types of industries; planned units are cumulative.	1996	3	N.A.
	1997	6	N.A.
	1998	8	N.A.
	1999	10	N.A.
	Target	2000	15

### III. FY 96-97 PROGRAM PLANS AND RESOURCE REQUIREMENTS

#### A. Program/Activity Overview

Mission Strategic Objective 1:                    **Increase Sustainable  
Economic Development for  
a Broad Base of the  
Population.**

In the FY 95-96 Action plan, the Mission presented a new SO 1, with the Program Outcomes of: (1) Improved economic and social policies; and (2) Expanded opportunities and participation by selected low-income groups in a growing market economy. As outlined in last year's Action Plan, successful trade and investment activities phased out and mature agricultural projects are ending during 1995 in accordance with PACDs. To implement the new SO and its Program Outcomes, the Mission completed a comprehensive redesign of the Policy Dialogue and Implementation project in August, 1994 and during 1995 will be completing the design of the Microenterprise Assistance and Strengthening project.

#### 1. **Improved Social and Economic Policies**

The purpose of the redesigned Policy Dialogue and Implementation Project is to *strengthen the Ecuadorian capacity to formulate and implement improved social, democratic and economic policy reforms.* The project is the Mission's chief means of achieving PO 1 from now until the end of 1998. The project will develop and initially implement a social policy reform agenda which includes the following elements: targeting of benefits on the poor, cost recovery, rationalizing the public/private sector roles, decentralization and privatization of the delivery of services. To deepen economic reforms, the project will help Ecuador achieve significant progress in implementing major privatization and in preparing the policy and legal framework for accession to hemispheric free trade arrangements, as well as improving the policy framework for microenterprise development.

The project has as its premise that policy reform is generally a sequential process starting with analysis and consciousness-raising and ending with definition of reforms, advocacy and implementation. Accordingly, it was planned that four components (INCAE, FE, technical assistance and training) would play a role in this process. In late 1994 and early 1995, the Mission signed Cooperative Agreements with INCAE and FE. INCAE is an international academic institution with a proven record in policy analysis, conducting seminars and workshops, and consciousness raising from a "neutral" stance. Fundación Ecuador, extremely influential at the highest levels of the Ecuadorian public and private sector, has a proven record in policy advocacy and some experience with seminars and workshops. While INCAE has a strong

#### Strategic Objective Performance

role in the more objective first steps of the policy dialogue process, Fundación Ecuador will be more involved in the last steps, especially advocacy of specific reforms. INCAE and Fundación Ecuador have together worked out a Memorandum of Understanding on Coordination which will be signed in March, 1995.

From 1995 through 1998, a period encompassing the Action Plan years 96-97, INCAE and the FE will assist the GOE and Ecuadorian private sector in making reforms in the social sectors: education, health, social security, housing, municipal development, and decentralization. As stated above, this will be accomplished primarily through helping the GOE develop and initially implement a coherent social policy agenda which contains the basic elements listed above. The most important outputs include: (1) dissemination of a comprehensive social policy agenda; (2) dissemination of municipal development and decentralization agenda; (3) dissemination of an education reform agenda; (4) implementation of strategies to improve the targeting of housing subsidies to the poor; (5) modernization of the labor market; (6) improvement of policies to expand credit to microenterprises; and, (7) improvement and expansion of property rights and ownership in the informal sector and among poverty groups. These activities are directly responsive to the Summit of the Americas Plan of Action recommendations on poverty eradication.

In the area of economic reform, INCAE and FE will engage in further analysis and consensus-building in the themes of privatization, free trade area of the Americas (including Intellectual Property Rights, and other prerequisites for free trade), and the continuance of important structural reforms. Some of the important outputs include: (1) a deeper understanding and accelerated implementation modernization of the state, economic liberalization and privatization; (2) accelerated privatization of major state-owned enterprises; (3) increased knowledge of NAFTA, GATT and other Free Trade Agreements; and, (4) better understanding of the linkages between economic liberalization and improved income distribution and poverty reduction. This will enable Ecuador to implement many of the recommendations in the Summit of the Americas Plan of Action.

A very important 1996 activity encompassing both social and economic policy reform will be Fundación Ecuador and INCAE assistance to the key political parties to define their social and economic policy agendas in anticipation of the 1996 presidential election. While INCAE academicians will conduct analyses and seminars, FE will continue to bring international experts to facilitate the national debate and assist the GOE to define its social and economic development programs.

## **2. Education Reform: A unique opportunity**

Within the social policy reform efforts described above, education reform presents a unique opportunity for USAID to intervene in a sector seriously constraining broad-based development and in need of basic reform to "set the stage" for other donors. Currently, the IBRD and the IDB finance an assistance portfolio with the Ministry of Education at the primary level of approximately \$140 million. These activities are traditional interventions such as: curriculum reform, including development and procurement of textbooks and teaching materials in grades one through nine, teacher training, and improving general management practices.

Despite large assistance levels, the ministry is not using all these resources effectively. This is primarily due to the lack of a coherent education policy framework. The result is that the quality of Ecuadorian education is generally poor and unresponsive.

With the Fundación Ecuador, USAID can be highly catalytic with small amounts of funding by helping to create the environment for a national consensus on education priorities. The FE will help develop a coherent national policy framework for improving the quality and effectiveness of primary and secondary education. The policy framework will have a medium to long-term view meant to guide educational policies and priorities for a 15 to 20 year period, and will set the stage for multilateral donors with a coherent and consistent educational policy framework appropriate to Ecuador's economic development needs. The Mission and the IDB have already agreed upon USAID's role in preparing the policy environment to facilitate IDB assistance.

The work on preparing the policy framework will be done by FE, supported by technical assistance under the Education and Human Resources Technical Services (EHRTS) and ABEL-II projects, both managed by Center for Human Capacity Development. Currently, EHRTS is providing technical assistance to the FE to develop a policy specific study of the educational crisis in Ecuador.

During 1996 and 1997, the Mission expects the following policy reforms to be introduced by the Fundación Ecuador with continued assistance from EHRTS and ABEL-II: Decentralization of education, including local control of teacher pay and transfer of school building and grounds to local communities, reduction of disproportionate subsidies favoring public university education to the detriment of universal primary education, increased private sector delivery of public education, introduction of new funding mechanisms on a pilot basis, such as school vouchers and community grants, and increased accountability throughout the education sector.

### **3. Expanding Opportunities for Low Income Groups Income and Participation by Low Income Groups**

In Ecuador, millions of low-income people pursuing entrepreneurial

activities are largely ignored by the formal sector. They lack access to the services that enable them to participate fully in the economic life of Ecuador. Among the most important services are savings and credit, i.e., financial services.

USAID/Ecuador is designing a \$5 million project to bring quality financial services to the poor and, thereby, to help the poor build stronger enterprises which ultimately better their incomes and quality of life. The Microenterprise Assistance and Strengthening project will be the primary means of achieving SO 1, PO No. 2. The MAS Project will focus upon two central concepts, outreach and financial sustainability. Outreach aims at providing large numbers of poor people (including the very poor and women) access to quality financial services. Financial sustainability refers to the creation of institutions that become independent of continuing inputs from government, international agencies or charitable organizations. Both of these concepts are important organizing principles for our microenterprise finance project.

The Fundación Ecuatoriana del Desarrollo (FED), a microenterprise NGO supported by ACCION International has 30 branches throughout Ecuador providing credit with average loan amounts of \$350 per microentrepreneur/borrower. Working with ACCION International and FED, the Project will establish Ecuador's first licensed, leveraged financial institution aimed at providing exponentially-increased financial services to Ecuador's poor people.

Under the project, FED will establish a licensed finance company (financiera) in 1995 and (similar to BancoSol in Bolivia) establish a "microenterprise bank" in 1997. The project will provide equity investment funds through ACCION International as well as technical assistance and training support to FED and its clients.

The MAS Results Package will assess the feasibility of providing similar support to an association of NGOs offering financial services to the microenterprise sector in Ecuador. This association, ASOMICRO, has a more limited operating history and is comprised of seven NGOs with substantially smaller loan portfolios than FED.

The Mission also anticipates offering a third component to the MAS Results Package which will be aimed at responding to the needs of Ecuador's poorest people. This component will support a village banking program comparable to models established in other Latin American countries by FINCA, Project Hope, ProMujer and Catholic Relief Services. The feasibility of the second and third components will be carefully examined during the intensive design of the activity to take place beginning June 1995.

USAID/Ecuador's microenterprise development Results Package will seek co-financing from the Global Bureau's \$85 million Microenterprise Innovation Project (MIP). Utilizing MIP's OYB

transfer and buy-in contract mechanisms, the MAS and MIP financial resources and technical assistance/training services can broaden the outreach, operational efficiency, and self-sufficiency (profitability) of licensed, leveraged financial service institutions in Ecuador.

#### **4. Follow-up to Important Agricultural Policy Achievements**

The PACD for both public and private sector strategic activities under the Ag Sector Reorientation Project was extended through July, 1995, in order to facilitate the achievement of program outcomes. The non-funded extension of activities will enable the Ministry of Agriculture's new Policy Sub-secretariat to "bridge" into a \$20 million World Bank project loan to continue strengthening the data collection and analysis, and to undertake Ecuador's first complete ag census since 1972. Funding for pre-project technical assistance and essential staff support is being furnished through the Mission and PL480's (Section 416) Technical Secretariat.

Simultaneously, the non-funded extension will allow the project funded IDEA Foundation to complete, publish, disseminate and advocate reforms (through workshops, seminars and media campaigns) five policy-based analyses, including the new Agrarian Law regulations, rural financial intermediation, the impact of soil quality on land use legislation, public and private investments in irrigation, and the impact of sectoral policies on agricultural commodity trade and agro-industrial processing.

At the request of the Minister of Agriculture, the Mission will fund through PD&S an inventory of all current and soon to be completed analyses of the sector, determine critical gaps, and establish the terms of reference for an update of the valuable 1990 agricultural sector analysis. This major update, hopefully to be funded through the IDB's sector loan, will serve as a policy blueprint for the 1996-2000 incoming administration, much as the original 1990 sector analysis laid the foundation for the last five year's modernization program.

#### **Mission Strategic Objective 2:**

**Reduce Levels of Mortality and Fertility to Levels which are Commensurate with Sustainable Development.**

The SO statement has been modified slightly since last year. The previous statement was "increase use, effectiveness, and sustainability of selected health and family planning services". The new statement is "reduce levels of mortality and fertility to levels which are commensurate with sustainable development". This

slight modification was made in light of the SO's increasing focus on the policy process and the focus on reproductive health as a result of the Cairo Conference. The new SO statement also brings this SO more in line with Agency and LAC strategies. Two of the program outcomes have been changed to reflect changes in the Child Survival Project. In particular, the indicators reflect the fact that USAID's assistance will shift towards support for private sector provision of public services. Finally, the target date for the SO has been expanded to the year 2000. This brings the targets in line with many of the GOE and international documents which have explicit goals and objectives.

The activities which will support the achievement of the SO during FY 96-97 are as follows:

Child Survival and Health (518-0081): The redesign of this activity, which began last year, was completed early in this fiscal year. The Project Paper Amendment was signed by the Mission Director on July 19, 1994. The amended Project Agreement was signed by GOE counterparts on February 23, 1995. The redesign takes into account the GOE's new policy directions, the start up of the World Bank sector loan, new USAID strategies in child survival, and the external evaluation which took place in late 1993. The redesigned project extends the life of the project to May 1999 and increases USAID funding from \$12.2 million to \$18.0 million. The essence of the redesigned activity will be to focus on the implementation of health sector reform through experimental models for the provision of primary health care and through policy analysis and advocacy. USAID's partners in this activity will include the Ministry of Public Health, CARE, and CEPAR. CARE will take the lead in identifying and supporting experimental models in primary health care. The focus will be on NGO and other private sector initiatives that will contribute to expanding the coverage of primary health care services and that the potential of being sustainable in the long run. CEPAR's responsibility will be to carry out policy analysis and advocacy activities. The policy agenda which CEPAR will follow is based on the need for targeting subsidies and for clarifying roles definitions among the various actors in the health sector.

Health and Family Planning (518-0084): A mid-term evaluation of this activity was carried out in late 1994. The evaluation highlighted the success of the activity and particularly the progress strength that the family planning institutions had achieved during the past three years. A number of minor mid-term corrections were recommended, and these will be implemented immediately. At the same time, the Mission has decided to plan for a new activity in family planning beginning FY 97. This new activity, described below, will wrap up ten years of support for a "graduation" towards an independent and sustainable nationwide family planning program, which includes sustainable NGO's, and strong and positive policy environment, and an effective public

sector service delivery system.

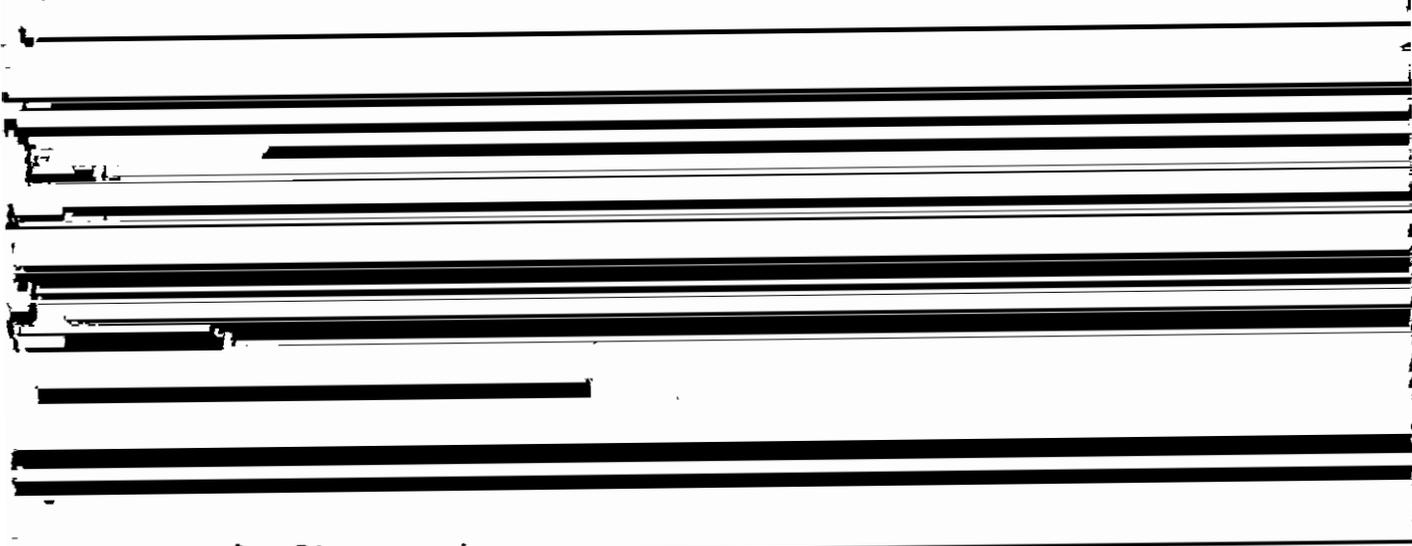
In order to support the above mentioned activities during 1996 and 1997, the Mission will require support from Global Field Support activities. The key areas of support needed include: (1) Operations research in family planning; (2) social marketing of contraceptives; (3) quality assurance in voluntary surgical contraception; (4) contraceptive procurement; (5) contraceptive logistics management; (5) population communications; (6) population policy; (7) health financing and private initiatives; and, (8) quality assurance in primary health care. In addition, the Mission will require the continuing services of one Technical Advisor in Aids and Child Survival (TAACS).

In addition to the Mission activities and Global field support resources, the Mission will also rely on policy dialogue efforts of Mission staff and close donor coordination with UNFPA, PAHO, IDB, and the World Bank. In addition to the implementing NGOs mentioned above, the Mission will also work with US PVO partners such as Project HOPE, Catholic Relief Services, Plan International, and others.

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

Strategic Objective 3 will continue to promote a two-pronged approach to the SO in FY 96 and FY 97, although the project mix will change. In addition, the Mission seeks to develop new relationships with its partners, such as the Global Bureau's new Center for Democracy, local NGOs, and the GOE, and with its customers, the Ecuadorian people, who will benefit directly from overall improvements in and modernization of the justice sector.

The overall political environment in Ecuador, combined with increasingly favorable public and private sector attitudes toward the need for judicial reform, have allowed the Mission to carry out a broad-based...



activities are largely carried out by Ecuador's leading justice reform NGO, the Corporación Latinoamericana para el Desarrollo (CLD). Examples include CLD's on-going public information and education campaign on anti-corruption carried out through newspapers, and its establishment of Alternative Dispute Resolution (ADR) sections in its Quito and Guayaquil offices.

"Structural reform and legal system reform" strategies involve both the Justice Sector Working Groups (JSWG) and CLD. The JSWG and CLD, continues pioneering work in analyzing existing law and judicial process and proposing appropriate changes in order to modernize the system and make it more responsive and transparent. Examples include a proposal to introduce the "oral procedure", administrative and financial management training for judges, and improvements in caseload management, such as the court system's utilization of CLD's highly successful electronic database for "detainees" awaiting trial. All of these activities illustrate a public and private sector generally receptive to the need for modernization of the justice sector and a willingness on the part of the GOE and elements of the private sector to bring about such changes.

In FY 96, the Justice Reform Support project will terminate. However, through the planned Justice Sector Program (JSP) Results Package, the Mission plans to continue supporting the process of Ecuadorian judicial reform efforts in several major areas. These areas include: continued cooperation with and support for public sector efforts to accelerate judicial reform; activities to modernize the administration and management of justice sector institutions; and, a activities which support NGOs' objectives in constituency building, anti-corruption, promotion of human rights, increased access to the justice system, and public education and technical support to the reform process.

The new Justice Sector Program will provide the foundation for continued efforts to build on the significant progress already achieved in the justice sector. Specifically, the JSP will lend critical support to the public and private sectors to bring about additional improvements in the overall status of the administration of justice in Ecuador. The two components of the JSP are: 1) accelerated implementation of judicial reforms, improvements in the management and administration of justice sector institutions, and both upgraded training and training in new areas of key personnel in the justice sector, and: 2) support for NGOs carrying out public information and education programs which advocate the need for judicial reform, major improvements in the administration of justice, including anti-corruption activities, and support for greater transparency of the justice system and human rights.

The first component will support the full implementation of secondary and ancillary legislation necessary to fully implement judicial (constitutional) reforms passed in 1992. Also, technical

assistance for key administrative and management improvement needs will be provided. Finally, the project will seek to institutionalize much needed training in the judicial sector.

The main elements of the second component will be advocacy and constituency building for judicial reform. Efforts will be made to garner greater public and private sector support for the need to modernize the justice system, make it transparent and make its benefits readily accessible to the citizenry. In achieving these reforms, the judicial sector is expected to greatly improve its hitherto poor public image.

The Justice Sector Program project design will be initiated in early FY 96. At that time, following an international donors' meeting in Ecuador to review, approve and begin implementation of the recently prepared Justice Sector Action Plan, the Mission will have specific information on World Bank, IDB and other donors' intentions in the justice sector. Accordingly, the Mission will be able to ensure a JSP design which takes into full account the plans of the two largest donor agencies in Ecuador.

The Justice Sector Working Groups (in Quito and Guayaquil) will continue to serve as the senior advisor and coordinator in the judicial reform process, especially in the area of donor coordination. The GOE's comprehensive Justice Sector Action Plan (JSAP), recently prepared and approved by the Justice Sector Working Groups, presents the first opportunity for the international donor community to make coordinated decisions on their participation in meeting justice sector needs based on a clear identification of sector requirements. The JSAP will be presented in the near future at a donors' meeting for discussion, approval, funding and implementation.

During the period covered by this Action Plan, the Mission's program in support of SO 3 expects to derive new and important benefits through a partnership now underway with the Democracy Center in the Global Bureau. The Mission and the Center intend to sign agreements which will allow USAID/Ecuador to utilize significant amounts of funds from regional AOJ projects under the aegis of G/DG. Through this mechanism, key players in Ecuador's public and private sectors will benefit from attendance at conferences and seminars dedicated to such topics as Alternative Dispute Resolution, Oral Process, Legal Services for the Poor, and criminal pre-trial detention. In addition, with assistance from American University (The Democracy Projects) and D/DG, the Mission plans to carry out a new and vital program intended to advance civil-military relations.

In FY 96, CLASP/EDSP (518-0091) and RTAC II (518-0095) also will terminate. However, three of the strongest aspects of CLASP, viz. its support of all Mission SOs, selection of leaders and potential leaders, and emphasis on women's participation, will be embodied

under the Mission's Training for Development Project (518-0118), planned for design in FY 96 and obligation in FY 97.

RTAC II will also terminate in FY 96. 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 continue to 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.

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

As projected in last year's Action Plan, the Mission expanded SO 4 to incorporate pollution prevention activities which address our partners' priorities, but which are also tractable and demonstrate reasonable outcomes in relation to their cost. The three program outcomes and their indicators remain viable for charting strategic achievements in both the medium and long term.

The 1994 outside evaluation of Phase I of the SUBIR project has enabled the Mission to streamline the project's management structure, focus project activities upon achievable outcomes, increase public and private sector coordination, establish participant-based project monitoring systems, fund four Ph.D. participants in environmental economics, leverage other donor funding to help achieve the strategic outcomes, and set the stage for increased mission concentration upon policy reform based strategies in 1997. These modifications are incorporated into a Project Paper Amendment, a new Amendment to the Cooperative Agreement with CARE, a new Cooperative Agreement with The Nature Conservancy, Memorandums of Understanding with the National Forestry and Parks Agency (INEFAN), a Limited Scope Grant Agreement with the Presidential Environmental Advisory Commission (CAAM) and the OIKOS Foundation, and buy-ins to USAID's centrally funded EP3 and Greencom projects.

In 1996 and 1997, the Mission will continue to provide core support through CARE to several of Ecuador's leading environmental NGOs such as Ecociencia and the Jatun Sacha Foundation, and through The Nature Conservancy to the Antisana National Park Foundation (FUNAN). Other SUBIR funded partners include the Oikos Foundation and the Presidential Environmental Advisory Commission (CAAM). The Mission will seek Environmental Initiative of the Americas (EIA) core funds to provide technical assistance to each of these local partners, through the existing EP3 and Greencom project agreements.

Originally designed as a 10-year initiative, the SUBIR Project Paper was approved by USAID/Ecuador on August 14, 1991 for a total of \$20 million, with a planned life of Project funding from USAID of \$15 million. The project was initially authorized for \$9 million over a six year period. The initial three year Phase I of the project was implemented by a consortium under CARE which also included The Nature Conservancy and the Wildlife Conservation Society (WCS). Based upon the June, 1994 evaluation of Phase I and the Mission's incorporation of pollution control and prevention activities into SO 4, Phase II of project (scheduled to end on September, 1997, except for PhD Training element, which is September, 1998) has been re-engineered to streamline project implementation and to support activities which address all three of the Program outcomes.

Prior to the end of Phase II, the Mission will initiate design activities to finalize the establishment of an Oil Clean-up Trust Fund, to address remaining (but tractable) constraints to the implementation of the 1995 Environmental Action Plan, to assist in establishing a national Environmental Trust Fund, to encourage increased private and public sector (including international donor) implementation of environmental impact assessment and monitoring plans incorporating community level participation (utilizing the SUBIR-trained para-legals and para-biologists from indigenous communities within and bordering the national parks and ecological reserves), and to extend nationwide the adoption of successful pollution prevention/management models adopted by municipal governments, regional chambers of industry, trade organizations and selected industries. The SO Program Tree (Table 1) and Indicators (Table 2) have been modified to reflect these projected activities.

The Mission will present five activity proposals for EIA funding. These will be:

(1) The Implementation of a National Environmental Action Plan will assist the GOE's Presidential Environmental Advisory Commission (CAAM) and selected NGOs in the implementation of key elements contained in the National Environmental Action Plan. It will be implemented through in By-ins to: EP3 Project, Greencom Project, EPAT Project, LACTECH Project, and IPM CRSP (totalling \$939,000). The local implementation will be coordinated through the CAAM.

(2) The Establishment of a Sustainable Industrial and Urban Pollution Prevention Project in Ecuador activity will be implemented through a Buy-in to the EP3 Project (\$500,000). The local implementation will be coordinated through the OIKOS Foundation.

(3) The Ecuadorian Initiative to Address Mitigation of Urban Vehicle Emissions and Hospital and Municipal Solid Wastes will prevent urban and industrial pollution through support of specific activities. It will be implemented through a Buy-in to the EP3

Project (\$485,000) plus core funding from EP3. Local implementation will be coordinated through the OIKOS Foundation, with a municipality of Quito and local hospitals.

(4) The Sustainable Use of the Galápagos Marine Resources will strengthen local collaboration and consensus for sustainable management of the Galápagos Marine Reserve. It will be implemented through Buy-ins to: Greencom, The Conservation of Biodiversity Project, and the Institute for Contemporary Studies Project (\$500,000). Local implementation will be coordinated by the Charles Darwin Foundation.

(5) Under the Quito Air Quality Initiative Component of an IDB loan Los Alamos is seen as critical for implementation due to its unique experience in México City and Santiago de Chile in Air Quality monitoring, modelling, and analysis. This depth of experience working on air pollution modelling and analysis in Latinamerica is unavailable from any other source. However, owing to the IDB's non-competitive procurement regulations that require that cooperating institution contribute to the activity, the IDB cannot fully fund the work to be done by Los Alamos. Under this proposal, USAID could provide Los Alamos with the required \$95,000 of cooperating institution funds. The USAID contribution will fund to key elements of the Quito Air Quality Initiative: training for municipal officials in technical for using the model to be developed by the project to analysis the alternative for reducing air pollution.

## B. New Activity Description

### 1. Basic Data

<u>Activity Title:</u>	Population and Family Planning III: Reproductive Health
<u>Activity Number</u>	518-0122
<u>Funding Source Identified:</u>	Population Funds
<u>Duration:</u>	FY 1997 - FY 2000
<u>Proposed LOA Funding:</u>	
G Bureau Field Support:	\$ 2.0 million
Contraceptive Procurement:	\$ 3.0 million
Mission Obligation:	\$ 7.0 million
<b>TOTAL LOA FUNDING:</b>	<b>\$12.0 million</b>

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

The USAID strategy for sustainable development, approved in March 1994, points to five conditions that indicate a lasting indigenous capacity to manage social change effectively and sustain development progress. One of the five conditions points to "... a rate of population growth that is consistent with the economics and ecological carrying capacity of countries and regions..."

Likewise, in the USAID/LAC document The Strategic Role of U.S. Assistance in the Americas, one of the four basic requirements necessary in order that the process of economic and social advancement be sustained over the long run includes **demographic sustainability**, defined as "...creating the conditions under which their citizens can have smaller, healthier, and better educated families, thus contributing to greater human development and easing pressures on the environment ..."

The proposed Population and Family Planning III (PFP-III) activity is consonant with Agency goals and strategies. PFP-III will contribute to the expansion and sustainability of family planning and reproductive health services both in the public and private sectors. Activities contemplated within PFP-III will focus on the implementation of the Plan of Action of the Cairo Population Conference and of the relevant components delineated in the Summit of the Americas Plan of Action. In particular, PFP-III will promote the concept of reproductive health and will support activities in pre-natal care, post-partum care, family planning, prevention of sexually transmitted diseases including AIDS (STD/AIDS), and reductions in maternal mortality.

The Life of Activity is planned for three years. The end of the activity will terminate ten years of "graduation" assistance to the two local family planning organizations. The end date of 2000 will also provide sufficient time to allow for measurement of results not only in terms of the country program, but also in terms of the country program's contribution towards achievement of Cairo Population Conference Plan of Action.

### **3. Consistency with Mission Strategy**

This activity will be an important contribution to the Mission's SO  
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A. Activity Goal: The goal of the activity is to promote the freedom and right of couples to choose the number and spacing of children they desire and to reduce the risks of maternal mortality associated with pre-natal and post-partum care and prevention of STD/AIDS. The verifiable indicators are total fertility rate and maternal mortality rate.

B. Activity Purpose: The purpose of the activity is to increase the use, effectiveness and sustainability of reproductive health services in Ecuador. The verifiable indicators will be contraceptive prevalence rate, percent of institutional deliveries, and knowledge, attitude, and practice regarding HIV/AIDS.

C. Brief Description of Activity Components: PFP-III will support a two-pronged approach to reproductive health: First, it will solidify the gains made in private sector family planning delivery to the point where the two main beneficiary organizations, APROFE

and CEMOPLAF, will graduate from USAID support during the life of this activity. Second, PFP-III will assist the Government of Ecuador in implementing the Plan of Action of the Cairo Population Conference and the Population Plan of Action of Ecuador. In this regard, the strategic approach will be one of expanding the access and improving the quality of reproductive health services which will include pre-natal and post-partum care, family planning, and prevention of STD/AIDS.

The PFP-III activity consists of three components:

(1) Private Sector Sustainability. Through this component, USAID will continue to provide support to the two leading family planning NGOs, APROFE and CEMOPLAF, but will do so with the objective of graduating the two organizations from USAID support. The two organizations have already achieved a level of cost recovery above 60 percent, both have embarked on a series of cross-subsidization, and both have instituted innovative management techniques to improve efficiencies. PFP-III will solidify the gains made by both organizations with continued capitalization of an endowment fund, the establishment of a rotating fund for contraceptive procurement, and further strengthening of cross subsidies and social marketing. PFP-III will also support the NGOs' activities in integrated reproductive health, but will do so only to the extent that these activities become self-financing.

(2) Public Sector Reproductive Health. Through this component, USAID will support the Ministry of Health in its efforts to improve the coverage and quality of reproductive health services. USAID will program activities jointly with UNFPA in order to ensure economies of scale. Even as levels of infant mortality have declined significantly over the past fifteen years, the levels of maternal mortality remain unacceptably high. The estimates as of 1993 indicate a national maternal mortality rate of 130 per 100,000 live births, one of the highest in Latin America. The First Lady, through the Institute for the Child and the Family (Instituto para el Niño y la Familia - INNFA) and the Minister of Health have proclaimed maternal mortality as a major area for intervention. USAID through PFP-III will support the GOE's initiative in this area through the provision of technical assistance. USAID will also support the MOH's Medium Term Strategy for prevention of STDs and HIV/AIDS. PFP-III's activities will include the provision of limited technical assistance and contraceptives (condoms).

(3) Policy Support. Through this component, USAID will provide technical assistance to the National Development Council (CONADE) in its efforts to monitor and evaluate the implementation of the Population Plan of Action. It is expected that CONADE will rely heavily on NGOs (specifically CEPAR) for carrying out the data collection and analytic work associated with the monitoring and evaluation activities. As a critical element of this component, USAID will support policy analysis related to the demographic

impact of improving women's education. The 1994 demographic and health survey (Endemain 94) results point to the most significant contraceptive use differential occurring between women with no education and women with primary school completed. Thus in addition to targeting women with no education for service delivery, PFP-III will also support policy activities that will incorporate basic education as an integral component of population policy.

D. Anticipated Impact on Poverty Alleviation, Access, and Participation Including Gender Level Impact: The activity addresses poverty alleviation directly since achievement of smaller and healthier families has a direct impact on those families' ability to improve their social and economic status. Moreover, within the family, this activity's focus on reproductive health will have a positive impact on women of reproductive age.

E. Policy Dialogue Agenda: Ecuador's National Population Plan of Action, dated August 1994 (but published in November) is a document which is in line with the internationally accepted U.N. Plan of Action resulting from the Cairo Conference. This is in stark contrast with the GOE's official position during the Conference, which was very conservative and strictly followed the position of the Vatican. The policy dialogue agenda for PFP-III is therefore to maintain the course established by Ecuador's Population Plan of Action as delineated in the official document, and to move away from the rhetoric displayed during the Cairo Conference. In this respect, the policy dialogue efforts of PFP-III will look for approaches consistent with the Mission's social policy agenda and in particular with the efforts of INCAE and Fundación Ecuador. The policy agenda will also encourage the GOE to expand the notion of population policy and thus integrate into the implementation of the National Plan of Action other social sector actors, in particular the Ministry of Education and the Ministry of Social Welfare.

F. Donor Coordination: USAID has maintained close coordination with UNFPA, the second largest donor (after USAID) in this sector. In informal discussions, USAID and UNFPA have agreed in principal to jointly program assistance to MOH and CONADE. Such joint programming will take advantage of the expertise of each agency and will look for synergies by which program results can be multiplied.

#### **4. Policy and Design Issues**

A. Sustainability of Proposed Activities: The logical and reasoned building blocks of sustainability which were designed and implemented during PFP-II will be broadened and deepened in PFP-III. This continuity will ensure the long lasting sustainability of NGO family planning service delivery. At the same time, it is now clear that the conservative stance of the GOE at the Cairo Conference does not translate into public policy. As such, the prospects for the sustained provision of reproductive health services are excellent.

**B. Potential Issues and/or Innovative Program Approaches:** The USAID/UNFPA joint programming approach to meeting the assistance needs of MOH and CONADE is innovative to the extent that for the first time in Ecuador two donor agencies will establish a unique program plan of assistance. This joint programming will not only multiply the resource availability, but will also increase the policy leverage over the local institutions. The sustainability strategy for APROFE and CEMOPLAF continues the innovative approach designed in PFP-II in that it combines cost recovery, cost containment, cross subsidies, and management improvements as a package of activities aimed at improving sustainability.

**C. Linkages to and Utilization of Global Bureau Resources and LAC Regional Programs:** Virtually all public sector activities (components 2 and 3) of the proposed PFP-III activity will rely on Global Field Support for implementation. The intent of the Mission is to not have direct bilateral agreements with public sector entities, but rather to depend on Field Support activities for technical assistance and limited programmatic support. Global Bureau will also be called upon for all contraceptive procurement.

**D. Management and Support Requirements:** From USAID/Ecuador, one full time senior FSN activity manager and one part time USDH. In addition, support services from O/Cont, EXO, RCO, RLA, and PPD as needed. From USAID/W, Global Field Support services related to processing of scopes of work, contraceptive procurement needs, and other documentation required for the provision of technical assistance.

**E. Timetable and Resource Requirements:** Project design activities will take place during FY 96. Global Field Support resource requirements of approximately \$175,000 will be needed during FY 96 for technical analysis related to the design, including discussions with UNFPA for joint programming.

**F. Recommendation on Delegation of Authority:** Recommend that authority be delegated to the Mission Director for authorization of the Project Paper, Cooperative Agreements, and other documents as needed.

**1. Basic Data**

<u>Activity Title:</u>	Environmental Support Program (ESP)
<u>Activity Number</u>	518-0123
<u>Funding Source Identified:</u>	Environmental Funds
<u>Duration:</u>	FY 1997 - FY 2001
<u>Proposed LOA Funding:</u>	

G Bureau Field Support:	\$ 2.0 million
Mission Obligation:	\$ 5.0 million

TOTAL LOA FUNDING:

\$ 7.0 million

## 2. Strategic Fit with Agency/Bureau Goal

The USAID strategy for sustainable development, approved in January, 1994, points to five conditions that indicate a lasting indigenous capacity to manage social change effectively and sustain development progress. One of the five conditions points to "...responsible stewardship of the natural resource base...". Likewise, in the USAID/LAC document The Strategic Role of U.S. Assistance in the Americas, one of the four basic requirements necessary in order that the process of economic and social advancement be sustained over the long run includes **environmental sustainability**, defined as the need for societies to respond to "...the economic and social costs of environmental degradation..." and their need to "...manage and protect natural resources and establish regulatory systems to prevent adverse long-run effects on the economic, social and political spheres."

The proposed Environmental Support Program (ESP) activity is consonant with Agency goals and strategies. The new activities under ESP are designed to consolidate and build upon SUBIR Phase I and II medium term achievements to enable Ecuador to achieve its long term environmental goal. The long term goal will be achieved when all Ecuadorians (rural and urban, rich and poor, indigenous and latin, women and men, elected and electorate) value biodiversity and a pollution free environment, and exercise through a broad range of organizations and mechanisms (legal, regulatory, research, policy dialogue), their individual and collective stewardship over these resources in a manner which is economically, socially and politically sustainable.

The Life of Activity is planned for five years, coincident with the SUBIR Project's original 10 year approval. The Agency's directive to manage for results is built into the ESP activity, wherein specific, tangible, measurable program outcomes, and a means to measure interim achievements are structured into the activity.

## 3. Consistency with Mission Strategy

This activity is consistent with mission SO 4.

**A. Activity Goal:** The goal of the activity is to contribute to the conservation and management of Ecuador's renewable natural resources for sustained economic development. New activities under the ESP are posited upon the adoption and implementation of the policy reforms and regulatory legislation to guarantee the sustainment of the field tested models and reforms accomplished under SUBIR Phase I and II, and the OIKOS Foundation and CAAM grants.

B. Activity Purpose: The purpose of the activity is to guarantee funding for the stewardship of ecologically and socially sustainable resource management models to preserve biodiversity and improve the economic well-being of local communities through their participation in the management of natural resources.

C. Brief Description of Activity Components: ESP activities will support achievement of Ecuador's long term goals under the Mission's current SO 4 Program Outcomes:

(1) Improved environmental policies and implementation. Based upon the expected ratification of the National Environmental Action Plan in late April of 1995, work now underway to draft a new Natural Resources Law will be completed, and the new law passed in 1996. Implementation of the new Law's regulatory legislation is expected to be difficult, judging from experience in neighboring countries. The legislation will contain the "teeth" necessary to obtain compliance with the new law. The new activity will provide the Presidential Environmental Advisory Commission (CAAM) and selected environmental NGO's and "think tanks" with technical assistance, training and policy analysis/dialogue support to enable the implementation of the new legislation.

(2) Improved management of natural resource and biodiversity activities in selected areas. Completion of the Environmental Action Plan will enable the establishment of a national Environmental Trust Fund in 1996. Subscription of national and international matching donations into the fund will begin in 1997. The new activity will provide technical assistance and training to national environmental NGO's and the CAAM to leverage public and private sector donations and expert management systems into the fund.

(3) Improved practices for pollution control and urban environmental management in selected areas. By 1997, an Oil Clean-up Trust Fund will have been established through USAID funded technical assistance to the CAAM and Ministry of Energy and Mines. Subscription of private sector funds into the Trust will begin in 1997. The new activity will provide technical assistance and training to national environmental NGO's and the CAAM to leverage the much larger secondary tranches of funds into the Trust and expert systems management to guide the implementation of its expected "first generation" problems.

D. Anticipated Impact on Poverty Alleviation, Access, and Participation Including Gender Level Impact: The impact of consolidating and implementing environmental legislation inherent to the national Environmental Action Plan through the new Natural Resources Law, an Environmental Trust Fund, and an Oil Clean-up Trust Fund is direct, tangible and well documented in the Action Plan and NGO/PVO publications. The rural and urban poor, as well as the indigenous residents in and around the nation's ecological

reserves and petroleum producing regions are disproportionately affected by their unsanitary environment and lack of legal and participatory access to sustainable management systems of the renewable and non-renewable resources.

The extension of community based economic models developed and tested under SUBIR Phase II, the increased utilization of value-added processing of forest and non-forest products, the co-participation of communities in the delineation of communal property rights and sustainable management plans for ecoregions, and the increased compliance with pollution reducing regulatory legislation will have direct economic and health benefits to a largely disenfranchised portion of the population.

**E. Policy Dialogue Agenda:** The entire thrust of the activities described under this new activity fall within the realm of implementing the policy dialogue outcomes obtained under SUBIR Phase I and II. The ratification of the national Environmental Action Plan and a new Natural Resources Law are necessary but insufficient conditions for achieving Ecuador's long term environmental goal of protecting the environment. The means to achieve the expected outcomes must be built into the regulatory legislation and public/private sector cooperative mechanisms (Trust Funds), else a set of well-intentioned but basically inoperative set of laws. Mission experience during the last three years with both public and private institutions in achieving the passage of significant (and historic) new laws to modernize land tenancy, financial and property rights laws indicates that passage of a new law is only the first step in achieving the desired social and economic outcomes. Continuous and timely institutional support and technical assistance are essential factors for their achievement.

**F. Donor Coordination:** The Mission has sustained close coordination with both the Interamerican Development Bank (through CONADE) and the Global Environmental Facility (through INEFAN) to coordinate resources in addressing SUBIR Phase I and II program outcomes. The Presidential Environmental Advisory Commission (CAAM) is now coordinating additional World Bank assistance to address the implementation of portions of the national Environmental Action Plan, especially those items which will require the mobilization of substantial international resources.

#### **4. Policy and Design Issues**

**A. Sustainability of Proposed Activities:** The 1994 outside evaluation of the SUBIR Project Phase I corroborated the high level of expected interim project outcomes, especially the strengthening of environmental NGO's and the policy reform achievements related to communal property rights through the training of community based para-legal technicians. The CAAM's outstanding record of achievement in just 18 months in obtaining a broad-based consensus for ratification of a national Environmental Action Plan and

convocation of Ecuador's Second Environmental Congress is a matter of record. The nature of the proposed activities, especially the invocation of matching contributions to the proposed Trust Funds and sound management systems provides the best guarantee for the sustainment of the new activity.

**B. Potential Issues and/or Innovative Program Approaches:** Successful initiation and implementation of the proposed activities are posited upon continued GOE support for the long term goal of protecting Ecuador's environment. Although most observers expect the current movement towards modernization to continue, the new activities are conditioned upon the passage of enabling legislation prior to their initiation. The broad consensus obtained by the CAAM across all official and private sectors for the ratification of the national Environmental Action Plan (and newly passed legislation requiring environmental impact and monitoring plans for oil contractors) would suggest that sufficient stakeholding has been engendered to ensure the implementation of the proposed activities (which are incorporated into the Environmental Action Plan).

**C. Linkages to and Utilization of Global Bureau Resources and LAC Regional Programs:** Virtually all of the activities planned under the three components rely on Global Field Support, through existing buy-ins (EP3, Greencom, etc) and/or through access to other U.S. agencies (EPA, U.S. Forestry Service, private sector foundations and PVO's). The intent of the Mission is to not have direct bilateral agreements with public sector entities, but rather to depend on Field Support activities for technical assistance and limited programmatic support, augmented by CAs with local NGO participating institutions.

**D. Management and Support Requirements:** From USAID/Ecuador, one full time senior FSN activity manager and one part time USDH. In addition, support services from RHUDO, CONT, RCO, RLA, REA and PPD as needed. From USAID/W, Global Field Support services related to processing of scopes of work, limited procurement requirements, and other documentation required for the provision of technical assistance and multi-donor coordination.

**E. Timetable and Resource Requirements:** Activity design activities during 1996. Global Field Support resource requirements of approximately \$350,000 will be needed during FY 96 for technical analyses related to the design.

**F. Recommendation on Delegation of Authority:** Recommend that authority be delegated to the Mission Director for authorization of the Activity Description, Cooperative Agreements, and other documents as needed, related to the implementation of the Environmental Support Program activities.

**C. Resource Requirements**

The following Table III, Strategic Objective Summary Report shows USAID Ecuador's obligations FY 94 through FY 97. For FY 95 funding, amounts shown for Global Bureau funding are consistent with G Bureau field support levels for SOs 2 and 3. However, it should be noted that, in the case of SO 1 (Economic Growth) and SO 4 (Environment), the tables do not necessarily reflect all of the Global Bureau Center projects and amounts proposed in draft Memoranda of Understanding, which the Mission submitted to these centers in the end of January, 1995. Proposed Global Bureau funding for SO 4 will be decided under the review and approval process for the Environmental Initiative of the Americas (EIA). The Mission's proposal for Global Bureau funding for SO 1 activities is now being reviewed by the Global Bureau Economic Growth Center. Given the proposal/review process for Global Bureau funding, amounts projected for FY 96 and FY 97 obligations in the table may well differ from the activities and levels to be negotiated between the Global Bureau and the Mission in those FYs.

FY 1996 Budget Planning Document  
 Strategic Objective Summary Report  
 Table III

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SO No	Title Project	Obligations X Percentages				FY94 Pct	FY95 Pct	FY96 Pct	FY97 Pct
		FY94	FY95	FY96	FY97				
01	INCREASE SUSTAINABLE ECONOMIC GROWTH FOR A BROAD B								
	518-0004	222	200	200	200				
	DP	222	200	200					
	ST				200				
	518-0051	155	0	0	0				
	DP	155							
	518-0076	65	0	0	0	40	40	40	40
	DP	65							
	518-0089	649	562	594	420	55	64	44	30
	DP	649	562	594					
	ST				420				
	518-0094	600	0	0	0				
	DP	600							
	518-0118	0	0	52	53	13	13	13	7
	DP			39					
	PN			13	14				
	ST				39				
	518-0121	0	760	820	870				
	DP		760	820					
	ST				870				
	518-XXXX	0	100	0	0				
	DP		100						
	936-5832	0	22	0	0				
	DP		22						
	940-0016	0	24	100	100				
	DP		24	100					
	ST				100				
	<b>Total:</b>	<b>1,691</b>	<b>1,668</b>	<b>1,766</b>	<b>1,643</b>				
	<b>S.O. PCT:</b>	<b>17.6</b>	<b>15.6</b>	<b>11.3</b>	<b>10.5</b>				

SO No	Title Project	Obligations X Percentages				FY94 Pct	FY95 Pct	FY96 Pct	FY97 Pct
		FY94	FY95	FY96	FY97				
	USDH FTE	FY94 1.5	FY95 1.5	FY96 1.5					
Central Regional Costs for FY96				160					
02	INCREASED USE, EFFECTIVENESS AND SUSTAINABILITY OF								
	518-0071	500	1,100	2,400	1,500				
	DP	500	1,100	2,400					
	ST				1,500				
	518-0076	97	0	0	0	60	60	60	
	DP	97							
	518-0091	767	0	0	0				
	DP	767							
	518-0084	2,497	1,550	1,450	802				
	PN	2,497	1,550	1,450	802				
	518-0089	236	202	378	490	20	23	28	
	DP	236	202	378				35	
	ST				490				
	518-0118	0	0	200	300	50	50	50	
	DP			150				40	
	PN			50	80				
	ST				220				
	518-0122	0	0	0	1,448				
	PN				1,448				
	936-3030	0	100	100	100				
	PN		100	100	100				
	936-3035	0	15	50	50				
	PN		15	50	50				
	936-3038	0	100	100	100				
	PN		100	100	100				
	936-3041	0	100	100	100				
	PN		100	100	100				
	936-3045	0	50	50	50				
	PN		50	50	50				
	936-3051	0	100	100	100				

CO No	Title Project	Obligations X Percentages				FY94 Pct	FY95 Pct	FY96 Pct	FY97 Pct
		FY94	FY95	FY96	FY97				
	PN		100	100	100				
936-3052		0	100	100	100				
	PN		100	100	100				
936-3057		0	900	900	900				
	PN		900	900	900				
936-3060		0	50	50	50				
	PN		50	50	50				
936-3061		0	50	50	50				
	PN		50	50	50				
936-3068		0	100	100	100				
	PN		100	100	100				
936-3069		0	50	50	50				
	PN		50	50	50				
936-5970		0	400	0	0				
	DP		400						
936-597407		0	300	0	0				
	DP		300						
936-5992		0	150	0	0				
	DP		150						
936-600601		0	350	400	400				
	DP		350	400	400				
<b>Total:</b>		<b>4,097</b>	<b>5,767</b>	<b>6,578</b>	<b>6,690</b>				
<b>S.O. PCT:</b>		<b>42.6</b>	<b>53.8</b>	<b>42.1</b>	<b>42.8</b>				
<b>USDH FTE</b>		<b>FY94</b>	<b>FY95</b>	<b>FY96</b>					
		1.0	1.0	1.0					
<b>Central Regional Costs for FY96</b>				<b>275</b>					
03	<b>IMPROVE THE RESPONSIVENESS OF SELECTED DEMOCRATIC</b>								
	518-0089	295	114	378	490	25	13	28	35
	DP	295	114	378					
	ST				490				

SO No	Title Project	Obligations X Percentages				FY94 Pct	FY95 Pct	FY96 Pct	FY97 Pct
		FY94	FY95	FY96	FY97				
	518-0091	737	2	0	0				
	DP	737	2						
	518-0095	450	0	0	0				
	DP	450							
	518-0105	500	700	300	0				
	DP	500	700	300					
	518-0118	0	0	48	150	12	12	12	20
	DP			36					
	PN			12	40				
	ST				110				
	518-0120	0	0	1,865	1,965				
	DP			1,865					
	ST				1,965				
	598-0591	0	50	0	0				
	DP		50						
	598-0669	0	50	150	150				
	DP		50	150	150				
	<b>Total:</b>	<b>1,982</b>	<b>916</b>	<b>2,741</b>	<b>2,755</b>				
	<b>S.O. PCT:</b>	<b>20.6</b>	<b>8.6</b>	<b>17.6</b>	<b>17.6</b>				
	<b>USDH FTE</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>					
		1.0	1.0	1.0					
	<b>Central Regional Costs for FY96</b>			<b>120</b>					
04	<b>PROMOTE SUSTAINABLE USE OF THE NATURAL RESOURCES B</b>								
	518-0069	903	1,710	2,700	1,284				
	DP	903	1,710	2,700					
	ST				1,284				
	518-0117	300	300	1,000	600				
	DP	300	300	1,000					
	ST				600				
	518-0118	0	0	100	248	25	25	25	33
	DP			75					
	PN			25	66				
	ST				182				

SO No	Title Project	Obligations		Percentages		FY94 Pct	FY95 Pct	FY96 Pct	FY97 Pct
		FY94	FY95	FY96	FY97				
518-0123		0	0	0	1,666				
	ST				1,666				
936-5517		0	0	400	400				
	DP			400	400				
936-5559		243	0	0	0				
	DP	243							
936-5839		133	0	0	0				
	DP	133							
<b>Total:</b>		<b>1,579</b>	<b>2,010</b>	<b>4,200</b>	<b>4,198</b>				
<b>S.O. PCT:</b>		<b>16.4</b>	<b>18.8</b>	<b>26.9</b>	<b>26.9</b>				
<b>USDH FTE</b>		<b>FY94</b>	<b>FY95</b>	<b>FY96</b>					
		1.5	1.5	1.5					
<b>Central Regional Costs for FY96</b>				<b>700</b>					
<b>99 OTHER ACTIVITIES IN SUPPORT OF AGENCY GOALS</b>									
518-0000		274	350	330	330				
	DP	274	300	280					
	PN		50	50	50				
	ST				280				
<b>Total:</b>		<b>274</b>	<b>350</b>	<b>330</b>	<b>330</b>				
<b>S.O. PCT:</b>		<b>2.8</b>	<b>3.3</b>	<b>2.1</b>	<b>2.1</b>				
<b>USDH FTE</b>		<b>FY94</b>	<b>FY95</b>	<b>FY96</b>					
		0.0	0.0	0.0					
<b>Central Regional Costs for FY96</b>				<b>0</b>					
<b>Report Totals</b>									
		<b>9,623</b>	<b>10,711</b>	<b>15,615</b>	<b>15,615</b>				
<b>S.O. PCT:</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>				
<b>USDH FTE</b>		<b>5.0</b>	<b>5.0</b>	<b>5.0</b>					
<b>Central Regional Costs for FY 96</b>				<b>1,255</b>					

FY 96/97 ACTION PLAN

TABLE 5

USAID/ECUADOR  
PORTFOLIO PROJECT TIMELINE

PROJECT NUMBER AND TITLE	FY 93				FY 94				FY 95				FY 96				FY 97				FY 98			
	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																								
518-0051 AGRICULTURAL SECTOR REORIENTATION																								
518-0064 DRUG AWARENESS																								
518-0067 ANDREAN 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																								
518-0081 WATER & SANITATION FOR HEALTH EDUCATION																								
518-0082 AGRICULTURAL EDUCATION II - OPG																								
518-0084 HEALTH AND FAMILY PLANNING II																								
518-0085 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT																								
518-0091 CLASP II PROGRAM																								

S - QUARTER PROJECT STARTS  
T - QUARTER PROJECT TERMINATES

PROJECT NUMBER AND TITLE	FY 93				FY 94				FY 95				FY 96				FY 97				FY 98											
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
518-0092 SUSTAINABLE LAND USE MANAGEMENT																																
518-0093 DRUGSTORE PROGRAM																																
518-0094 TRADE & INVESTMENT PROGRAM																																
518-0095 RTMC PROGRAM																																
518-0105 JUSTICE SECTOR SUPPORT																																
518-0107 CHARLES DARWIN - GALAPAGOS ISLANDS OPG																																
518-0108 CASE OPG - CHOLERA																																
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																																
518-0122 POPULATION AND P.F. III - REPRODUCTIVE HEALTH																																
518-0123 ENVIRONMENTAL SUPPORT PROJECT																																
TOTAL PROJECTS																																

6 - QUARTER PROJECT STARTS

E. TABLE 6  
USAID/ECUADOR  
FY-97 ALTERNATIVE FUNDING SCENARIOS  
DOLLAR PROGRAM  
(\$000)

PROJECT NUMBER AND TITLE	FY-97 SCENARIOS			
	FY 96 CP LEVEL	AP LEVEL *	50 CP PY 96 CP LEVEL	(50) OF FY 96 CP LEVEL
<b>MISSION STRATEGIC OBJECTIVE NO. 1</b>				
518-0000 PD AND 6				
518-0004 SOA	118,846	82,500	89,300	87,328
518-0005 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT	789,033	716,000	300,000	200,000
518-0118 TRAINING FOR DEVELOPMENT	889,350	426,833	453,000	422,800
518-0123 MICROFINANCE ASSISTANCE & STRENGTHENING	338,000	50,000	50,000	50,000
518-0009 PRIVATIZATION AND DEVELOPMENT OF EC	1,275,000	878,800	854,000	863,000
SUBTOTALS SO NO. 1	3,294,816	1,888,833	1,000,000	900,000
<b>MISSION STRATEGIC OBJECTIVE NO. 2</b>				
518-0000 PD AND 6				
518-0021 CHILD SURVIVAL	70,886	82,500	82,500	70,290
518-0084 HEALTH AND FAMILY PLANNING II	1,506,000	1,330,200	1,500,000	1,500,000
518-0089 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT	504,800	602,437	602,000	602,000
518-0118 TRAINING FOR DEVELOPMENT	306,800	400,000	350,000	400,000
518-0122 POP AND F. P. III REPRODUCTIVE HEALTH	100,886	3,487,513	3,572,000	1,227,250
518-0013 INOPAL	58,000	100,000	100,000	100,000
518-0035 OPTIONS FOR POPULATION POLICY	100,000	50,000	50,000	50,000
518-0041 F.P. LOGISTICS MANAGEMENT & CBC	100,000	100,000	100,000	100,000
518-0041 FAMILY HEALTH INTERNATIONAL	100,000	100,000	100,000	100,000
518-0045 J. WORKING PROG. FOR INT. EDUC. IN REP. HEALTH	50,000	50,000	50,000	50,000
518-0051 CONTRACEPTIVE SOCIAL MARKETING III	180,000	100,000	100,000	100,000
518-0053 POPULATION COMMUNICATION SERVICES	180,000	100,000	100,000	100,000
518-0057 CENTRAL CONTRACEPTIVE PROCUREMENT	900,000	900,000	900,000	900,000
518-0060 EVALUATING F.P. PROGRAM IMPACT	50,000	50,000	50,000	50,000
518-0061 INITIATIVES IN NAT. F.P. & BREASTFEEDING	50,000	50,000	50,000	50,000
518-0068 ASSOCIATION FOR VOL. SURG. CONTRACEP. PROG.	100,000	100,000	100,000	100,000
518-0069 J. WORKING PROG. FOR INT. EDUC. IN REP. HEALTH	50,000	50,000	50,000	50,000
518-0086.01 BASIC SUPPORT FOR INT. CB. SURVIVAL	400,000	400,000	400,000	400,000
SUBTOTALS SO NO. 2	7,620,000	6,877,500	6,911,470	6,297,500
<b>MISSION STRATEGIC OBJECTIVE NO. 3</b>				
518-0000 PD AND 6				
518-0089 POLICY DIALOGUE AND IMPLEMENTATION SUPPORT	500,000	450,000	490,000	490,000
518-0118 TRAINING FOR DEVELOPMENT	300,000	150,000	150,000	150,000
518-0120 JUSTICE SECTOR PROGRAM	1,250,000	1,955,000	1,803,500	1,663,000
518-0069 LAC TECH. SUPP. FOR ADMIN. OF JUSTICE	150,000	150,000	150,000	150,000
SUBTOTALS SO NO. 3	2,270,000	2,877,500	2,674,999	2,433,500
<b>MISSION STRATEGIC OBJECTIVE NO. 4</b>				
518-0000 PD AND 6				
518-0089 SUSTAINABLE USES FOR BIOLOGICAL RESOURCES	994,760	1,234,735	1,197,230	1,197,230
518-0117 ENVIRONMENTAL EDUCATION [EDUCAR] - OPG	524,217	600,000	600,000	600,000
518-0118 TRAINING FOR DEVELOPMENT	300,000	150,000	150,000	150,000
518-0123 ENVIRONMENTAL SUPPORT PROGRAM	0	1,566,245	1,706,666	1,466,000
518-0017 ENVIRONMENTAL PLAN. & MANAGEMENT	400,000	400,000	400,000	400,000
518-0033 ENVIRONMENTAL POLLUTION PREVENTION	257,000	0	0	0
518-0039 ENVIRONMENTAL EDUCATION & COMMUNIC.	167,213	0	0	0
SUBTOTALS SO NO. 4	2,715,184	4,182,500	4,270,431	3,752,500
COUNTRY TOTALS	14,800,000	15,615,000	15,540,000	14,060,000
* FY-97 ACTION PLAN LEVEL PER LAC BUREAU GUIDANCE				11,100,000

## E. Other Donors

Other donor activity in Ecuador during 1994 was significantly higher than in previous years, as a result of a concerted effort by the international community to support the GOE's efforts to carry out economic reforms, and finance its commercial bank debt. The IMF stand-by agreement approved for Ecuador in May 1994 for SDR130 million, set the stage for loans amounting to \$960 million from the Inter-american Development Bank (IDB), the International Bank for Reconstruction and Development (IBRD), and the EXIM Bank of Japan. The IDB approved five project loans for: Emergency Social Investment Fund (FISE) - \$30 million, Coastal Resources - \$15 million; The National Planning Secretariat - \$12 million; Potable Water for the Municipality of Quito - \$136 million; and Municipal Strengthening - \$41 million. In addition three sector loans were approved by the IDB: Financial Sector - \$110 million; Agricultural Sector - \$93 million; and Transportation Sector - \$82 million, and Debt and Debt Service Reduction Loan (DDSR) for \$8 million. The IBRD also approved three project loans: Energy and Mining - \$14 million; FISE - \$30 million; and Institute of Agricultural Irrigation (INHERI) - \$20 million and Debt and Debt Service Reduction Loan for \$8 million. In addition, the IBRD is in the process of designing an Institutional Strengthening Project for the Supreme Court for about \$20 million, which will be co-financed by the IDB, and the UNDP. The regional Andean Finance Corporation (CAF) also approved for FISE - \$30 million. The EXIM Bank of Japan approved a \$200 million loan to purchase US Bonus that serves collateral for the DDSR operations.

USAID played a catalytic role in facilitating most of these. In the case of FISE, USAID put in seed capital of \$4.5 million and the other donors put in \$90 million (and the GOE \$30 million). In the case of the Financial Sector Loan, it was USAID's TA in Social Security Reform and Capital Markets that helped the GOE complete the conditions precedent for approval. For the Coastal resources project, it was USAID's own coastal resources project which basically paved the way for continuation of financing by the IDB. The IBRD Institutional Strengthening of the Supreme Court project, is based on the prior work of the Ecuadorian Latin American Development Corporation which reformed the Constitution and established the Justice Sector Working Groups that helped the GOE to develop a strategy for the reform of the sector and sparked the interest of the IBRD. Since then, the IDB and the UNDP have also expressed interest in participating in the project.

In addition, USAID has been actively supporting the GOE, the IDB and the IBRD in project design for projects to be approved during 1995 in the health, education, and microenterprise sectors. The IDB Health Sector project has two components for which USAID has been actively laying the groundwork over four years. They involve institutional reorganization of the sector, and improvement in the programs and delivery of basic health care.

In case of the education project, USAID has been meeting regularly with the IDB design team to inform them of the innovative private sector approach to education reform which is being advocated by USAID with the help of international experts in education reform. In Microenterprise development, USAID has been coordinating closely with IDB staff in Washington and Quito regarding IDB's support to microenterprises through IDB's Multilateral Investment Fund and IDB's forthcoming microenterprise new initiatives.

## **F. Performance Measurement**

### **1. Overview of USAID Ecuador's Strategic Monitoring System**

USAID Ecuador has been steadily integrating its project and strategic objective (SO) monitoring systems. Not only does every project have its own M&E plan, but each SO has its own written M&E plan. Recently, with the help of an M&E expert the Mission completed M&E plans for SO 1 (economic growth) and SO 3 (democracy). Now, all SOs have an M&E plan in place. In addition to Mission staff, such M&E plans actively involve personnel of implementing institutions in the collection of data directly related to program outcome indicators.

The SO M&E process has been incorporated into the agreements signed with the Mission's partners. As described in Section I, D. Reengineering and Managing for Results, for the past year the Mission has executed agreement instruments with NGO and GOE partners which specifically include the outputs these implementing institutions are expected to deliver as "products." Based on this, the Mission is preparing output matrices which enable project officers and counterparts to review progress on a regular basis. The outputs in the agreements and matrices are directly related to SO program outcomes.

Another indication of the Mission's integrated monitoring system is the Semi-annual Review (SAR) process. As described in more detail below, the Semi-annual Reports are prepared according to SOs, and the review process consists of meetings between the SO teams and Mission senior management.

### **2. Clearly Defined Performance Targets**

Last year's Action Plan guidance cable indicated more work was needed to match indicators of success with the statement for SO 1 and that the wording in SO 2 needed to be revised to be more "strategic." Mission staff worked with LAC Bureau counterparts to change the wording of SO 2 to what is in the current Action Plan.

Over the past year, the Mission has carefully reviewed targets (or indicators) for all SOs in order to ensure that indicators truly reflect achievement of strategic objectives or program outcomes.

Specifically, for SO 1 (Increase sustainable growth for a broad base of the population), last year the Mission had "increased net household income of small farmers" and "increased income of small enterprises" as SO indicators.

In this Action Plan, three SO 1 indicators have been added to better demonstrate achievement of the SO. The new indicators relate to "net income of selected microenterprises in urban and rural areas" and "percentage of selected rural families with increasing household income." The Mission believes that these indicators will better reflect both the contribution of the program to the SO and improvements in the income to the rural poor. In addition, the Mission added an indicator on improvements in some of the recognized poverty indices to better reflect "growth of a broad base of the population." At the PO level, social policy reform and microenterprise development are clearly the highest priorities in USAID Ecuador's program. This is now better reflected at the SO indicator level which emphasizes not just growth but growth to benefit the poor.

This type of analytical scrutiny has been applied to all SOs and indicators and POs and their indicators. The Mission believes that the set of indicators in this Action Plan are the most appropriate for telling whether SOs are being achieved, taking into account both the measurability and availability of data.

### **3. Established Procedures for Data Collection and Analysis**

Data collection has been made an integral part of the project implementation process. For example, in the case of Program Outcome 1 ("Improved social and economic policies") under SO 1, counterpart personnel are collecting data that relate to the policy dialogue process, i.e. analysis, seminars, etc., through to legislation and implementation of legislation.

This is the case with all SOs, which include, in the agreement instruments, provisions for data collection. The Mission has also taken steps to assign data collection responsibilities to specific personnel in counterpart institutions. Such data is augmented by surveys by either national institutions (e.g. National Demographic and Health Survey) or other donors, such as UNDP and the World Bank.

One important criteria in selecting indicators which the Mission has applied across the board is the availability of data. If data is not adequately available for a given indicator, other more reliable indicators for which data are available have been identified.

#### **4. Annual Progress Review**

For the past two years the Mission has organized Semi-annual Reviews (SARs) according to strategic objectives. Therefore, projects are reported under SOs. The reports include specific sections which report on progress under the SO as well as progress under each program outcome. The of review the SAR reports is completely consistent with the strategic planning process. It is done through meetings between the SO teams and the Mission Director and Deputy Director. The presence of SO teams, rather than offices, in these meetings have enabled the Mission to internalize strategic planning and organization by SOs.

#### **5. Gender Considerations**

The Mission has reviewed the four strategic objectives in light of the Guidance on Integration of Gender into Strategic Planning and Reporting, issued by the LAC Bureau on July 25, 1994. For SO 1, which includes program outcomes related to policy reform and microenterprise activities, at the Results Package (Microenterprise Assistance and Strengthening) level the Mission will collect data on microenterprises owned by women. This was done under the Non-traditional Agricultural Export Project, for which the Mission was able to estimate that 65 percent of 1,600 new producers assisted by the project were women.

SO 2 ("Reduce levels of mortality and fertility to levels which are commensurate with sustainable development") lends itself directly to tracking the well-being of women with such indicator units as "percentage of women in reproductive age currently using a modern method of contraception".

For both SO 3 (democracy) and SO 4 (environment) the role of women will be tracked at the Results Package level, through data collected by counterpart institutions. This will be appropriate more for certain activities than others. For example, in efforts to promote environmentally sound economic activities in buffer zones, the project counterpart staff will collect data on the participation of women.

#### IV. PROGRAM MANAGEMENT REQUIREMENTS

##### A. Operating Expenses Narrative

In order to prepare for the transition to managing for results and to achieve the strategic objectives targets for the year 2000 contained in Section I, the Mission initiated procurement of state-of-the-art 486 LAN computer terminals and servers with central IRM funds during FY 95. In addition, we began training to adopt the new "Windows" software environment with the target of becoming paperless by October 1, 1995.

Moreover, the Mission continued rightsizing efforts reflecting the transition from process orientation to results mode. In this regard, the Mission eliminated six full time FSN positions and transferred another three to project funding during FY 94. During FY 95, the Mission has eliminated an additional six FSNPSC positions, one USPSC, and transferred another FSNPSC to project funding. These adjustments will save the Mission about \$140,000 per year in FY 96 and 97. Additionally, a USDH position will be eliminated by the end of FY 96. While not considering NXP procurement, the new FY 96 level presented in this document is \$267,000 less than the amount estimated in the Budget Planning Document prepared in July 1994 for the same year.

We are, nonetheless, experiencing severe OE constraints limiting all Mission operations during FY 95. This is due to the priority we placed in funding the FSN salary increase and reengineering training. FSN employee wages continue to make up of the largest portion of the Mission's OE costs. FY 95 was especially difficult because of soaring FSN wage increases. Early in the fiscal year, the first full wage survey in six years took place. The survey recommended substantial increases for all FSN grades. The higher FSN grades, received increases of as much as 80 percent. In order to be responsive to the Ambassador and to be consistent with all other Country Team agencies, we funded 100 percent of the FSN salary wage increases. To do this, the Mission deferred procurement of discretionary non-expendable property (NXP) in FY 95. In addition, we substantially reduced communications, site visit travel, and training.

The resulting OE constraints will impede our ability to travel and fully participate in the many USAID/Washington and regional training programs covering the new Reengineered systems. Attending these various training events will be crucial to quickly adopt new results oriented systems design, monitoring, and evaluation mechanisms. In addition, training in new systems administration, procurement and financial management are crucial for us to make the transition to the new Agency reengineered environment on October 1, 1995.

**B. TABLE 4  
USAID/ECUADOR  
OE Funding Requirements  
(\$000)**

OE/TRUST FUNDED LEVELS BY Major Function Code:	FY 95	FY 96	FY 97
U100 U.S. Direct Hire	289.4	266.8	167.4
U200 F.N. Direct Hire	276.4	243.4	284.7
U300 Contract Personnel	1,380.2	1,275.9	1,287.1
U400 Housing	239.8	247.7	232.0
U500 Office Operations	724.2	780.4	871.9
U600 NXP Procurement	82.7	42.0	42.0
<b>Total Mission Funded OE/TF Costs</b>	<b>*2,992.7</b>	<b>**2,856.2</b>	<b>**2,885.1</b>
<b>Of which TF Funded</b>			

\*Must not exceed Approved Annual Plan  
\*\*Should not exceed estimated actual FY 95 levels.

	FY 95						FY 96						FY 97					
	USDH*	USPSC**	TCNPSC**	FSN	Other	USDH*	USPSC**	TCNPSC**	FSN	Other	USDH*	USPSC*	TCNPSC**	FSN	Other			
Total Authorized Positions	12	6	1	10	81	11	5	0	10	70	11	5	0	10	69			
of which Program funded		4	1		7		3	0	0	7		3			6			

\*May not exceed authorized USDH position ceiling

\*\*Must agree with Bureau established PSC ceiling for FY 95. Any increases requested for FY 96-97 must be specifically justified within the context of planned program activity.

USDH position ceiling for FY 95, 96 and 97 includes the Regional Contracting Officer position assigned to Ecuador. For FY 96 Mission will reduce one USDH position, 2 USPSCs, 1 TCN and 12 FSN positions, FY 97 projects the same number of USDHs and USPSCs and will identify other FSN positions for reduction.

## **V. MISSION INITIATED ISSUES**

### **A. ECONOMIC GROWTH AND DEMOCRACY FUNDING**

As indicated in this Action Plan, Ecuador has been in a low level recession for the past ten to fifteen years (1980-92). This trend may continue into 1995 and possibly 1996 as a result of the negative impacts of the recent border conflict with Perú. Low or negative economic growth has undercut the ability of the country to better address its serious poverty, social development and environmental problems. The fundamental requirement for achieving sustainable development in Ecuador is raising economic growth rates and improving poverty indicators over an extended period of time. However, USAID has been cutting back on its Economic Growth funding in the LAC region. Is it likely that additional funds can be allocated to the Economic Growth Objective in the period FY 1996-2000 so as to better respond to Ecuadorian development requirements?

Likewise, Ecuador led the Latin America transition to democracy starting in the late 1970s. It has successfully completed four national elections with a fifth scheduled for May 1996. Yet Ecuador's democratic institutions are extremely weak and fragile. USAID is the only donor that has experience strengthening democratic institutions and has available the type of flexible grant funding and technical assistance that best respond to local needs. Yet USAID has been forced to cut back its democracy funding in LAC and in Ecuador. Is it likely that additional funds can be allocated to the Democracy Objective in the period FY 1996-2000 so as to better respond to Ecuadorian development requirements and U.S. foreign policy objectives?

### **B. ENVIRONMENTAL FUNDING**

Ecuador's environmental problems have attracted international attention. They extend from the Galápagos Islands to the Tropical Rainforest in the Amazon Basin. The country has some of Latin America's leading environmental NGOs. It has been a pioneer in many environmental education and protection programs including a new Presidential Environmental Advisory Commission (CAAM) and a new NGO to address urban-industrial pollution (OIKOS). Leading U.S.-based environmental NGOs such as The Nature Conservancy and the World Resources Institute are working in Ecuador with USAID funding.

Since 1980 USAID has been lead donor in the environmental area helping to develop and strengthen numerous environmental NGOs, pioneer community-based sustainable natural resource models and develop the CAAM and Ecuador's first Environmental Action Plan. However, declining USAID budget resources has not allowed us to respond to many important needs especially in the areas of better

addressing pollution prevention/control and providing expanded assistance to CAAM and environmental NGOs. There are a number of mechanisms that could be used to increase environmental funding for Ecuador as follows:

-- Make Ecuador a higher priority country for accessing EIA funding and other projects being supported by the Global Bureau's Environmental Center.

-- Promote in Washington a USG Debt Reduction Plan the ones implemented in other LAC countries (Bolivia, Colombia, El Salvador, Honduras and Jamaica). Through this Plan allow prior USAID and PL-480 Title I loans (totalling \$123 million) to be repaid in local currency so that these resources can be used for environmental NGOs through a new Environmental Fund being created in Ecuador.

-- More aggressively involve the U.S. TIES Program being funded by the U. S. Environmental Protection Agency in Latin America and Ecuador.

The Mission requests LAC support for these initiatives.

#### **C. TIMING FOR A NEW STRATEGIC PLAN FOR ECUADOR**

The LAC Action Plan guidance indicates that USAID/Ecuador should begin preparations in the summer/fall 1995 for the new Strategic Plan in the following cycle (spring, 1996). However, the first round of presidential elections in Ecuador will be held in May, 1996 with a possible second round to be held in July 1996. USAID/Ecuador views August/September 1996 as the key dates by which the important, major reforms (social policy, environmental, judicial and economic) will be better defined by a new GOE administration.

For these reasons, the Mission believes that waiting another year to prepare and present the Strategic Plan, i.e. prepare in fall/winter 1996 and review in spring, 1997 will be more responsive to the election cycle and the development agenda of a newly elected GOE that will take office on August 10, 1996.

#### **D. REENGINEERING ISSUES**

As indicated in this Action Plan, the Mission is looking forward to receiving clear and operationally useful reengineering guidance that can help us implement a smooth transition to USAID's new system so that it does not end up disrupting program momentum in FY 96 and beyond. To date we have received messages containing ideas and reengineering concept papers. We feel that there is urgent need for guidance that more fully explains how the Agency will implement its new systems at the field level. For example: How will Results Packages be formally defined and justified? What will replace PIOs and implementing documents? How will the Mission

obligate by Strategic Objective given the predominance of NGO implementing organizations in our portfolio? When can we expect to see new host country agreements? How will our existing portfolio be transitioned into new Results Packages? With the new systems scheduled to begin implementation on October 1, 1995, when can USAID expect definitive guidance on these and other reengineering questions so that we can better prepare our host country partners and customers for these changes?

**E. OE CONSTRAINTS**

As discussed in the Action Plan, the Mission is concerned about OE funding constraints in FY 95 that impede all mission operations, including project site visit travel, staff development training, including travel to participate in "reengineering" training and Procurement of Equipment. Because our OE budget has many demands placed on it, there is a significant shortfall in OE to fund travel and per diem to monitor for Results, attend "Reengineering" seminars, and conduct normal staff development. We want to be responsive and be ready on October 1, 1995 to adopt new systems for program management, administration, financial management, and procurement. We may, however, not be able to do so because of a lack of sufficient OE resources for travel and per diem. We request relief.

Moreover, the Mission is concerned about being unable to participate in "joint planning" with LAC and Global Bureau staff this FY. While we look forward to collaborating in the process of joint planning and so monitoring, we are unable to fund any LAC and Global staff travel or per diem to Ecuador. Who will fund LAC and Global Bureau staff travel to field missions for "joint planning and so monitoring?"

## **VI. SPECIAL REPORTING REQUIREMENTS**

### **A. Section 118 and 119, Tropical Forestry/Biodiversity**

The Mission continues to help Ecuador make progress in the protection of tropical forests and biological diversity. The SUBIR project, and the centrally-funded Parks in Peril and SANREM CRSP projects have provided leadership in establishing links between national protected areas and their surrounding communities. Based upon its first mid-term external evaluation in 1994, Phase II of the SUBIR project has been designed to increasingly concentrate resources on policy reforms, closely coordinate protected area management activities with the GEF and INEFAN, and streamline the management and implementation of activities surrounding the Cotacachi-Cayapas (northwest), Cayambe-Coca (highlands and Amazonian), and Yasuní (Amazonian) Reserves, which (respectively) protect one of the last large remaining areas of natural forest on the western slopes of the Andes, Quito's primary source of water, and one of the world's highest concentrations of biodiversity in a petroleum development threatened region.

Timely financial, technical and interlocutor support for the Presidential Environmental Advisory Commission by the Mission allowed the CAAM to negotiate, prepare and publish a final draft of the National Environmental Action Plan, which is a compendium of policies spanning all sectors, governmental agencies, and private civic organizations involved in the utilization of the nation's natural resources. The provision of direct financial assistance to the Darwin Foundation, and technical assistance through the Global Bureau's Greencom Project have laid the groundwork to establish a plant and animal quarantine system to protect the Galápagos National Park, and begin to measure the socialization of environmental related gender roles through formal schooling.

Future mission strategic activities related to Sections 118 and 119 include the promotion of follow-on legislation to operationalize the Environmental Action Plan, especially policy and regulatory constraints which negatively affect Ecuador's tropical forests, and the planned inclusion of the Antisana Ecological and Galápagos Marine Reserves under the USAID/W centrally-funded Parks in Peril Project. Management and oversight for strategic activities which address Section 118 and 119 issues are closely coordinated between the South American Regional Environmental Advisor (SA/REA) and the Quito mission's Agriculture/Natural Resource Office, where the SA/REA is located.

### **B. Food Security**

In early October, CARE International received and monetized USAID's \$3 million Title II donation of commodities, to establish a mechanism through the GOE's Emergency Social Investment Fund (FISE)

to promote and support productive and environmental projects submitted by NGOs and PVOs from Ecuador's poorest rural, peri-urban and indigenous regions. Over fifteen projects have since been submitted for approval, totaling more than \$900,000 in fast disbursing funds, and enabling FISE for the first time to incorporate support for NGO/PVO generated productive and environmental projects into its \$124 million ESF, GOE and multi-donor leveraged portfolio.

Food security involves ensuring people regular access to sufficient food for a healthy and productive life. The CARE-FISE Title II program works with national and international NGOs to design and finance productive infrastructure projects whose purpose is to increase the amount of food produced by the rural poor as well as extend the period of the year in which the food is available. The project is also designed to increase the income of the same target group, thus increasing their purchases of non-local foodstuffs. Increased food production will occur as a result of access to irrigation and better post-harvest storage, distribution and marketing facilities. The CARE-FISE program finances activities designed to create or improve existing productive and/or market enhancing infrastructure. The project also finances projects which promote the production of artisanal works as well as those related to environmental conservation where an income generation component is included. To date, the recently initiated activity has contributed to the design of several micro-irrigation projects, centers for artisanal activities, pisciculture projects and storage and marketing centers. All of these projects will contribute to increased food availability for project participants over a longer period of the year, either directly or indirectly through increased disposable income.