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PD-ABM-719



# USAID/ECUADOR



FY 1996 - 1998

## RESULTS REVIEW AND RESOURCE REQUEST (R4)



¿solucion en camino?



*"The institutions and policies in the poor countries are institutions and policies that not only have failed, but in addition to a disproportionate extent serve interests other than interests of the masses of the people in those countries. Experience tells us that in a low-income country that adopts good policies and institutions, standards of living can easily double in a decade, then double again in the decade after that, and double again in the decade after that, increasing eight-fold over 30 years.... I would argue that economic development requires, as it were, helping a country with an understanding of its problems; helping a country get a better understanding of economics and politics, a better understanding of an integrated view of economics and other social sciences. This better understanding of that is not something that, on the whole, the multilateral organizations can do, and it needs more to be done by individual aid-giving governments. Countries like the United States that have a history and a policy of promoting democracy and free markets abroad would be better able to do the kind of thing that I think is most important for poverty reduction than would the model multilateral organizations."*

Mancur Olson in "Who Gains from Policies That Increase Poverty",  
Center for Institutional Reform and the Informal Sector. May 27, 1994.

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## ACRONYMS

AME	Asociación de Mujeres Ecuatorianas
AOJ	Administration of Justice
APROFE	Asociación Pro-bienestar de la Familia Ecuatoriana
ASRP	Agricultural Sector Reorientation Project
AVSC	Association for Voluntary Surgical Contraception
BBS	Bureau Budget Submission
CAF	Corporación Andina de Fomento
CARE/APOLO	Cooperative Assistance Relief Everywhere - Apoyo a Organizaciones Locales
CC	Commercial Code
CDC	Center for Disease Control and Prevention
CDF	Charles Darwin Foundation
CEDPA	Center for Development and Population Activities
CEL	Country Experimental Lab
CEMOPLAF	Centro de Planificación Familiar
CEPAR	Centro de Estudios de Población y Paternidad Responsable
CEPLAES	Centro de Planificación y Estudios Sociales
CLD	Corporación Latinoamericana para el Desarrollo
CONADE	Consejo Nacional de Desarrollo
CONAM	Consejo Nacional de Modernización
CP	Congressional Presentation
CRSP	Collaborative Research Support Project
CSO	Civil Society Organization
CSP	Customer Service Plan
CYP	Couple Years of Protection
DINAMU	Dirección Nacional de la Mujer
EA	Environmental Assessment
EDSP	Educational Development Scholarship Program
EDUCAR	Environmental Education and Technology Transfer Project
EMAP	Empresa Municipal de Agua Potable
ENDEMAIN	Encuesta Demográfica y de Salud Materna e Infantil
EP3	Environmental Program 3
ESPOL	Escuela Politécnica del Litoral
FE	Fundación Ecuador
FED	Federación Ecuatoriana de Desarrollo
FEI	Federación Ecuatoriana de Indígenas
FHI	Family Health International
FI	Financial Institution
FSN-PSC	Foreign Service National-Personal Service Contractor
FTA	Free Trade Area
FUNO	Financiera Uno
G/PHN	Global Bureau - Population, Health and Nutrition
G/EG	Global Bureau - Economic Growth
G/WID	Global Bureau - Women in Development
G/DG	Global Bureau - Democracy and Governance
G/ENV	Global Bureau - Environment
G/HCD	Global Bureau - Human Capacity Development
GDP	Gross Domestic Product
GOE	Government of Ecuador
IBRD	International Bank for Reconstruction and Development
IDB	Interamerican Development Bank
IDEA	Instituto de Estudios Agropecuarios
IEC	Information and Education Campaign

IEE	Initial Environmental Examination
IICA	Instituto Interamericano de Cooperacion para la Agricultura
IMPACT	Food Security and Nutrition Monitoring Project
IMR	Infant Mortality Rate
INCAE	Instituto Centroamericano de Administración de Empresas
INDA	Instituto de Desarrollo Agropecuario
INEC	Instituto Nacional de Estadísticas y Censos
INEFAN	Instituto Ecuatoriano Forestal y de Areas Naturales y Vida Silvestre
INEM	Instituto Nacional de Empleo
INNFA	Instituto Nacional del Niño y la Familia
INOPAL	Investigación Operacional para América Latina
IPR	Intellectual Property Rights
IR	Intermediate Result
IULA	Latinamerican Branch of International Union of Local Authorities
JHP/IEGO	John Hopkins Program/International Education in Reproductive Health
JHU	John Hopkins University
JSWG	Justice Sector Working Group
LAC/DPB	LAC Bureau/Office of Development Planning and Budget
LSMS	Living Standards Measurement Survey
MAG	Ministry of Agriculture
MCH	Maternal Child Health
MIDUVI	Ministerio de Desarrollo Urbano y Vivienda
MPP	Mission Program Plan
MSE	Micro and Small Enterprise
MSI	Management Systems International
NFP	Natural Family Planning
NMS	New Management System
NPR	Nominal Protection Rate
NTAE	Non-Traditional Agricultural Exports
OCG	Office of the Controller General
OFDA	Office of Disaster Assistance
OMNI	Opportunities for Micronutrient Intervention
ORT	Oral Rehydration Therapy
PAHO	Panamerican Health Organization
PHFC	Private Housing Finance Corporation
PVO	Private Voluntary Organization
QA	Quality Assurance
QI	Quality Improvement
RECC	Cotacachi-Cayapas Ecological Reserve
ROL	Rule of Law
RP	Results Package
RST	Reengineering Steering Team
RTAC	Regional Technical Aid Center
SDP	Service Delivery Point
SISA	Agricultural Sector Information and Analysis Project
SO	Strategic Objective
SOE	State Owned Enterprise
SOMARC	Contraceptive Social Marketing
TAACS	Technical Advisors in AID's and Child Survival
TFR	Total Fertility Rate
TI	Transparencia International
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
USDH	U.S. Direct Hire
UVC	Constant Value Unit

WRI  
WS/S  
WTO

World Resources Institute  
Water Supply Sanitation  
World Trade Organization

## **I. FACTORS AFFECTING PROGRAM PERFORMANCE**

## WHY....

Ecuador is important to the U.S. national interest

- ☞ Peru-Ecuador Border Conflict: The only recent border conflict which threatens peace in the Western Hemisphere
  
- ☞ Fragile Democracy: Bellwether country with nascent democratic institutions which need strengthening
  
- ☞ Environmental Issues: Three of the most important environmental "hot spots" in the world
  
- ☞ Strategic Location between Colombia and Peru: Drug trafficking and money laundering
  
- ☞ Economic Growth and Poverty Reduction: Growing market for U.S. exports

## A. Highlights of Economic, Social, and Political Developments

**Summary** - Ecuador is a study in contrasts: abundant natural resources, a vigorous private sector, and democratically elected leadership contrast sharply with poor health conditions, large-scale urban and rural poverty, and one of the worst income distributions in the LAC region. The oil boom in the 1970s that led to unprecedented economic growth could not reduce pervasive poverty. Inadequate economic policies and poor institutions during the 1980s resulted in per-capita GDP growth rates that were less than 1/2 of one percent, and an accumulated decrease in real wages of 67 percent from 1980 to 1992, when real wages started to increase. Despite this poor economic performance, the impact of this paternalistic philosophy of a big government and the remnants of an import-substitution/ mercantilism model of development is still being felt today. Yet, in 1992, the Duran-Ballen administration initiated the introduction of policy reforms which resulted in a slow, but fundamental shift in outlook. Although the political process is highly fragmented, significant progress has been made by the Ecuadorian Congress to eliminate the anti-export bias, open up the economy to free trade, and approve significant legislation that will allow the privatization of the telecommunications company. Steps have been taken to move away from dependence on traditional exports. Inflation is down. With the 1996 presidential election in May, the challenge for Ecuador will be to deepen the momentum of reform begun under the current administration.

**1995 Shocks** - Despite prior improvement in economic growth, 1995 was a particularly difficult year for Ecuador. It began with a border conflict and military confrontation with Peru which subsequently caused a severe economic crisis. High interest rates, implemented to prevent significant capital outflows in reaction to the Mexican peso crisis and the border conflict, averaged over 35 percent in real terms. This extremely tight GOE monetary policy, however, led to a sharp decrease in private sector investment. A severe drought (August 1995 through February 1996) in the watershed of the country's major hydroelectric dam caused heavy rationing of electrical power.

Private sector production fell nearly 40 percent during this period. Growth of GDP, which had been recuperating since 1992, saw a drop in 1995 to 2.3 percent. The growth rate of manufacturing decreased from 4.4 percent to 2.2 percent, construction decreased from 5.3 to -1.4 percent and agriculture/fishing from 3.9 to 3.2 percent. During 1995 and 1996, small and micro businesses especially suffered from the high interest rates which severely restricted the availability of credit and from the power outages which caused enormous financial losses. Indeed, it is estimated that nearly 3,000 small businesses failed in 1995. The third shock affecting Ecuador during the year was the corruption scandal involving former Vice-President Dahik who resigned and fled the country after a Supreme Court indictment. This scandal critically damaged the credibility of the Duran-Ballen administration and its ability to govern effectively.

**The social arena: impact on people** - Ecuador remains one of the least developed countries in South America. Four million Ecuadorians, about 35 percent of the population, fall under the poverty line; of these, 1.7 million people (15 percent of the population) are in "extreme poverty" without enough income to purchase even a minimally nutritious diet. An additional 17 percent are highly vulnerable to poverty. This level of poverty is mirrored by: a population growth rate of 2.2 percent with 61 percent of the population under age twenty-five, a significant annual increase in the labor force of 4.6 percent, an unemployment rate of 8.3 percent, and underemployment rate of 43 percent, poor health conditions, poor quality of basic education, declining social sector spending from 5.1 percent of GDP in 1986 to 3.8 percent of GDP in 1994, environmental degradation, and a highly fragmented society.

	1994	1995
GDP	4.3	2.3
Agriculture	3.9	3.2
Manufacturing	4.4	2.2
Construction	5.3	-1.2
Commerce	3.6	2.2

Poverty Incidence			
	Population	%	Expenditure Per Capita
Below Poverty Line	3.75 M	35%	US\$ 496
Including those in extreme poverty	1.66 M	15%	US\$336
Vulnerable to poverty	5.57 M	52%	US\$ 659

Source: World Bank (1994)

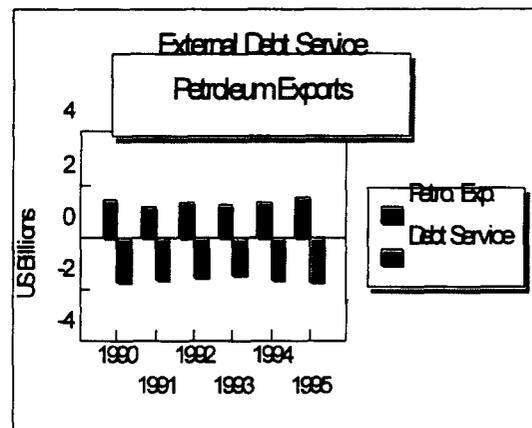
This fragmentation which exists at the political, regional, religious and ethno-cultural levels makes practicing democracy a fragile process, and economic and social policy reform a complex undertaking

**The economic arena: macroeconomic effects -** Although the Duran-Ballen administration lowered inflation from an annual rate of 55 percent in 1992 to 23 percent at the end of 1992, by applying tight fiscal and monetary policies, growth in GDP per-capita averaged less than one percent per annum. Ecuador's major export, petroleum which could finance social spending to reduce poverty, is instead utilized to service the country's external debt. This debt amounts to US\$ 14 billion dollars, or about 80 percent of GDP. Payment of Ecuador's debt for 1996, which amounts to US\$ 1.3 billion, comprises 35 percent of the GOE's budget.

percent below the level of 1986, and income distribution was one of the worst in the Andean Region. The unemployment rate of 8.3 percent in 1995 does not reflect "under-employment" in the informal sector -- it is estimated that 43 percent of Ecuador's economically active population is underemployed and earns only a subsistence wage. Compounding this critical situation, about 19 percent of those considered employed do not receive even the legal minimum wage of approximately US\$27 per month.

At the end of 1995, real wages were still 23

Structural adjustment, which is still proceeding slowly in the face of heavy political opposition in the Ecuadorian Congress, did not meet donor expectations in 1995. Privatization of fifteen state-owned enterprises between 1993-1995 occurred by divestment of government-owned shares in the local stock exchanges. However, the approval process in the Ecuadorian Congress for a legal framework for the privatization of the electricity company continued in deadlock despite the energy crisis. Although the Ecuadorian Congress recently passed a law privatizing electricity services, the president vetoed this law due to certain limitations on private investors. Ecuador's highly fragmented political system comprised of seventeen political parties, contributes to the GOE's inability to accelerate the pace of modernization comparable to its neighboring countries. Last year, the Ecuadorian Congress did, however, approve privatization of telecommunications which is now in process.



**The political arena: the coming elections -** Stiff opposition in the Ecuadorian Congress has in fact worsened during the presidencies of the four democratically-elected governments since 1979. Consequently, democratic institutions remain fragile and often ineffective in dealing with some of the country's most critical problems. In a positive sense, it has been during the term of President Sixto Duran-Ballen, who took office on August 10, 1992, that the checks and balances between the executive, legislative, and judicial branches of government have been most applied. All the events

### Comparison of Andean Poverty

	Bolivia (1990) <sup>1/</sup>	Ecuador (1994)	Peru (1994)
<b>Expenditure Share</b>			
Bottom Quintile	5.62	5.36	4.88
Top Quintile	48.23	52.61	50.38
<b>Gini Co-Efficient <sup>2/</sup> (%)</b>			
	42.04	46.55	44.87

Source: World Bank

1/ Most recent data available.

2/ The Gini Co-efficient is a summary measure of inequality. This ratio is made up of the area between the line of perfect equality and the Lorenze curve to the total area under the line of perfect equality. The Lorenze curve is a graphic device which presents a vivid picture of the extent of inequality in the size distribution of wealth or income and its components.

surrounding the October 1995 corruption scandal involving ex-Vice-President Dahik demonstrate Ecuador's commitment to democracy.

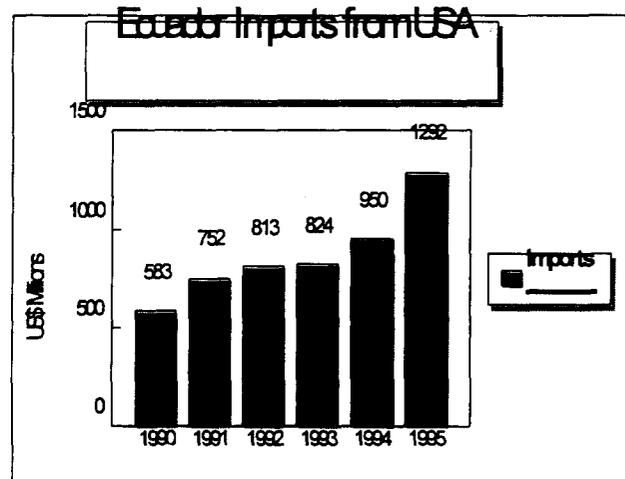
In November 1995, the Duran-Ballen administration held a national referendum in an attempt to build consensus for major constitutional reforms that included social security, decentralization, and the judicial sector. The resultant "no" vote by the majority of the population was interpreted as a backlash by Ecuador's citizens to the Duran-Ballen administration. The negative response postponed economic and social reforms which are crucial to Ecuador's modernization and development process.

Ecuador's difficult political and economic environment is the backdrop for the 1996 presidential and congressional elections in May and July. Policy platforms of the leading presidential candidates are "populist", with promises for increasing the availability of jobs and social services as the focus of their campaigns. No

mention is made of economic stabilization or structural adjustment.

Populist platforms reflect the candidates' concern about the lack of consensus in Ecuadorian society for a reform agenda. The Mission, through its NGO partners, is now intensifying and concentrating its policy dialogue reform activities with presidential candidates and their senior advisors. Notwithstanding these constraints, our SO partners are sponsoring workshops and seminars to gain endorsement of labor leaders and opposition political parties to the proposed social policy reform agenda.

**NGOs: a road to the future** - Ecuador has an NGO sector that, over the past several years, has demonstrated a tremendous potential to become a key player in the country's political, social and economic development processes. Since the 1970s, Ecuador has established numerous NGOs dedicated to addressing development problems: think tanks analyzing social and economic issues, environmental organizations for both green and brown problems, indigenous organizations, women's rights groups, financial institutions serving microenterprises, judicial reform organizations, and NGOs delivering family planning and primary health services. At a time when the capacity of the GOE to deliver crucial social services (health, education, social security, and housing) cannot meet demand, and the reform and modernization of these sectors has faltered, Ecuador must utilize its NGOs to overcome governmental institutional weakness. In this context, USAID/Ecuador is playing an invaluable role in strengthening the institutional capacity of NGOs and their long-term sustainability to enable them to provide Ecuadorian society with innovative development solutions while advocating free market principles and participation of the private sector to change the structure of government and improve delivery of social services.



**In conclusion** - The United States has a strong interest in helping Ecuador to regain economic growth, increase per capita income, introduce significant social sector policy reform, fortify institutions that underpin democracy, and protect the environment. As the United States is Ecuador's largest trading partner, increases of per capita income in Ecuador is expanding markets for U.S. goods, services, and technology. Despite the economic downturn in 1995, U.S. imports to Ecuador increased by 36 percent (US\$ 340 million). Continued support for family planning and maternal and child health programs will consolidate the advances made over the past decade and provide a firm foundation for economic growth. An expanding economy which provides alternative opportunities for income generation will definitely impact positively upon the living conditions of the poor.

## **B. Overview of Progress**

USAID's program in Ecuador pursues four of the Agency Strategic Goals while supporting U.S. foreign policy objectives as described in the U.S. Mission Program Plan. The program concentrates on economic growth, family planning and health, democracy, and environment and was identified in last year's Action Plan as follows:

- **SO 1 - Increase sustainable economic growth for a broad base of the population.**
- **SO 2 - Reduced levels of mortality and fertility.**
- **SO 3 - Improved responsiveness of selected democratic institutions with greater citizen participation.**
- **SO 4 - Promote the sustainable use of natural resources, the conservation of biological biodiversity, and the control of pollution.**

The Mission's SOs address eleven out of the twenty-three activities listed in the Action Plan for the Americas, i.e., strengthening democracy, invigorating society/community participation, combating corruption, free trade, capital market development, telecommunication and information infrastructure, access to education, access to basic health services, and microenterprises development.

### **Strategic Objective 1: Increase sustainable economic growth for a broad base of the population.**

The current economic framework, and its impact on Ecuadorians, particularly low-income groups, has been described above. USAID/Ecuador assistance is being provided to expand opportunities and participation by these low income-groups.

Economic stabilization, modernization, and constitutional reform continue to be major political issues. Although social and economic reform should improve the quality of life and income per capita in coming years, such reform has come with near-term political costs. At this critical point in the policy reform process, USAID-assisted NGOs are working on building consensus for reform by educating Ecuador's leaders through studies, seminars, and conferences, and through advocacy of reform legislation. Without a consensus for reform, the prospect for attaining the necessary changes in Ecuador's social and economic policy framework will be severely circumscribed, and Ecuador's prospects for attaining sustainable economic growth limited. This argues strongly for continued support for reform advocacy building over the longer-term

In the past year, the following significant accomplishments have contributed towards the expected results under SO 1:

- Partner NGOs, including Fundacion Ecuador (FE), the Central American Institute for Business Administration (INCAE), and Centro de Estudios de Población y Paternidad Responsable (CEPAR), have assisted the GOE as it formulates a coherent social policy reform agenda with a focus on

economic stability and growth, unemployment and poverty reduction, modernization of the state, and more efficient delivery of basic social services. They have also conducted workshops with Ecuadorian presidential candidates and their advisors and continue to build consensus and continuity for recommended social and economic reforms.

- Ecuador is making significant progress implementing reforms and other measures needed for membership in the free trade areas. With USAID/Ecuador support, Ecuador is now a member of the World Trade Organization and is undertaking steps to attain access to intermediate trade pacts. As is agreed in the Summit of the Americas Action Plan, Ecuador is participating in the sharing of information regarding its obligations in the region's trade agreement.
- Ecuador is decentralizing social and economic services by utilizing NGOs and other private entities and promoting greater participation in the development process by community-based groups. USAID's technical support has contributed directly to decentralization from the national government to municipal governments throughout Ecuador. For example, CARE, the Municipality of Bolívar and the Ministry of Health initiated a formal agreement to pilot test a municipality-based health delivery and financing model.
- USAID/Ecuador has initiated a series of activities in support of the microenterprise development objectives in the Summit of the Americas Plan of Action: the capabilities of partner NGOs (Fundacion Alternativa, CorpoMicro, Fundacion Ecuatoriana de Desarrollo) have been strengthened in preparation to their expanding their microenterprise client base and geographical coverage.
- USAID/Ecuador technical assistance designed the methodology and operating procedures for a housing incentives system, which will play a major role in increasing domestic savings for housing and in improving low-income families' access to affordable shelter. USAID/Ecuador also provided advice to enable the GOE to promulgate this system through a Presidential decree and to garner sufficient support among private sector actors and politicians to implement this system.
- USAID's Special Development Activity Authority, working in close collaboration with Peace Corps, reached poor disadvantaged groups in urban and rural areas with new projects in sectors such as microenterprise, agriculture, livestock, artisanry handicrafts, and technical skills training.
- USAID/Ecuador continues to help the GOE organize and finance its Emergency Social Investment Fund (FISE) to cushion the immediate impact of stabilization and economic reforms on the poorest and vulnerable groups.

**Strategic Objective 2: Reduce levels of mortality and fertility to levels which are commensurate with sustainable development.**

One of Ecuador's major challenges is to continue to reduce overall rates of population growth, fertility, and mortality. Significant numbers of women, particularly in the rural areas, do not have adequate information concerning contraceptive methods or currently use inefficient contraception methods. Although USAID/Ecuador is now in the stage of consolidating the impressive gains made over three decades of assistance to Ecuador in family planning, there are two specific areas that continue to need assistance over the medium term. The first is the expansion of family planning services to the underserved poor women. The second relates to the apparent conflict between this objective of expanding services to these underserved areas and the objective of sustainability of NGOs in family planning. Over the medium term, there is therefore a need to extend the period of time for attaining full self-reliance by the partner NGOs, in order to identify alternative means to generate income for the organizations while still maintaining the top priority of serving the needy target population.

Ecuador's health status and financing of services compare unfavorably with most other middle-income countries, with much higher infant mortality than Colombia, Panama, Costa Rica, Paraguay, Chile or El Salvador. Its very high maternal mortality rate, 170 per 100,000 births, is especially disturbing

compared with the rates of these countries. Lack of safe water and sanitation, the prevalence of infectious and communicable diseases, and malnutrition are the most common causes of child death in Ecuador. The prevalence of chronic malnutrition among children under five is 55 percent. Large proportions of women still do not have access to adequate pre- and post-natal care. Eighty percent of the population has no health insurance coverage, and per capita GOE expenditures per year for their health care average only \$17. Constraints to improve these problems include declining financial resources of the GOE devoted to health; a fragmented, uncoordinated and duplicative health care system with more than four major institutions providing medical care; lack of targeting and efficient allocation of these scarce resources; and need for decentralization of management and service delivery to municipalities, NGOs and other entities. The GOE is now embarking on a major health sector reform program to address these constraints and USAID/Ecuador is contributing significantly to the reform effort. The major constraints to achieving health sector reforms would be the failure to sustain a political consensus to move ahead and inadequate financial support for preventive health programs due to major crises in the budget-busting hospital sector. While current GOE health policy and consensus efforts through the National Health Council are very strong, the challenge to USAID, other donors, and the NGO community will be to maintain this push into the new GOE administration after the elections in May 1996.

In the past year, the following significant accomplishments have contributed towards the expected results under SO 2:

- USAID/Ecuador continues to be the major donor and therefore a critical actor in accomplishing reduced fertility, increased contraceptive use, and improved women's health. Evidence from a 1994 national survey indicated that overall contraceptive prevalence increased from 53 percent in 1989 to 57 percent in 1994. USAID/Ecuador was a major player in attaining these achievements, which have contributed to an impressive, overall reduction in the population growth rate of around 3.5 percent in the late 1970s to 2.2 percent today. While no national level quantitative survey of family planning was conducted in the past year, it can be assumed from reports from both the private and public sector institutions that family planning services, contraceptive prevalence and couple years of protection (CYP) increased in 1995. USAID's Ecuadorian partner NGOs (APROFE and CEMOPLAF) continued to increase their coverage of family planning users and CYPs. An increased number of adolescents and under 25 age group were specifically addressed by USAID's Ecuadorian partner NGOs. These NGOs are also providing improved contraceptive methods which will increase the quality and range of choice of methods.
- Progress toward sustainability continued. APROFE AND CEMOPLAF have increased their level of cost recovery to nearly two-thirds of their costs. However, a recent evaluation has indicated that these strides towards sustainability could have come at the cost of severely restricting expansion of services to lower income users.
- During the five year period (1989-1994) of USAID's Child Survival Program, infant mortality decreased from 53 per 1000 to 40 per 1000. In 1995, USAID's new focus on health care reform and expansion of services through demonstration projects resulted in positive advances in the reform agenda that will impact significantly on infant mortality in the coming years. Agreement among donors and the National Health Council to decentralize, to focus public sector resources, and to rationalize overall health sector resources are key aspects of the new agenda.
- The current Minister of Health has taken up the campaign for sector reform with an unprecedented sense of purpose and urgency, reactivating the dormant National Health Council as the vehicle for directing the process, mobilizing all donors to join forces in a coordinated effort, and negotiating with major U.S. universities to provide massive technical assistance to the effort. USAID/Ecuador has succeeded in integrating the planned activities of our partner NGOs (CEPAR and CARE) directly into the GOE's sector reform operational plans for the coming years.

**Strategic Objective 3: Improved responsiveness of selected democratic institutions with greater citizen participation.**

USAID/Ecuador has selected the justice sector as one in which democratic institutions can be strengthened and where limited resources can make a difference and lead to major reform while increasing other donor assistance. Ecuador's justice sector divides judicial responsibilities among many entities. This, along with inadequate human resources, weak institutions and other problems, has led to a seriously inefficient and delayed administration of justice. In 1993, USAID/Ecuador initiated work in this sector through private/public sector working groups and a very effective Ecuadorian partner NGO, the Corporacion Latinoamericana de Desarrollo (CLD). Since then, USAID/Ecuador has had a major impact on the passage of laws, in leveraging the contributions of other major donors, and in extending reforms beyond the justice sector to progress in the area of anti-corruption.

In the past year, the following significant accomplishments have contributed towards the expected results under SO 3:

- Ecuador initiated the first steps toward fully implementing a justice sector modernization and structural reform agenda to improve the administration of justice. The USAID/Ecuador financed Action Plan for the Justice Sector was completed and officially presented by the President of the Supreme Court to other donors including the World Bank, the IDB, and the European Community. As a result, the donors have agreed with the GOE and among themselves on which of the reform areas each will support. The World Bank is currently designing a \$14 million project, and the IDB one for approximately \$2 million.
- As a result of technical assistance and analysis provided by USAID, an Executive Decree has created the Coordination Unit for Ecuadorian Judicial Reform, the first Ecuadorian official entity charged with coordinating and implementing reform efforts for the justice sector as a whole. This Unit will be the national counterpart to all international institutions working in the sector.
- USAID's Ecuadorian partner NGO, CLD, has continued to actively promote public understanding of and support for judicial reform in Ecuador, specifically through a series of ads that appeared in the newspapers promoting judicial reform as a national goal; publishing a judicial reform bulletin; and completing the preparation of three new publications that center on oral proceedings, administrative law, and alternative dispute resolution mechanisms.
- USAID/Ecuador facilitated the initiation of a ground-breaking dialogue between civilian and military leaders on the legitimate role each plays in a democracy in early 1996. In each of the two seminars conducted to date, leaders of civil society and senior level military officers have met for several hours to discuss topics such as "The Role of the Military in the Economy".

**Strategic Objective 4: Promote the sustainable use of natural resources, the conservation of biological biodiversity, and the control of pollution.**

Ecuador faces an urgent challenge in protecting the environment. The World Bank's 1995 Conservation Assessment of the Terrestrial Eco-regions of Latin America and the Caribbean, published in coordination with the World Wildlife Fund, indicated the bio-region of the north Andes contains the highest number of eco-regions classified as Highest Regional Priority (p. 44); more than half of the eco-regions listed therein are in Ecuador (p. 46). In 1988, the late Norman Myers ranked Ecuador (in *The Environmentalist*, p. 6), Madagascar and Atlantic Coast Brazil as the "hottest of the hot spots insofar as they are the richest and the most threatened of all the [10] areas considered..."; Ecuador was also listed in the 4th and 5th hot spots (pp. 8-9), thus securing the distinction of being listed in three of the worlds richest and most threatened biodiverse locations. For example, Ecuador harbors more than 1300 known bird species, almost twice as many as in the USA and Canada combined. However, Ecuador suffers the highest rate of deforestation among the Amazonian countries (third highest rate in the world), primarily due to colonization, timber extraction and petroleum production.

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 sanitation services and improved pollution prevention. Pollution and the lack of sanitation services have 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. Uncontrolled vehicular and industrial pollution compound these risks by increasing toxicity levels found in urban slums. 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, and pesticides.

For too long, the country's economic growth and development strategies have been based on activities that are highly extractive in nature. Current policies and related consumption patterns are threatening the natural resource base, human health, and economic sustainability. Activities under this Strategic Objective are focused on changing such policies and consumption patterns. The primary constraint to achieving results in this sector is the magnitude of the problem of environmental degradation and the complexity of interests which involve: rural and poor indigenous groups; industries such as petroleum, tourism, transportation, and logging; and urban residents. The GOE's weak implementation of policy reforms and current laws is also a significant constraint. Ecuador's important position with regard to conservation of biological diversity and the preservation of natural resources argues strongly for continued support over the longer term.

In the past year, the following significant accomplishments have contributed towards the expected results under SO 4:

- The USAID-funded Presidential Environmental Advisory Commission (CAAM) completed Ecuador's first National Environmental Action Plan, which provides a national environmental blueprint, defining the environmental problems, concerns, and agreed-upon, required actions. USAID/Ecuador is now supporting selected aspects of the Plan. Specifically, an environmental trust fund has been established, to be financed by a percentage of the sale of state-owned enterprises; an environmental and natural resources law has been submitted to the Ecuadorian Congress which codifies environmental impact assessment requirements and permits environmental class action suits; and initial steps have been taken to establish an oil clean up trust fund.
- Environmental management activities with four indigenous groups (Chachi, Afro-Ecuadorian, Huaorani, and Shuar) have included development of ecotourism models to provide employment, training parabiologists in ethnobotany to preserve indigenous knowledge, and empowering the indigenous groups to address legal issues through paralegal training.
- Thirty-one community paralegals (including six women, representing over 145 mostly indigenous communities) trained with USAID/Ecuador support have obtained legal recognition of thirteen homelands and resolved nine communal land ownership conflicts. USAID-trained paralegals played a key role in resolving historic conflicts among competing interests among the Chachis and Afro-Ecuadorians. The recognition of indigenous communities' property rights to their ancestral lands (including the 400 year old Afro-Ecuadorian communities) paved the way for finalizing natural resource and forestry management plans. USAID's NGO partner (CARE) used satellite imagery to complete the delimitation of communal lands and reserve boundaries in order to complete and implement the area's land use management plans.
- The Charles Darwin Foundation, with support from USAID, has now completed all of the planned research studies, surveys, reports, scientific publications and training programs relative to the Galápagos archipelago. The analyses were essential to completion of the design of a plant/animal quarantine system for the Galápagos.

- Internationally recognized pollution prevention technologies are being transferred to Ecuadorian industrial-agricultural enterprises and municipal governments. USAID's NGO partner, the Oikos Foundation, completed twenty-two pre-diagnostic assessments for reducing urban pollution in textiles, sugar, vegetable oil, dairy product, dry cleaning, and plastic industries. The Oikos Foundation also performed full pollution prevention diagnostic assessments on six industries and completed follow-up on previous pollution prevention recommendations.
- USAID (RHUDO/SA) technical assistance supported the initiation of an innovative waste collection system (currently serving over 25,000 inhabitants), employing the use of low-cost bicycle and push carts for waste collection.

### **C. Humanitarian Assistance**

One of the Goals of the Agency is to provide Humanitarian Assistance. Ecuador is one of the countries in South America that has the highest vulnerability and risk of natural disasters because it is located along the circum-Pacific belt known as the ring of fire which encircles the Pacific Ocean. This is an area known for volcanic eruptions, earthquakes, tsunamis, landslides, and floods. For example, during the last fourteen years, Ecuador has lived through five devastating natural disasters: widespread coastal flooding in 1982-83 caused by the cyclical El Nino phenomenon; the 1987 earthquake which affected four provinces in northeast Ecuador (Pichincha, Imbabura, Carchi and Napo); the 1993 Josefina landslide; the March 28, 1996 earthquake; and the recent Cotopaxi avalanche on April 6, 1996. Prior to that, four major earthquakes with magnitudes greater than seven have taken place in this century (1906, 1958, 1974 and 1976). The 1906 earthquake was one of the largest ever registered in the world (magnitude 8.6).

The most recent earthquake which hit Ecuador on March 28, 1996 had a magnitude of 5.7 on the Richter Scale and occurred at a depth of 15 kilometers, striking the Cotopaxi, Tungurahua and Pasta Provinces. More than twenty communities in the area of Latacunga were severely affected by the disaster, involving 15,000 people. This disaster was of sufficient magnitude to warrant U.S. Government assistance. Thanks to OFDA assistance and the disaster management assistance provided by RHUDO/SA, the Mission was able to respond immediately and effectively to this disaster. Based on an assessment made by OFDA representatives and RHUDO, it was determined that the most urgent need was to provide emergency shelter. To do this, 190 rolls of re-enforced plastic sheeting were provided by OFDA to provide shelter for approximately 1,500 families. In addition, 1,500 individual plastic water containers and approximately 9,000 wool blankets were provided. Added to this was US\$25,000 made available for the local purchase of complimentary construction tools and supplies such as hammers, nails, handsaws, twine, etc. for the construction of the temporary shelters.

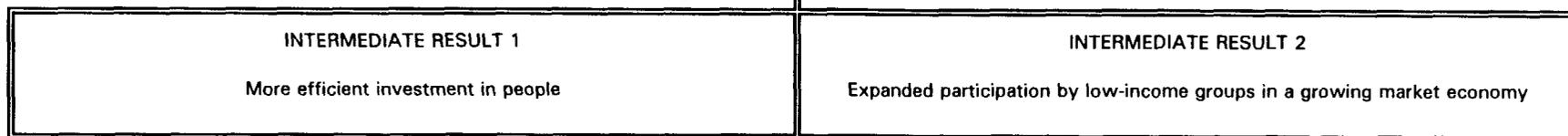
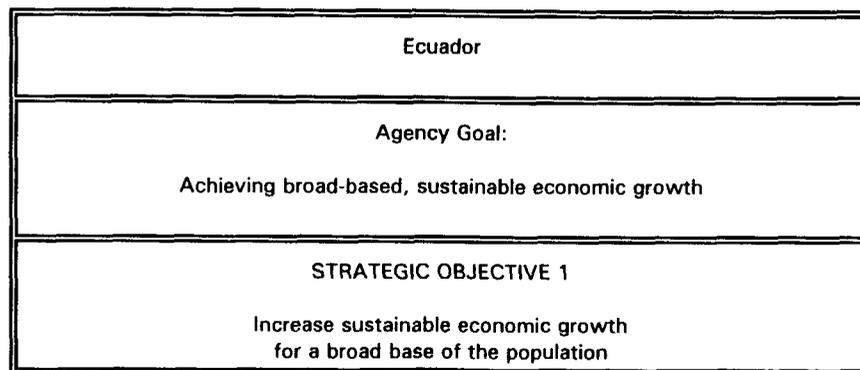
RHUDO, in close coordination with the Mission's Executive Office, played a major role, which coincided with the four-day Holy Week holiday weekend, and managed to deliver the material coming from Panama and to purchase on an urgent basis all the required material to be delivered to the disaster site. As a result, shelters could be constructed as soon as possible to protect the lives of these unfortunate individuals. It was not an easy task, taking into consideration the large amount of the required construction materials which were not available in a single location, and the fact that most of the stores were closed for Holy Week. All the required arrangements to purchase the materials and to meet the transport plane bringing the plastic sheeting, containers and blankets, and to deliver this shipment to the disaster site were done in a collaborative effort of all the parties including Embassy, RHUDO/SA and EXO personnel who worked long hours to ensure that the materials were delivered to the appropriate people.

Once again the U.S. presence in this disaster was timely and effective, thus meeting the Agency's important goal of Humanitarian Assistance and benefiting thousands of Ecuadorian victims. This assistance was publicly recognized by the Ecuadorian Government through all media.

In preparation for the future, USAID/Ecuador is receiving disaster management assistance from RHUDO/SA, which is actively working with national and local organizations to prevent, mitigate, prepare, and manage responses to disasters. RHUDO/SA is currently implementing a program with OFDA funding to provide technical assistance to the Municipality of Quito to institutionalize disaster management. The technical assistance is designed to improve coordination of disaster activities and consequently to reduce the risks posed to citizens and investments by disasters. In addition, RHUDO/SA has been coordinating OFDA disaster management training assistance with local organizations including the Ecuadorian Red Cross and the Civil Defense. RHUDO/SA also organizes training events with organizations based in Quito, such as Pan American Center for Geographical Research and Studies and the local NGO Equilibrio, on the application of state of the art technology in disaster management and the linkages between environmental degradation and disaster management. RHUDO/SA also co-sponsors and disseminates publications to improve the local knowledge base. Finally, RHUDO/SA has worked with the National Polytechnic University and the Municipality of Quito to promote the construction of earthquake resistant schools. In the event of a future natural disaster, such as the Josefina landslide of 1993 and the recent Cotopaxi earthquake, the RHUDO/SA Director and the OFDA funded Regional Disaster Advisor will have played a critical role in preparing for the U.S. Mission's response.

## **II. PROGRESS TOWARD STRATEGIC OBJECTIVES**

**STRATEGIC OBJECTIVE 1**  
**Strategic Objective Program Tree**



Projects (Number\Title)	Projects (Number\Title)
518-0089 Policy Dialogue and Implementation	518-0121 Microenterprise Assist. & Strengthening
518-0051 Ag. Sector Reorientation (phase-out FY96)	518-0076 Shelter Sector TA (phase-out FY96)
518-0118 Training for Development (new start FY96)	518-0004 Special Development Activities
	PL-480 Title II CARE-FISE-NGO Support Fund
598-0797 Trade and Investment Development (LAC)	940-0406 Microenterprise Innovation Proj. G/EG/MD
940-0025 Financial Sector Development II G/EG	940-0401 Microenterprise Impact Eval. System G/EG
940-0016 Privatization and Development G/EG	940-2028 Private Enterprise Dev. Supp. G/EG

## A. Analysis of the Data - Progress to Date

This SO is directly linked to Agency Goal 1 "Broad-based economic growth achieved" and supports aspects of all three of the Agency Objectives under this Goal: "Strengthened markets;" "Expanded access and opportunity for the poor;" and "Basic education expanded and improved to increase human productive capacity." It also supports Agency Objectives under Agency Goal 2 "Sustainable democracies built", i.e.: "Increased development of politically active civil society;" and "More transparent and accountable government institutions." This SO directly supports the U.S. Mission Program Plan goal of promoting economic reform and growth.

Activities under Intermediate Result 1 have directly supported four areas of the Summit of the Americas Action Plan: invigorating society/community participation, free trade, telecommunications, and access to basic education. Activities under Intermediate Result 2 have also directly supported the Summit of the Americas Action Plan in the area of encouraging microenterprises and small business.

Analysis of the actual versus planned results of the SO 1 indicators reveals that all result targets for which data was available for 1995 were met or exceeded, except for real growth in GDP per capita and progress in privatization. GDP did not grow as anticipated given the unforeseen shocks to the economy resulting from the border conflict with Peru, the energy crisis, and political instability. Privatization targets were not achieved because of political fragmentation and opposition to modernization in the Ecuadorian Congress; however, privatization of telecommunications has begun.

### STRATEGIC OBJECTIVE 1: Increased sustainable growth for a broad base of the population

- (1) Last year, the SO Team stated that with the arrival of data from the World Bank's Living Standards Measurement Survey (LSMS) in July 1995, the planned social sector indicators would be revised from "to be determined" (TBD) to specific data to measure the level of poverty in Ecuador. A focus of the SO is social sector policy reform to reduce poverty. This year, the SO Team reengineered the SO Indicators to measure poverty with emphasis placed upon education and social security. First, from LSMS data the Mission will be able to measure progress toward alleviation of poverty by monitoring the percentage of Ecuador's population categorized by the World Bank as "poor" on a yearly basis. Next, with the education reform program led by the Mission's NGO partner, FE, the Mission will measure the rate of success through the program's impact on reducing the primary education repetition rate. Currently, more than 24 percent of primary students need 7.7 years to complete six years of primary education. And, this SO is aimed at providing greater social security coverage to all levels of society. FE and INCAE are advocating social security policy reform that allows an increase in the number of people covered by a private pension system. Consequently, SO Indicator 1.1 (c) will measure on an annual basis the number of people with a private pension system.

#### **PROEXANT: A Sustainable NGO "The baton has been passed"**

*Following four years of USAID/Ecuador support (technical assistance and institutional development), PROEXANT became a self-sustainable NGO in 1995 as USAID/Ecuador assistance was phased-out. PROEXANT, a non-traditional agricultural export program (NTAE) continues, today, improving employment and incomes in Ecuador. Diversification of production created additional demand for farm labor, generating employment for landless workers. The NTAE program directly contributed (during the life of the USAID project) to the generation of more than \$95 million in total non-traditional exports, more than 40,000 jobs (65 percent women), and 1600 new producers. Today, PROEXANT continues providing technical assistance to its customers and has recently competed successfully with international consulting firms for contracts funded by the major international development agencies, e.g. World Bank, Andean Development Corporation and Inter-American Development Bank). Thus, the baton has been passed by USAID/Ecuador to a self-sustainable NGO.*

- (2) In addition to the foregoing reengineering of SO Indicators, the SO Team eliminated last year's SO Indicators ("Net income of small and microentrepreneurs increasing in both urban and rural areas" and "Percentage of small farmers with increasing real agricultural incomes") by replacing two indicators with one indicator, that is "Percentage increase of real growth in GDP per-capita". The new indicator is aimed at measuring sustainable economic growth for a broad base of the population. A review of recent rates of growth, reveals Ecuador's inability to achieve steady, progressive economic growth, particularly in the face of the shocks of 1995. It is intended that through effective social and economic policy reform as well as other SO initiatives, Ecuador can achieve real economic growth impacting upon the lives of all its people.

### INTERMEDIATE RESULT 1: More efficient investment in people

- (1) **Consensus building** - As a result of SO 1 partners' efforts, principally FE and INCAE, leading presidential candidates competing in the May 1996 election have placed as a high priority the need to address Ecuador's serious social poverty issues. INCAE published and distributed diagnostic studies related to poverty, health, and housing. A cross-section of Ecuadorian society attended presentations and obtained copies of those studies. Next, a national conference on social policy reform is scheduled for June 1996 which should produce a detailed proposal to alleviate poverty. (See sidebar "Building a Constituency for Policy Reform")
- (2) **Changing attitudes of the CSOs** - INCAE's well-established reputation as a neutral facilitator has led to significant changes in attitudes of civil society organizations (CSOs). Its activities and efforts have particularly been effective with labor unions, which represent the sector most resistant to change. One labor leader reports: "INCAE training has enabled labor unions to be invited by both government and business chambers to discuss policy issues where we had previously been excluded". Labor union activities with political parties have brought national attention. As a testimonial, a former Congressional Deputy in one of Ecuador's opposition political parties credits INCAE training (for political party leaders) with underscoring the importance of "professionalizing" political party leadership by including greater democratization of party management and selection of candidates.
- (3) **Outreach to indigenous groups** - To educate and inform the electorate particularly low income groups, FE carried out a series of workshops with the Federacion Ecuatoriana de Indios on the following topics: Modernization, Privatization, and Decentralization in Ecuador; Identification,

#### *"Building a Constituency for Policy Reform"*

*One of Ecuador's most listened-to radio commentators (claiming 55% of the morning listening audience in Quito) credits INCAE not only with helping to change his own vision of the need for policy change, but has provided him with the tools to "educate and inform his listeners". He also notes that over the last two or three years his audience's understanding of the issues has improved significantly...there is now less rhetoric, and though there is still opposition to many of the reforms, the opposition is much more informed and constructive. (He has attended two INCAE events in Central America and another in Quito. He has also been responsible for sending several others to INCAE events.) (Radio Tarqui commentator and legal counsel to the Minister of Housing)*

*A director within one of Ecuador's principal social service delivery agencies claimed that three years ago there was substantial resistance to an "economic approach to social policy planning". But now, in large measure owing to the number of staff trained by INCAE, there is a broad acceptance of the approach. At the same time, and largely because of INCAE's technical training of several of his officials, a more systematic approach to project design and development has been adopted. There is better communication among technicians and the new approach is helping to develop better criteria for the design of projects within a context of economic adjustment. (Director of Planning for INNFA - Instituto Nacional del Nino y la Familia)*

Preparation, Execution, Administration, and Evaluation of Community Development Projects; and The Social Development of the Indigenous Woman. (See sidebar "One Country, Two Hemispheres, Three Regions")

- (4) **Education reform initiatives** - As a major partner within this Result, FE has undertaken an analysis of education reform, and is convinced that education is key to transform and improve Ecuador's human capacity. To overcome widespread apathy and misunderstanding related to the importance of upgrading Ecuador's education system, FE completed a study "The Crisis of Education in Ecuador: Basis for Consensus" in collaboration with the Research Triangle Institute. The study is currently being disseminated. A second phase of the study highlighting the importance and responsibility of the education sector in Ecuador, will be undertaken during 1996. The study is a tool to focus the objective of education reform to achieve quality accountability, and efficiency within the system. (See sidebar "Education in Front-lines of 1996 Presidential Elections")

**"One Country, Two Hemispheres, Three Regions"**  
(Fundacion Ecuador Slogan)

*Fundacion Ecuador is a high-profile Ecuadorian think tank that lobbies for social and economic reform and is a major USAID/Ecuador partner in accomplishing SO 1. After the indigenous uprisings in Ecuador that opposed the major reforms in agricultural land tenancy during mid-1994, FE decided to initiate contacts with Federacion Ecuatoriana de Indios (FEI). The Federation is the oldest indigenous organization in Ecuador which groups more than twenty-eight regional organizations with close to a million members. The "ice was broken" when FE convinced FEI leaders that FE was not proposing any pre-established hidden agenda, and that it was only seeking a sincere dialogue and consensus on some of the basic principles that would allow the modernization of Ecuadorian society. FEI leadership agreed with this approach, and decided to develop with FE an agenda to carry out a series of workshops. The reactions of over 180 indigenous leaders to these workshops were overwhelmingly positive. Jose Agualsaca, President of FEI stated: "It is the first time that any organization in Ecuador has explained to us what modernization is all about. FE has shown respect for our indigenous values and is sensitive to our needs." As a result, of a workshop on project identification, over ten projects were presented by these indigenous communities to the Social Investment Fund for Ecuador.*

- (5) **Education's contribution to competitive advantage** - Through a major event sponsored by FE, political and business leaders in Ecuador were persuaded into thinking about a new concept: competitive advantage. With widespread media coverage, Monitor & Company presented a strategy for assuring attainment of Ecuador's competitive advantage in the international marketplace. USAID/Ecuador and FE view the competitive advantage strategy as an important part of the effort to help establish a national consensus concerning the importance of education reform and the critical linkages between education improvement as a prerequisite for increased competitiveness in the labor sector and Ecuador's economic and social development.
- (6) **Health policy initiatives** - Social policy in Ecuador has been the subject of discussions in various fora, with special emphasis on health. With support from FE, INCAE and CONAM, various documents were discussed regarding the situation of the health sector and projected reforms. In coordination with CEPAR, UNESCO, and John Hopkins University, a forum on "Policies and Communication Strategies in Health" was conducted, in order to promote public dialogue and support as well as community participation as key elements in implementing initiatives for change.
- (7) **Local governance** - RHUDO/SA also continues to identify opportunities in Ecuador to support CSOs (indigenous NGOs, business groups, and other citizen groups) to participate in policy debates and to strengthen local governance. For example: RHUDO/SA co-sponsored an international seminar on "Local Governments from a Gender Perspective" with the local NGO, the Center for Planning and Social Studies, (CEPLAES) to promote the inclusion of women and local government issues in the agenda of the United Nations up-coming HABITAT II Assembly. Gender and local government experts from eight Latin American countries presented, analyzed and discussed key topics for the advancement of women's participation in local development

processes. RHUDO/SA also co-sponsored the training of trainers on "Municipal Management and Gender Perspective" with the regional office of the NGO International Union of Local Authorities (IULA) to promote the inclusion of a gender perspective in the training activities provided by the Association of Ecuadorian Municipalities (AME) for its 197 affiliated municipalities. The course was highly participatory and exposed participants to advanced methodologies on gender planning, implementation, and evaluation, developed by the Brazilian Institute for Public Administration. Under the Regional Women and Local Government program, RHUDO/SA is providing assistance to the local NGO, Habitierra, in Cuenca to increase community-based women participation in municipal decision making. Additional assistance is being provided to Habitierra through USAID/Ecuador and the RHUDO/SA in order to improve community participation in shelter programs. An outcome of this technical assistance will be a manual that will be disseminated through Latin America and presented at the United Nations Habitat II Conference.

**Education in Front-lines of 1996  
Presidential Elections**

*In a recent publication of the second largest newspaper in Ecuador - El Comercio, the majority of presidential candidates interviewed utilized modern concepts taken from FE's publications and advocacy presentations on education reform. Nearly every candidate mentioned the importance of decentralizing the delivery of education services to improve its quality. Many candidates made reference to designating education as investment instead of an expenditure. One candidate even seemed to cite directly from the "Crisis in Education" study published by the FE. He spoke about "the importance of a national consensus between the private sector, parents and the universities to reduce the inequity of the education system in Ecuador, and increase accountability to overcome its poor administration". This is a significant contribution to the dialogue process because prior to FE's activities in education reform, mostly every public opinion maker spoke only about curriculum reform. The focus on improving the quality of education reform through the joint participation of the private sector, parents and teachers to apply accountability was entirely ignored. This is another example of how USAID's NGO counterparts play a significant role in influencing society without having to spend millions of dollars.*

- (8) **Nominal protection rates (NPR)** - Since early 1995, nominal rates of protection for wheat, rice and corn have remained close to zero or negative. A contributing factor to the success of this SO 1 indicator has been the commitment of the GOE to an open and fair trading system. The value of the USAID-funded unit that is undertaking this work is underscored by the World Bank's decision to continue support under its up-coming Agricultural Sector Information and Analysis Project (SISA).
- (9) **Tenancy security** - There is evidence of achievement in the implementation of the new Agrarian Reform Law which provides for land security, its commercialization, and utilization as collateral for credit transactions. A diagnostic study will be carried out in 1996 to measure the Law's effectiveness.
- (10) **Free Trade Area** - Despite forceful political opposition, results were achieved during 1995. Ecuador's application to become a member of the World Trade Organization (WTO) was accepted and an FTA was signed with Chile. (See sidebar "Entry into WTO") Agreement was reached between labor and business to simplify Ecuador's wage structure over a three year period. Labor Reform is a new activity in SO 1 and is an important policy initiative facilitating accession to the FTA of the Americas. Intellectual Property Rights also received special attention. Experienced consultants from Coopers and Lybrand conducted a series of seminars and interviews with government officials and private sector leaders, universities and other interested parties. Now there is a growing understanding and concern in favor of establishing an IPR regime which can protect Ecuador's technical research and introduction of new technology to produce sophisticated products for the global marketplace.
- (11) **Privatization: SOEs sold** - Ecuatoriana Airlines was the most controversial state-owned enterprise privatized successfully during 1995. The number of enterprises privatized increased to fifteen

during the 1993-1995 period. Despite the presence of frequently violent political and labor opposition to privatization, the GOE approved a telecommunications law permitting an international firm/investor to purchase 35 percent of the state-owned telephone company and the company's employees to purchase 10 percent of the shares. The Ecuadorian Congress is reviewing a draft law to privatize the state electrical company. Senior GOE officials anticipate that both state-owned enterprises will be fully privatized in 1997. However, the result of a referendum conducted in late 1995, has not allowed the GOE to move on privatization as it had been expected. The sale of another cement company "Chimborazo" will be postponed until the new government is in place, in August 1996.

(12) **Privatization: concessions** - Two road concessions (for periods of fifteen years) were approved during 1995. The Ecuador's Post Office system will be offered for concession during 1996.

(13) **Housing finance markets** - Analysis of the data demonstrates that during the period 1993 to 1996, the housing sector has undergone dramatic systemic change due to SO 1 policy reform initiatives. The mentality of partners has been transformed from one of inertia to active interest. Private sector institutions, politicians, and GOE officials see themselves as participants in re-orienting the housing finance system to address the needs of the poor. Due to this significant change in perception, involvement in the housing sector is viewed as an opportunity rather than as a problem to be left to the GOE. Changes in the Ministry of Urban Development and Housing (MIDUVI) reflect these systemic transformations as MIDUVI has assumed a leadership role in the housing and infrastructure sector. Most importantly, the GOE now sees its role, not as a direct provider, but rather as a facilitator of low-income housing.

(14) **Strengthening of local advocacy capability** - FE staff successfully transitioned from a focus on trade and investment to a focus on social sector reform. The organization now has sound financial and accounting systems, an internal contracting capability, and well developed planning skills. With USAID/Ecuador assistance, it is making progress in moving in the direction of sustainability with the diversification of its funding sources.

### *Entry into WTO*

*A priority objective of the Durán-Ballén administration was entrance into GATT/WTO. Entrance into the WTO, during 1995, institutionalizes the trade liberalization policy direction for years to come. However, as demonstrated by the Uruguay Round, agricultural negotiations are beset with difficulties, and as a relative late comer to the club, the price of entrance in terms of reduction of tariff protection, elimination of non-tariff barriers, and concessions to members was expected to be high. With the Ecuadorian economists working under the Mission's Agricultural Sector Reorientation Project, the MAG Policy Subsecretary formed a small GATT/WTO working group. This working group established a GATT/WTO library, analyzed all GATT/Uruguay Round documentation, reviewed the proposed schedules of principal member countries with whom bilateral negotiations would have to take place, evaluated the status of protection levels and trade vis-a-vis those countries, and prepared Ecuador's Agricultural Proposal. With that proposal and background analytical documentation, ASRP economists participated as advisors to the policy Subsecretary in bilateral and multilateral negotiations in Geneva and Washington. Domestically, ASRP economists met with important private sector groups to explain the implications of Ecuador's membership in GATT/WTO. As a result of this thorough preparation and the support provided by the ASRP, the agricultural negotiations went relatively smoothly, and Ecuador is now one of the first countries to enter the WTO, establishing the playing field for trade policies for years to come.*

**INTERMEDIATE RESULT 2: Expanded participation by selected low income groups in a growing market economy**

(1) **Partner NGOs strengthened to provide credit** - Technical advisors are working with USAID/Ecuador's partners to sharpen their strategic focus to deliver quality financial services to the poor, that is to those microentrepreneurs seeking an average loan of \$500-\$800. Recent studies of the microenterprise sector in Ecuador estimate that there are 1.2 million microentrepreneurs and that more than 50 percent are women. Enlace began its microcredit program in June, 1995; Corpomicro's program began in 1993; and, Financiera Uno launched a microcredit program in late 1994. In 1995, Corpomicro's program was severely affected by the Ecuador/Peru border conflict and other events that directly impacted negatively upon Ecuador's economy throughout the year.

The Mission determined that the most appropriate indicator of progress under this result would be an analysis of the actual volume of credit and the numbers of borrowers under the USAID/Ecuador program. Activity level output indicators which measure progress toward the planned result are based upon projections submitted by the NGO partners in their proposals for TA and training. Those projections are derived from each partner's growth plan. Forthcoming data from USAID/Ecuador NGO partners will be reported quarterly with data disaggregated by gender and geographic area (urban and rural). (See sidebar "Access to Credit")

(2) **Housing Incentives** - In early 1996, Ecuador's President signed an Executive Decree implementing the Housing Incentives System which increases poor families' access to housing solutions and credit. This initiative is coordinated closely within the international donor community. As a direct result of SO 1's pioneering effort, IDB is negotiating with the GOE for a \$40 million loan to finance part of the program's implementation. Further, credit unions and savings & loans serving low-income families have been formally incorporated into the financial system, thus providing access to the capital market. And, the Ecuadorian Housing Bank and credit unions refinance and lend to low-income families utilizing Constant Value Units (UVCs) which protects the borrowers from the effects of inflation.

(3) **Low-income groups assisted** - From FY92 through FY95, 288 activities were financed through our partners (FISE, CARE, and SDAA/PC) contributing toward development of social infrastructure, of technical skills and productive activities. From FY92 through FY95, a total of 1.7 million low-

<i>Access to Credit</i>	
<i>USAID/Ecuador microenterprise finance partners report the following results in 1995:</i>	
<i>Enlace</i>	
<i>Volume of Credit US\$</i>	
<i>Planned:</i>	416,000
<i>Actual:</i>	860,000
<i>Number of ME Borrowers</i>	
<i>Planned:</i>	300
<i>Actual:</i>	427
	<i>(46% women)</i>
<i>Corpomicro</i>	
<i>Volume of Credit US\$</i>	
<i>Planned:</i>	6,000,000
<i>Actual:</i>	5,400,000
<i>Number of ME Borrowers</i>	
<i>Planned:</i>	6,000
<i>Actual:</i>	5,100
	<i>(52% women)</i>
<i>Financiera Uno</i>	
<i>Volume of Credit US\$</i>	
<i>Planned:</i>	1,400,000
<i>Actual:</i>	1,500,000
<i>Number of ME Borrowers</i>	
<i>Planned:</i>	1,200
<i>Actual:</i>	630
	<i>(50% women)</i>
<i>Fundacion Ecuatoriana de Desarrollo</i>	
<i>Volume of Credit US\$</i>	
<i>Planned:</i>	4,300,000
<i>Actual:</i>	3,400,000
<i>Number of ME Borrowers</i>	
<i>Planned</i>	8,600
<i>Actual</i>	7,000
	<i>(63% women)</i>

income people benefitted by creating or upgrading microenterprises, from receiving technical training, or from social infrastructure projects completed in their small communities. And, women have directly participated in those activities. "Direct Beneficiaries" refers only to those persons who are directly involved in a specific activity. "Indirect Beneficiaries" refers to persons who are not necessarily members of a specific group, but benefit indirectly from an activity.

*"You Gotta' Move with the Market"*

*A tough lesson, but wisely observed by indigenous women's groups in the southern regions of Ecuador, where a cottage handicraft industry has long thrived. Steeped in a tradition of exquisite hand embroidery for their own native garments, the cooperatives saw their markets for tablecloths, napkins and centerpieces disappear several years ago as the world was inundated with less expensive Asian products.*

*With technical assistance from the Swiss (COTESU) and the USAID supported Fondo Ecuatoriano Populorum Progressio (FEPP), a major effort was initiated to develop new products and markets to salvage this essential cash income earned by rural women in a traditionally economically challenged region. In 1993, the Embroidery Center of Cuenca was legalized to incorporate 11 women's cooperatives scattered across the Gualaceo Valley, and begin production of hand embroidered tee shirts. Strict quality controls were enforced by the women themselves; initial "B" category rejects accounted for 80 percent of the production.*

*Today, the ratio is 90 percent "A", and sales are thriving so much so that the Center outgrew their rustic headquarters. With funding from the PL480 Title II CARE/FISE/NGO Support Fund, the Center recently inaugurated a \$120,000 headquarters strategically placed in Cuenca's burgeoning industrial/export park, where the tee shirts are designed and patterned, thread sorted and supplied in packets for each of the 219 women members, training workshops undertaken, and where wholesale buyers may view the Center's entire line of products in a commercial class mini-showroom. Move indeed!*

## B. Indicator Tables - Summary of Data

STRATEGIC OBJECTIVE 1: Increased sustainable economic growth for a broad base of the population

SO Indicator 1.1 (a) Social Sector Indicators - Poverty				
Unit: Percentage of Population designated as poor		Year	--Planned--	--Actual--
Source: National Statistics Institute (INEC) & World Bank	Baseline	1994	35.0 %	35.0 %
<p>Comments: Last year, the Mission decided to include social sector indicators because SO 1 has a heavy emphasis on advocacy of social policy reforms to reduce poverty, as well as improvement in economic conditions to increase sustainable growth. As a result, it decided to use the Living Standards Measurement Survey (LSMS) initiated in Ecuador by the World Bank in 1994 and institutionalized on a yearly basis by the GOE's INEC. Given the time necessary to collect and analyze the data, this figure will always be shown with a one-year time lag.</p> <p>The Mission selected four social indicators from the LSMS: health, basic services, education, and household expenditures of the poor. These have subsequently been separated into separate indicators to correct for multi-dimensionality.</p> <p>NOTE: The poverty indicator will be retained in the Mission's re-defined SO 1 framework at the SO level.</p>		1995	35.0 %	See comment
		1996	35.0 %	
		1997	35.0 %	
		1998	34.0 %	
		1999	34.0 %	
	Target	2000	33.0 %	

SO Indicator 1.1 (b) Social Sector Indicators - Education				
Unit: Primary education repetition rates.		Year	--Planned--	--Actual--
Source: Ministry of Education and the World Bank	Baseline	1992	27.0 %	27.0 %
<p>Comments: There is a one-year lag in the compilation of statistics at the Ministry of Education. As primary completion rates were not available, decreases in primary repetition rates is utilized.</p> <p>NOTE: The education indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Result level.</p>		1993	25.0 %	24.0 %
		1994	24.5 %	24.0 %
		1995	24.0 %	See comment
		1996	23.5 %	
		1997	23.0 %	
		1998	22.5 %	
		1999	22.0 %	
	Target	2000	21.5 %	

**STRATEGIC OBJECTIVE 1: Increased sustainable economic growth for a broad base of the population**

SO Indicator 1.1 (c) Social Sector Indicators - Social Security				
Unit: Population covered by a Private Pension System		Year	--Planned--	--Actual--
Source: Superintendency of Banks, Superintendency of Companies, & private pension institutions	Baseline	1995	38,139	38,139
<p>Comments: The baseline is taken from the number of employees working in the financial sector because it is the only sector authorized by law to have a private pension system. This group of employees will be the first to withdraw from the public social security system in order to obtain coverage under a private pension system. It is expected that both Superintendencies will start to compile statistics on the number of employees joining private pension systems.</p> <p>NOTE: The indicator of private pensions will be retained in the Mission's re-defined SO 1 framework at the Intermediate Result level.</p>		1996	38,500	
		1997	50,000	
		1998	75,000	
		1999	100,000	
	Target	2000	125,000	

SO Indicator 1.2: Real growth in GDP per-capita				
Unit: Percentage increase		Year	--Planned--	--Actual--
Source: Central Bank of Ecuador, Monthly Bulletin	Baseline	1992	1.0 %	1.3 %
<p>Comment: This indicator replaces prior SO indicators of "Net incomes of small and microenterprises increasing in both urban and rural areas" and "Percentage of small farmers with increasing real agricultural incomes" which were determined to be inappropriate at the SO level. Performance did not meet expectations because of economic shocks resulting from the border conflict with Peru and the heavy rationing of electricity.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the SO level.</p>		1993	1.3 %	-0.2 %
		1994	1.5 %	1.8 %
		1995	1.0 %	-0.4 %
		1996	1.0 %	
		1997	1.5 %	
		1998	2.0 %	
		1999	2.8 %	
	Target	2000	3.0 %	

**SO 1 - INTERMEDIATE RESULT 1: More efficient investment in people**

IR Indicator 1.1 (a): GOE Development of a social policy - Education				
Unit: GOE adoption of specific education reforms		Year	--Planned--	--Actual--
Source: Fundacion Ecuador, Focus Groups	Baseline	1995	Diagnostic identifying constraints; publication & discussion	Completed
<p>Comment: This indicator has been separated into two indicators to correct for multi-dimensionality.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework, but at the Activity Output level.</p>		1996	Discussions on education reform that lead to an increase in credibility for FE among key actors	
		1997	Credibility established for the FE	
		1998	Concepts of accountability & competition in education widely disseminated	
		1999	Consensus building on above reform concepts	
	Target	2000	National consensus achieved	

IR Indicator 1.1 (b): GOE Development of a social policy - Social Security				
Indicator: GOE adoption of specific social security reforms		Year	--Planned--	--Actual--
Source: Fundacion Ecuador, Focus Groups	Baseline	1995	Diagnostic identifying constraints; publication & discussion of the constraints	Completed, but the results of the national referendum set back the process
<p>Comment: As noted above, this is the second part of indicators 1.1 which was separated to correct for multi-dimensionality.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework, but at the Activity Output level.</p>		1996	Identification and elaboration of reform that take into account the results of the National Referendum	
		1997	Publication and discussion of the recommended reforms Focus groups	
		1998	Focus groups and small surveys that measure level of support for reforms	
		1999	Focus groups and small survey that measure level of support for reforms	
	Target	2000	National consensus achieved	

**SO 1 - INTERMEDIATE RESULT 1: More efficient investment in people**

IR Indicator 1.2: Reductions in the Nominal Protection Rates (NPR)				
Unit: Nominal Protection Rates (NPR)		Year	--Planned--	--Actual--
Source: World Bank, and Policy Analysis Unit of the MAG	Baseline	1992	N.A.	(W) 14.6% (R) 1.60% (C) 23.0%
<p>Comments: The Policy Analysis Unit of the MAG selected nine products and calculated their NPR utilizing an adjusted shadow exchange rate with available statistical data. The nine 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 included from 1992 to 1994 because SO 1 was not tracking this indicator during those years. The actual rates for 1992 to 1994 are included to show the progress which Ecuador has made in opening up its economy. Negative rates that are present during 1993 to 1995 indicate that the domestic price is lower than the import price (corrected for exchange rate distortions), and Ecuador should consume this locally produced good or try to export this product if the profit margin is higher than selling it locally. The ideal rate is zero.</p> <p>NOTE: Progress on this indicator will continue to be tracked in the Mission's re-defined SO 1 framework, but as one component of progress at the Activity Output level.</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%	(W) -24% (R) 1% (C) -6%
		1996	(W) 0% (R) 0% (C) 0%	
	Target	1997	(W) 0% (R) 0% (C) 0%	

IR Indicator 1.3: Policy initiatives towards accession to the Free Trade Area of the Americas				
Unit: Process indicator		Year	--Planned--	--Actual--
Source: Focus group results, Official Register	Baseline	1994	CC drafted, FI law drafted	FI Law approved, CC drafted
<p>Comments: Measures to be considered include (1) Commercial Code (CC) developed and partially implemented, including provisions governing contracts and free association, (2) Financial Institutions (FI) law approved by the Ecuadorian Congress, and (3) Intellectual Property Rights (IPR) enacted and regulated.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Result level.</p>		1995	CC presented; FI law enacted	Private sector prepared CC for presentation to Congress; FI law regulations approved in 1994.
		1996	FI law implementation regulations published	
		1997	Bilateral (Ecuador & US) IPR Agreement signed Oct. 1993. Legislation is in process to harmonize local law with the agreement's requirements.  Next step: Congressional ratification	
		1998	CC implementing regulations published; IPR enacted; Ecuador near accession to Free Trade Area of the Americas	
	Target	2000	Ecuador is ready for accession	

SO 1 - INTERMEDIATE RESULT 1: More efficient investment in people

IR Indicator 1.4: Legislation enacted and implemented to provide tenancy security and to ease land transfer				
Unit: Process indicator		Year	--Planned--	--Actual--
Source: Instituto de Desarrollo Agropecuario (INDA), USAID, IICA, MAG	Baseline	1993	Drafted and presented to Congress	Drafted
<p>Comments: This historical amendment to land reform was made possible through USAID's partner NGO, IDEA (Instituto de Estrategias Agropecuarias).</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework, but at the Activity Output level.</p>		1994	Presented to Congress and enacted	Achieved
		1995	Implementing regulations published	Achieved
		1996	Diagnostic of the change in land markets. Guidelines to strengthen the institutional system of land tenure security	
		1997	Observational travel for selected participants	
		1998	Pilot implementation programs to create a culture of private property	
		1999	Publication and dissemination	
	Target	2000	Discussion on the importance of land security	

**SO 1 - INTERMEDIATE RESULT 1: More efficient investment in people**

IR Indicator 1.5: Privatization - Increased number of public entities privatized and concessions granted for private sector delivery of public services.				
Unit: Number State-Owned Enterprises (SOEs) sold		Year	--Planned--	--Actual--
Source: Consejo Nacional de Modernizacion del Estado (CONAM), Planning Secretariat (CONADE)	Target	1993	2	7
<p>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. This indicator has been separated into two indicators (sale and concession) to correct for multi-dimensionality.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework, but at the Activity Output level.</p>	Target	1994	5	7
	Target	1995	7	1
	Target	1996	5	
	Target	1997	5	
	Target	1998	4	
	Target	1999	3	
	Target	2000	2	
Unit: Numbers of concession granted		Year	--Planned--	--Actual--
Source: Consejo Nacional de Modernizacion del Estado (CONAM), Planning Secretariat (CONADE)	Target	1994	5	1
<p>Comment: As noted above, this is the second part of indicator 1.5 which was separated to correct for multi-dimensionality.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework, but at the Activity Output level.</p>	Target	1995	7	3
	Target	1996	8	
	Target	1997	3	
	Target	1998	2	
	Target	1999	1	
	Target	2000	1	

**SO 1 - INTERMEDIATE RESULT 1: More efficient investment in people**

IR Indicator 1.6: Establishment of a sustainable housing finance system				
Unit: Process indicator		Year	--Planned--	--Actual--
Source: Official Register, verification by private banks	Baseline	1992	Diagnostic	Completed
<p>Comments: The UVC system was designed in 1993 and enacted in 1994. Mortgage refinancing was initiated in UVCs in 1994 and the "housing incentive policy" is being implemented in 1996.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework, but at the Activity Output level.</p>		1993	UVC legislation presented; consensus building	Completed
		1994	UVC implementation regulations published; mortgage refinancing in UVCs; consensus building	UVC implemented; mortgage refinancing approved by the Superintendency of Banks
		1995	Drafting & approval of proposal for a second-story finance corporation	Completed
		1996	Newly elected GOE supports corporation	
		1997	Commercial Banks provide their share of equity capital for corporation	
		1998	NGO community participates	
		1999	The Corporation starts its lending operations	
	Target	2000	Corporation is fully operational	

IR Indicator 1.7: Increased competitiveness of the economy				
Unit: Ratio of non-traditional exports to GDP		Year	--Planned--	--Actual--
Source: Central Bank of Ecuador, Monthly Bulletin	Baseline	1992	2.0 %	2.3 %
<p>Comment: This is a new Indicator added to measure the higher level impact at the IR level. It was selected because it demonstrates Ecuador's capacity to compete and penetrate world markets with new products.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Results level.</p>		1993	2.2 %	3.5 %
		1994	2.4 %	4.0 %
		1995	2.6 %	4.3 %
		1996	4.3 %	
		1997	4.6 %	
		1998	4.9 %	
		1999	5.2 %	
	Target	2000	5.5 %	

**SO 1 - INTERMEDIATE RESULT 1: More efficient investment in people**

IR Indicator 1.8: Increased private sector participation in the economy				
Unit: Increases in private sector real GDP (excluding petroleum)		Year	--Planned--	--Actual--
Source: Central Bank of Ecuador, Monthly Bulletin	Baseline	1994	0.0 %	3.0 %
<p>Comment: This is a new Indicator added to measure the higher level impact at the IR level. It was selected because it measures how much the private sector is participating in the economy and in the delivery of social services.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.</p>		1995	3.0 %	3.7 %
		1996	3.0 %	
		1997	3.5 %	
		1998	4.0 %	
		1999	4.2 %	
	Target	2000	4.5 %	

**SO 1 - INTERMEDIATE RESULT 2: Expanded participation by selected low-income groups in a growing market economy**

IR Indicator 2.1(a): Loans to selected microenterprises - Increase the total yearly volume of credit to microentrepreneurs				
Unit: Amount in US\$ millions		Year	--Planned--	--Actual--
Source: Enlace, Solidaria, FUNO, Accion, (Unibanco, FED), USAID, Superintendency of Banks	Baseline	1995	3.9	6.7
<p>Comment: IR Indicator 2.1 has been split into two parts in order to identify the number of people benefitted, in addition to the volume of credit provided. This indicator is based on data collected by USAID/Ecuador partners and Superintendency of Banks. The data for 1995 &amp; 1996 do not include FED data, which is included beginning in 1997.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.</p>		1996	8.7	
		1997	26.0	
		1998	40.0	
		1999	57.0	
	Target	2000	80.0	

IR Indicator 2.1(b): Loans to selected microenterprises - Increase in the Number of Microentrepreneurs Borrowers by Year				
Unit: Number of borrowers		Year	--Planned--	--Actual--
Source: Enlace, Solidaria, FUNO, Accion, (FED, Unibanco)	Baseline	1995	15.200	13.250
<p>Comment: As noted above, IR Indicator 2.1 has been split into two parts in order to identify the number of people benefitted</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.</p>		1996	24.470	
		1997	35.140	
		1998	51.740	
		1999	76.200	
		2000	110.380	

**SO 1 - INTERMEDIATE RESULT 2: Expanded participation by selected low-income groups in a growing market economy**

IR Indicator 2.2: Percentage increase in employment in selected micro and small enterprises compared with nationwide percentage increase in employment				
Unit: Percentage increase in employment		Year	--Planned--	--Actual--
Source: Enlace, Solidaria, FUNO, Accion, (FED, Unibanco) INEM	Baseline	1996	1.2	
<p>Comments: This indicator is a relative measure of increases in employment generated by the MAS activities, compared to increases in employment nationwide in micro and small enterprises (MSE). For example, if the increase in employment generated by MAS activities were to be 12% in 1996 and nationwide MSE employment increased by 10%, then the ratio would be 1.2. This means that the activity has had a better impact because the rest of the sector was increasing at a rate lower than the target group supported by the project. (i.e., <math>\%T/\%N &gt; 1</math> = positive project impact, where T is MAS target group employment and N is nationwide MSE employment.)</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.</p>		1997	1.2	
		1998	1.2	
		1999	1.2	
	Target	2000	1.2	

IR Indicator 2.3: Growth of selected microenterprises

This indicator has been deleted because the preceding indicators adequately demonstrate outreach growth and expansion of the microenterprise sector.

IR Indicator 2.4(a): Number of "Housing Incentives" issued to low-income families				
Unit: Number issued/year		Year	--Planned--	--Actual--
Source: Ministry of Urban Development and Housing	Baseline	1995	0	0
<p>Comments: The SO 1 Team determined that a more appropriate measurement of this result would be the number and value of housing incentives to low income families, rather than the number of houses and home improvements financed. IR Indicator 2.4 has therefore been split into two parts in order to identify the number of families benefitted, in addition to the volume of "incentives" provided.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.</p>		1996	500	
		1997	2,000	
		1998	3,000	
		1999	4,000	
	Target	2000	5,000	

**SO 1 - INTERMEDIATE RESULT 2: Expanded participation by selected low-income groups in a growing market economy**

IR Indicator 2.4(b): Total value of "Housing Incentives" issued to low-income families				
Unit: \$000 issued/year		Year	--Planned--	--Actual--
Source: Ministry of Urban Development and Housing	Baseline	1995	0	0
Comment: As noted above, IR Indicator 2.4 has been split into two parts  NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.		1996	800	
		1997	6,000	
		1998	9,000	
		1999	12,000	
		2000	15,000	

IR Indicator 2.5: Increased opportunities for low-income groups - Number of low-income clients who benefit directly and indirectly from the activities.				
Unit: Low-income people (thousands)		Year	--Planned--	--Actual--
Source: SDAA/PC, CARE/FISE, FISE	Baseline	1992	--	19.9
Comments: This is a new indicator which was added to measure progress achieved under Mission activities targeted at communities for productive activities and social infrastructure. FY92 contemplates indicators from SDAA activities only. FY93, FY94 and FY95 include FISE, CARE/FISE and SDAA/PC figures. Projections for FY96, FY97 and FY98 are made specifically for SDAA activities, considering that CARE/FISE and FISE will not receive additional financing from USAID/Ecuador.  NOTE: This indicator will be retained in the Mission's re-defined SO 1 framework at the Intermediate Results level.		1993	--	204.4
		1994	--	279.6
		1995	--	1,268.7
		1996	20.0 (SDAA)	
		1997	20.0 (SDAA)	
	Target	1998	20.0 (SDAA)	

### C. Expected Progress in FY97 and FY98

The expected results identified below should be viewed from the context of the SO 1 Results Framework presented in Section III.

#### Expectations for SO 1

- (1) **Growth in GDP** - Two indicators were selected for the SO: real growth in GDP per-capita and World Bank statistics showing reductions in poverty. Prospects for 2 percent real growth in 1996 GDP per-capita are moderately favorable. An attempt by the Monetary Authorities to keep inflation under 25 percent during 1996 will restrict real per-capita GDP growth.
- (2) **Poverty** - Reducing poverty in Ecuador from the 35 percent of the population (estimated by the World Bank in 1994 and 1995) requires more rapid economic growth rates and requires sustained anti-poverty programs with targeting on a national scale. As a result, poverty indicators are expected to remain at 35 percent in 1997 and start to improve to 34 percent by 1998.

#### RESULT A: Increased competitiveness of the economy

- (1) **Non-traditional exports** - The proxy indicator utilized to measure increased competitiveness of the economy is the ratio of non-traditional exports to GDP. The Mission considers that the three intermediate result objectives contribute to increased competitiveness because the participation of the private sector in the delivery of social services will improve the capacity of its human capital to compete internationally. In addition, an appropriate regulatory environment allows Ecuador to increase trade by accessing to FTAs and therefore creating additional jobs. Traditional Ecuadorian exports such as bananas and petroleum were excluded because their demand and price is determined by the world market as opposed to competitiveness factors of the Ecuadorian economy which determine the performance of non-traditional exports. Based on past performance and the assumption that the new GOE administration elected in 1996 will continue to view as a priority the maintenance of a competitive economy, the projected increase in this ratio for 1997 and 1998 is 3.0 percent and 3.2 percent, respectively.
- (2) **Improvements in the quality of education** - The SO 1 Team selected two people-level indicators for this Intermediate Result: Reduction in primary education repetition rates and Increase in population covered by a private pension system. Reduction in primary education repetition rates was selected as an indicator to measure improvements in the quality of primary education instead of the completion rate because this data is not available. In coordination with FE, the World Bank is funding initiatives to improve the quality of education. Those initiatives are resulting in decreases in repetition rates. Projections for both FY97 and FY98 are 23.5 percent.
- (3) **Social Security reform** - Social Security reform is considered a major issue by the leading presidential candidates. Despite the disappointing lack of full support for social and economic policy reform demonstrated in the November 1995 national referendum, social security reform did receive approval from 44 percent of the voters. The next government is expected to propose a reform of the Social Security system in 1997. This reform should result in an increase in the number of workers participating in a private pension system.
- (4) **Accession to free trade areas of the Americas** - In recent years, Ecuador has accelerated its effort to establish an open and free market economy. The average tariff due is now below 10 percent, however the range remains between 1 percent and 35 percent depending upon the product or commodity. A stronger effort must be made to reduce this range of tariff duties. Ecuador's legal, regulatory and judicial environment is not attractive to both national and international investors. Consequently, the SO 1 Team is retaining a process-oriented indicator and will monitor progress

toward implementation of this important policy reform leading toward trade liberalization as well as legal, regulatory and judicial institutional reform.

- (5) **Increased private sector participation in the economy** - One of the explanations for the low-growth performance of the Ecuadorian economy is the excessive participation and intrusion of the public sector in economic activities. Greater participation by the private sector will improve both the quality and quantity of public services provided. Increased domestic savings through the reform of the social security system will provide significant resources to the capital markets. The indicator chosen is the share of private sector investment to GDP that excludes petroleum. Petroleum was excluded because of the disproportionate weight that it has in the economy. Private sector GDP is expected to increase in real term by 3.5 percent and 4 percent respectively during 1997/98.

#### **RESULT B: Expanded participation by low-income groups in a growing market economy**

- (1) Increases in employment is a good measure of increasing participation of targeted low-income groups in the economy. Impact is obtained if our targeted customers generate more employment than the rest of the economy. As a result, the indicator for Result B is the ratio which compares increases in employment generated by the MAS activity to increases in employment on a nation-wide basis for micro and small enterprises. This relative measure for Mission performance is expected to increase significantly during the next five years, because higher economic growth rates are expected and product demand for basic goods such as clothing and food products which are produced and sold by microenterprises will remain strong. The focus on low-income groups for these activities assures their participation in the growth process. Achievement of the following results will contribute to poverty reduction as those results will be derived from an increase in income and in employment among the poor and marginalized segments of society.
- (2) **Increased volume of microenterprise credit** - A licensed financial institution can generate \$10 to \$12 in ongoing microfinance services for each dollar provided by donors and investors. No other model of microfinance delivery can generate more than \$2 or \$3 of services for each dollar of donor and/or investor input. An increase in the total volume of credit to microentrepreneurs of \$10.7 million is expected for FY97 and \$18.1 million for FY98.
- (3) **Increased number of microentrepreneur borrowers** - The microenterprise sector in Ecuador represents 40 percent of the economic population of Ecuador with an anticipated annual increase of 6.5 percent in the number of people working in this sector. Taking this into account, the increase in the number of borrowers per year, with an emphasis upon women, is projected at 22,300 for FY97 and 39,500 for FY98.
- (4) **Increased savings** - There is growing evidence that more poor people want good deposit (savings) services than want loans. Only licensed intermediaries can provide savings\deposit services. More microenterprises are started and expanded with savings than with credit. Increases in savings will occur in conjunction with activities under this Result.
- (5) **Establishment of microfinance institutions** - It is expected that one or more USAID/Ecuador partners will establish a bank (similar to BancoSol in Bolivia) in the coming year which will expand the outreach of microfinance in Ecuador.
- (6) **Implementation of the Housing Incentives System** - This system, critical for addressing the low-income housing deficit, has been approved by Ecuador's President in early 1996. Through targeted technical assistance from USAID, it is expected that an implementation strategy will be approved and that the system will be operationalized, generating \$15 million in housing incentives during FY97 and FY98.

- (7) **Increased access to housing credit** - The GOE approved the creation of a Private Housing Finance Corporation to serve as a secondary mortgage bank. With continued assistance, the PHFC will become operational in FY96 and should issue mortgage-backed securities on the Ecuadorian stock markets in FY97 and FY98.
- (8) **Sound national housing policies adopted** - Continued technical assistance will result in the complete transformation of the GOE from a direct provider to a facilitator of housing solutions.
- (9) **Low-income groups to receive donor financing for productive activities and social infrastructure** - The SO 1 Team will be bringing FISE and CARE activities to a close in FY96. Therefore, during FY97 and FY98 the majority of our customers/clients will be receiving support solely from SDAA/PC in the coming years. It is forecasted that women's participation will reach 30 percent and that approximately 40,000 low-income people should benefit from 90 SDAA/PC activities in FY97 and FY98.

## STRATEGIC OBJECTIVE 2

### Strategic Objective Program Tree

Ecuador
Agency Goal: Stabilizing World Population Growth and Protecting Human Health
STRATEGIC OBJECTIVE NO. 2: Reduced Levels of Mortality and Fertility

<b>INTERMEDIATE RESULT NO. 1</b> Increased use of family planning services	<b>INTERMEDIATE RESULT NO. 2</b> Increased use of primary health care/child survival services
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Projects (Number\Title)	Projects (Number\Title)
518-0084 Health and Family Planning	518-0071 Child Survival and Health
518-0118 Training for Development	518-0118 Training for Development
*936-3061 Initiatives in NFP and Breastfeeding	*936-5970 TAACS Program (CEDPA)
*936-3052 Population Communication Services	*936.5974.08 Rational Pharmaceutical Mgt.
*936-3057 Central Contraceptive Procurement	*936-5992 Quality Assurance Project
*936-3038 Family Planning Logistics Management	*936-6006 Basics
*936-3051 Contraceptive Social Marketing III	*936-5974.13 Partnerships for Health Reform
*936-3069 Training in Reproductive Health	*936-5122.01 OMNI
*936-3068 Program for Voluntary and Safe Contraception (AVSC)	*936-5110 IMPACT
*936-3030 Operations Research-INOPAL	
*936-3060 Evaluating Family Planning Impact	
*936-3079 Family Health International	

## A. Analysis of the Data - Progress to Date

This SO is directly linked to Agency Goal 3 "World's population stabilized and human health protected in a sustainable fashion" and it supports two of the Agency Objectives under this Goal: "Sustainable reduction in unintended pregnancies" and "Sustainable reduction in child mortality." This SO directly supports the U.S. Mission Program Plan goal of promoting economic reform and growth.

Analysis of the actual versus planned results of the SO 2 indicators reveals that all result targets for 1995 were met or exceeded.

### STRATEGIC OBJECTIVE 2: Reduced mortality and fertility

- (1) **Progress towards achieving the SO** - Both SO 2 indicators require a multi-year timeframe for monitoring the accumulated changes accurately. Despite this, the Mission is confident the total fertility rate (TFR) results have progressed as estimated, since data on increased couple years of protection (CYPs) from all the FP NGOs demonstrated a substantial increase in 1995. Additionally, it is likely the child survival interventions in immunization, WS/S and ORT made by USAID/Ecuador and the MOH over the past five years in eight provinces, are continuing to have a positive impact on reducing infant mortality.

### INTERMEDIATE RESULT 1: Increased use of family planning (FP) services

- (1) **Sustainability** - During 1995 there were many accomplishments geared towards meeting the FP NGO sustainability targets. There was further analysis regarding what strategies would provide the most support for the long term sustainability of APROFE and CEMOPLAF, taking into account the mid-term evaluation results which pointed to the need to balance NGOs cost recovery efforts with efforts to expand service coverage to the poor. In January 1994, the Mission Director approved \$1.0 million each for APROFE and CEMOPLAF, which will be used to: (1) purchase health equipment that will be revenue-producing; (2) establish a revolving fund for the procurement of contraceptives; and (3) develop an endowment-like fund. Also in support of sustainability, the SO 2 Team, with help from O/CONT, USAID/W Population Office, and the Centers for Disease Control (CDC), prepared a contraceptive phase-out plan. Both CEMOPLAF and APROFE expanded cost recovery and women's reproductive health activities and have agreed to contraceptive

#### *Women Helping Women: Ecuador Family Planning*

*The combination of cultural and other barriers to access make family planning services to indigenous groups extremely difficult. USAID/Ecuador has successfully supported the efforts of an Ecuadorian family planning organization, the Centro Medico de Orientacion y Planificacion Familiar (CEMOPLAF) in expanding family planning services to indigenous areas. CEMOPLAF is an organization run by women, primarily for women, with twenty one family planning clinics throughout the country, of which four are in indigenous areas. They use a sophisticated management system which allows for decentralized decision making and cross subsidies from other income generating health services to otherwise unsustainable family planning services. The result of their efforts has been remarkable both in terms of increase in family planning coverage and sustainability. CEMOPLAF now has a cost recovery rate of over 60% and sixteen of its twenty-one clinics are fully sustainable in operating costs.*

*CEMOPLAF entered into indigenous areas with a clear sense of vision and process. A sophisticated operations research methodology was utilized to ensure community participation and acceptance of the program. Those clinics were staffed with bilingual professionals (Spanish and Quichua) for better communication and acceptance of the community. Family planning services were integrated with other health services, and operations were revised and adjusted to community needs. As a result of CEMOPLAF's activities, many indigenous communities, which heretofore had no access to reproductive health services, are now being served.*

phase-out plans, through revolving funds for contraceptive procurement, that will make them self-reliant by 2002.

The mid-term evaluation of the Health and FP Project provided the basis for amending the Non-Project Assistance Agreement. The amendment and the successful disbursement of the second tranche, acted as catalysts for the implementation of the Agreement, which had slowed down during the past year and a half. As a result, family planning activities among the different participating institutions have been strengthened and expanded.

- (2) **Social marketing** - CEMOPLAF launched a major contraceptive social marketing program, which has contributed greatly to the increase in couple years of protection (CYP) in 1995.
- (3) **Research capability** - The USAID-financed ENDEMAIN survey published in 1995 is serving as the seminal data for USAID/Ecuador baseline in measuring Strategic Results, as well as establishing CEPAR as the primary organization in the field of population and health research and policy dialogue.
- (4) **Contraceptive tracking** - The Contraceptive Tracking System Daily software developed by CDC was installed in the field in all CEMOPLAF clinics, greatly reducing the workload for the staff.
- (5) **Expanded access** - In late 1995, CEMOPLAF opened a clinic in Lago Agrio in the Oriente region of Ecuador. In this traditionally under-served area, it is the first family planning clinic, and one which provides a range of MCH services as well. Support for this clinic is also coming from Vlams International, the Ecuadorian Armed Forces, the Municipality of Lago Agrio, and the state owned oil company Petroecuador.
- (6) **Customer input** - Related to evaluation findings, a number of customer survey activities were carried out that will serve as inputs to program planning. In addition to the important ENDEMAIN survey which provides information on use of services, CEPAR has done a survey of MOH users and a sample survey of leaders and general public opinion on health sector reform. Among the findings, for example, is the existence of negative feelings about "privatization" that will have to be considered). A food consumption and nutrition survey in Esmeraldas (sponsored by IMPACT Project) gives micro level data to compliment World Bank national data on malnutrition. The QA Project survey of client satisfaction in health areas is guiding the work of that project, while APROFE and Johns Hopkins University Population Communication Services carried out a survey of their clients, as well as other women of reproductive age, in order to have hard data on which to base their communication campaign, and then tested the material produced through focus groups comprised of the same group of women.

## **INTERMEDIATE RESULT 2: Increased use of primary health care/child survival services**

- (1) **Health sector reform** - Progress on achieving results in health sector reform became prominent, as the Mission reprogrammed the Child Survival Project in 1995 to focus resources on sector reform, through policy analysis, dissemination and consensus building; demonstration projects of NGO sustainable PHC services; and reform efforts of the MOH in decentralization, efficiency and quality improvement. The abundance of strikes throughout the sector (12 in 1995), which constrained MOH operations also helped drive the push for reform among all prominent health sector actors, under the strong leadership of the Minister of Health. USAID/Ecuador inputs in the key area of consensus building (see sidebar "Promoting Health Reform") brought together far more leaders and managers than planned, as every regional and national seminar had attendance far beyond expectations. Policy studies on financing, resource allocation, beneficiaries and providers were all carried out in close coordination with the World Bank, IDB and PAHO.

(2) **NGO pilot demonstrations** - CARE/APOLO demonstration projects did not become fully operational, however several different models were under development; solid feasibility studies carried out; and at least three NGOs (i.e. Metrofraternidad, Fundación Eugenio Espejo and INSALUD) were strengthened through training and TA.

(3) **Quality improvements** - Field support projects in pharmaceutical management (RPM), quality assurance (QA) and micronutrients (OMNI) provided articulated TA to the MOH through projects coordinated with the World Bank and PAHO, leveraging significant resources and resulting in positive accomplishments in all of these areas, as illustrated by the number of quality improvement projects initiated.

(4) **Health administration** - While not at the results level, a very successful output was the start-up of a Masters in Health Administration course at ESPOL University, with USAID/Ecuador financing the development of the curriculum, faculty, and eleven students. (See sidebar this page, "New Program in Health Administration")

(5) **Summit of the Americas** - It is also noteworthy that the many health sector reform accomplishments this year have supported the Summit of the Americas health initiative: equitable access to basic health services. USAID/Ecuador is directly financing studies, TA and demonstration projects to:

develop basic packages of health services; to redefine the role of the public sector and expand the role of the private sector; decentralize services to the municipality level; and strengthen the management and quality of public and private PHC services. In addition, USAID/Ecuador is playing a key role in coordinating and facilitating the financial support of other donors, (e.g. Holland and Canada) and international organizations (IDB and World Bank) in these same crucial issues.

#### ***Promoting Health Reform***

*Health Reform is in its first year in Ecuador. Perhaps the biggest success has been the development and presentation of regional seminars on reform. CEPAR, USAID/Ecuador's partner NGO, has taken the lead in organizing these seminars. In the second six months of 1995, over 600 leaders and managers from all parts of the health sector have participated in seven regional seminars. In addition, USAID/Ecuador and CEPAR helped bring together all the key donors to support the seminars and the reform process. As a result of CEPAR's success with these seminars, and local level demand, the Minister of Health and National Health Council have asked CEPAR to organize local (provincial) health committees to continue promoting health reform at the local levels.*

#### ***New Program in Health Administration***

*USAID/Ecuador funded the development and implementation of the first Post-Graduate Program in Health Services Administration in Ecuador at ESPOL University in Guayaquil. This will remedy one of the greatest limitations to health reform and improvement of the health sector in Ecuador, i.e. the lack of trained health administrators and economists. The Graduate Program will train forty students from the Public and Private health sectors each year. In the first year, USAID/Ecuador provided scholarships to six professionals from the MOH and five from health care NGOs.*

**B. Indicator Tables - Summary of Data**

STRATEGIC OBJECTIVE 2: Reduced levels of mortality and fertility

SO Indicator 1: Total Fertility Rate (TFR)				
Unit: Average number of children per woman in reproductive years.		Year	--Planned--	--Actual--
Source: National Demographic and Health Survey (ENDEMAIN)	Baseline	1994	--	3.60
<p>Comments: This indicator will be verified independently every five years through a National Demographic Survey. The 1995 estimate and planned targets for 1996-98 are based on the annual proxy measure of couple years of protection (CYPs) data available from annual service delivery data. The target of 3.0 for the year 2000 is consistent with estimates and projections of the GOE, UNFPA, CEPAR, and is consistent with the target proposed in the National Population Plan of Action. 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 girls's education, access to employment and other opportunities, and access to democratic processes.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the SO level.</p>		1995	3.50	3.50 (est)
		1996	3.40	
		1997	3.30	
		1998	3.20	
		1999	3.10	
		2000	3.00	
		2001	2.90	
		2002	2.80	

SO Indicator 2: Infant Mortality Rate (IMR)				
Unit: Number of deaths to children under age 1 per 1,000 live births.		Year	--Planned--	--Actual--
Source: ENDEMAIN	Baseline	1994	--	40
<p>Comments: This remains unchanged and is a critical indicator. Reliable measurement occurs every five years with the next one planned for 1999. Critical assumptions: continued GOE priority for health reform and greater resources to health sector, as well as significant inputs from others donors.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the SO level.</p>		1995	39	39 (est)
		1996	38	
		1997	36	
		1998	34	
		1999	33	
		2000	32	

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**STRATEGIC OBJECTIVE 2: Reduced levels of mortality and fertility**

SO Indicator 3: Maternal Mortality Ratio.				
Unit: Number of maternal deaths per 100,000 births.		Year	--Planned--	--Actual--
Source: ENDEMAIN	Baseline	1994	--	160
<p>Comments: This is a new indicator in 1995. It is important because of an expanded focus on women's health. Reliable measurement occurs every five years with the next planned for 1999. Same critical assumptions as in SO Indicators 1 and 2.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the SO level.</p>		1995	155	155
		1996	150	
		1997	145	
		1998	140	
		1999	135	
		2000	130	

**SO 2 - INTERMEDIATE RESULT 1: Increased use of family planning services**

IR Indicator 1.1: Contraceptive Prevalence Rate				
Unit: Percentage of women in reproductive age currently using a method of contraception		Year	--Planned--	--Actual--
Source: ENDEMAIN	Baseline	1994	--	56.8
<p>Comments: This indicator will be verified independently every five years through a National Demographic Survey, with the next one planned for 1999. 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. Achievement of the target will depend on strong participation by USAID/Ecuador partners, especially UNFPA, and a policy environment which allows for access to family planning methods by all women.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Intermediate Result level.</p>		1995	57.6	57.6 (est)
		1996	58.1	
		1997	58.6	
		1998	59.1	
		1999	59.6	
		2000	60.0	
		2001	60.5	
		2002	61.0	

**SO 2 - INTERMEDIATE RESULT 1: Increased use of family planning services**

IR Indicator 1.2: Couple Years of Protection (CYP) provided by APROFE and CEMOPLAF				
Unit: Estimated protection provided by family planning services for a one year period, based upon volume & type of contraceptives distributed.		Year	--Planned--	--Actual--
Source: NGO statistics	Baseline	1994	--	279,117
<p>Comments: This is a new indicator for 1995 to measure quality and access to family planning services. The public sector was not included in this indicator because our contribution to their program is small and more importantly there is no reliable data. The MOH publishes their service statistics one year late, and the Social Security Institute has an under reporting (over 50%). The target was based on past consumption of contraceptives with increases as follows: 25%-1996, 20%-1997, 15%-1998, and 10%-thereafter.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Intermediate Result level.</p>		1995	--	368,959
		1996	461,199	
		1997	553,439	
		1998	636,455	
		1999	700,101	
		2000	770,111	
		2001	847,122	
		2002	931,834	

IR Indicator 1.3: Percentage of cost recovery of the two main family planning NGO's, APROFE and CEMOPLAF.				
Unit: Percentage of total costs recovered by NGO generated income.		Year	--Planned--	--Actual--
Source: NGO statistics and financial audits.	Baseline	1994	--	62
<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/Ecuador support for the two organizations will terminate around 2002. An equally crucial assumption is that the two organizations, with assistance from USAID, will have established capital funds and will have a separate rotating fund for the procurement of contraceptives.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Intermediate Result level.</p>		1995	65	66
		1996	70	
		1997	75	
		1998	80	
		1999	85	
		2000	90	
		2001	95	
		2002	100	

**SO 2 - INTERMEDIATE RESULT 2: Increased use of primary health care/child survival services.**

IR Indicator 2.1: Births attended by a health professional.						
Unit: Percentage of births attended by a health professional.		Year	--Planned--		-Actual-	
Source: ENDEMAIN	Baseline	1994		--		65%
<p>Comments: This is a new indicator in 1995. It is important because of our expanded focus on women's health. Reliable measurement occurs every five years with the next planned for 1999.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Result level.</p>		1995		67		67(est)
		1996		70		
		1997		75		
		1998		80		
		1999		85		
		2000		90		

IR Indicator 2.2: No. of women and children (1-5) using improved or expanded MCH services.						
Unit: Women and children using improved/expanded MCH services.		Year	--Planned--		--Actual--	
Source: Project Monitoring System			Children	Women	M	F
<p>Comments: This is a new indicator in 1995. It is important because of our emphasis on expanding access through the private sector and decentralization of services to municipalities.</p> <p>• While no new users were recorded, several sites were under development and should meet planned targets of 10,000 children and 40,000 women in 1996.</p> <p>NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Result level.</p>	Baseline	1995	0*	0*	0	0
		1996	10,000	40,000		
		1997	25,000	60,000		
		1998	35,000	87,000		
		1999	50,000	147,000		

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**SO 2 - INTERMEDIATE RESULT 2: Increased use of primary health care/child survival services.**

IR Indicator 2.3: MOH Health Areas with operational quality improvement (QI) programs.				
Unit: Number of MOH Health Areas with operational QI completed (annually) program.		Year	--Planned--	--Actual--
Source: Project Monitoring System	Baseline	1995 6mos	0	12*
Comments: New indicator based on new intermediate result. The QI program, managed by the Washington based QA Project, is designed to strengthen the management and technical services of MOH health areas and health facilities.  * Quality improvement training activities are underway in 12 Health Areas.  NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Intermediate Result level.		1996	12	
		1997	12	
		1998	12	
		1999	4	

IR Indicator 2.4: Number of expanded or improved service delivery points (SDPs) offering MCH services.				
Unit: SDPs improved/expanded (annually)		Year	--Planned--	--Actual--
Source: Project Monitoring System	Baseline	1995 6mos	3	3
Comments: New indicator based on new intermediate result.  NOTE: This indicator will be retained in the Mission's re-defined SO 2 framework at the Intermediate Result level.		1996	20	
		1997	35	
		1998	35	
		1999	15	

### C. Expected Progress in FY97 and FY98

The expected results identified below should be viewed from the context of the SO 2 Results Framework presented in Section III.

#### Expectations for SO 2

- (1) Over the coming two to three years, the impact of the USAID, World Bank and GOE targeted program interventions will begin to be felt; and while not easily measurable on a national level for less than 3-5 years, local level data will become available. APOLO demonstration projects will show increased use of services affecting infant and maternal mortality; OMNI assisted food fortification and micronutrient supplementation will also show impact in Vitamin A and iron intake consistent with reduced mortality; and FP interventions will continue to produce decreases in the TFR.

#### RESULT A: Increased use of family planning (FP) services

- (1) **Long-term sustainability** - The SO 2 Team expects to implement a contraceptive phase-out plan and begin disbursing funds for the long term sustainability strategies for APROFE and CEMOPLAF. APROFE, with TA from JHPIEGO, will become a reproductive health regional training center. CEMOPLAF, with Population Council and Family Health International assistance, will conduct an operation research project to develop a less costly strategy for the provision of services in indigenous and rural areas.

The 1995 mid-term evaluation of the Health and Family Planning Project, as well as the publication of the National Health and Demographic Survey (ENDEMAIN), provided valuable information for improving the activities related to population and family planning services. Conflicts between expanding quality FP services to the target population, while pursuing greater cost recovery/ sustainability of the FP NGOs will be addressed through a combination of interventions. Expansion of clinic-based services to areas where services are not self-sustaining will be given less priority, while community based distribution will be expanded. Contraceptive self-sufficiency and expansion of income-producing laboratory and women's and child health services to cross subsidize FP services of "poor" clinics will also be expanded.

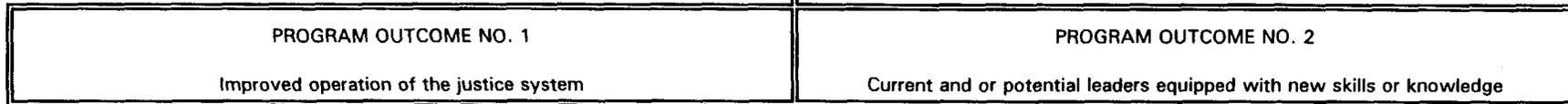
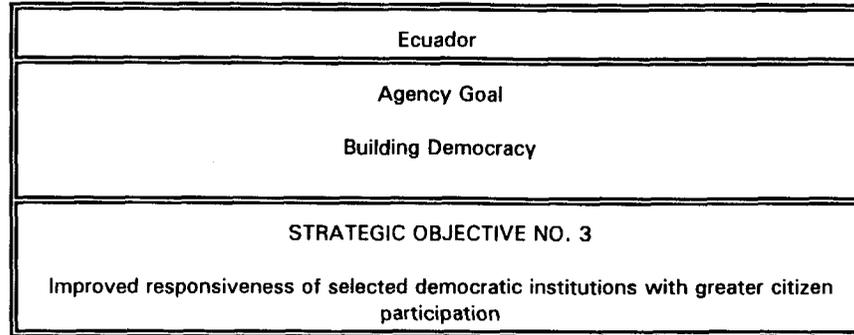
#### RESULT B: Increased use of primary health care/child survival services

- (1) **Quality improvement** - Improved quality and efficiency in twelve Health Areas (32 facilities) of the MOH each year. Quality improvement will focus on management and technical services at both primary and secondary care levels.
- (2) **NGO pilot projects** -Strengthened and expanded CS/PHC services in six NGO demonstration projects each year. Through the CARE sub-project, NGOs will be strengthened to expand coverage, improve quality and efficiency, and develop alternative cost recovery/financing mechanisms. Based on a mid-term evaluation planned in 1997 or 1998, the Mission may propose continued support to promising demonstration projects beyond 1999, as targets of opportunity.
- (3) **Advocacy and consensus building** - Inform and motivate consensus among 1000-1500 leaders and managers each year. CEPAR, through its Cooperative Agreement, will conduct seminars and workshops at both the national and regional levels. Participants will include leaders from the health, business, and political sectors. CEPAR will also disseminate information through its monthly magazine and other special reports.

- (4) **Health policy reform** - CEPAR will complete four to five studies or research activities per year related to health reform priorities. CEPAR will conduct a series of studies focusing on health sector analyses, financing, decentralization, targeting/allocation of resources, roles of key health sector institutions, and others.
- (5) **Health administration** - Train approximately 30 students per year in administration and management, in the post graduate health administration program at ESPOL.
- (6) **Improved Efficiency** - Continue strengthening pharmaceutical management and micronutrient programs in the MOH.

**STRATEGIC OBJECTIVE 3**

**Strategic Objective Program Tree**



Projects (Number\Title)	Projects (Number\Title)
518-0105 Justice Reform Support	518-0091 Ecuador Dev.Scholarship/CLASP II
518-0120 Justice Sector Program	518-0117 Training for Development
	518-0089 Policy Dialogue & Impl. Support
• 598-0800 Accountability and Financial Management	
• 598-0591 Human Rights Initiatives	
• 598-0642 Regional Administration of Justice	

- Centrally-or Regionally-funded projects

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## A. Analysis of the Data - Progress to Date

This SO is directly linked to Agency Goal 2 "Sustainable democracies built" and supports two of the Agency Objectives under this Goal: "Strengthened rule of law and respect for human rights" and "More transparent and accountable government institutions." In addition, SO 3 directly supports the U.S. Mission Program Plan goal of strengthening democratic institutions.

These activities are also consistent the Summit of the Americas Action Plan objective of combatting corruption.

Analysis of the actual versus planned results of the SO 3 indicators reveals that all result targets for which data was available for 1995 relative to justice were met or exceeded with the exception of NGO strengthening which was delayed several months. The results for RTAC and EDSP are less than targeted because of budget restrictions.

### **STRATEGIC OBJECTIVE 3: Improved responsiveness of selected democratic institutions with greater citizens participation**

- (1) **Reform proposals enacted and implemented** - Reforms to the Constitution were enacted. These reforms introduced important legal concepts that were not included in the Constitution: the Ombudsman (Defensor del Pueblo), the Constitutional Court, the acknowledgement of alternative dispute resolution mechanisms outside of the formal judicial system, and procedural guaranties for individual rights. Also in this category, amendments to the Cassation Law were passed by the Ecuadorian Congress. These amendments were prepared on the basis of the results of CLD's monitoring and evaluation system.
- (2) **Justice Sector Action Plan** - The Justice Sector Working Group (JSWG) finalized the Justice Sector Action Plan which was subsequently presented to the donor community and later approved as Ecuador's official policy in judicial reform. The donors (including USAID/Ecuador, the IBRD, the IDB and the European Community, all of whom participated in the preparation and review of the Action Plan), were very receptive and impressed by the final result. The World Bank and the IDB currently are preparing significant packages of assistance to the justice sector. In particular, in mid-May 1996 a

#### **Customer/Stakeholder Input Used to Enhance Partner's Product**

*The Mission and CLD used five focus groups to assess the results of the Cassation Law which had been drafted and promoted by CLD in 1994. The groups were conducted with Supreme Court justices in Quito, with Superior Court judges in Quito and Cuenca, with lower court judges and a criminal lawyer in Cuenca, and with members of the Colegio de Abogados in Quito. All these groups may be viewed as both customers and stakeholders vis-a-vis the law. As a result of the input by these groups, the Mission learned that its customers/stakeholders viewed the law as having unintended negative consequences and when first implemented appeared to further slow the court system. Although the law's objectives were meritorious, the flaws in the law required a subsequent reform. But they also pointed out just which language of the law was responsible for the unanticipated problems, thus facilitating the task of modifying and clarifying the law so that it will accomplish its intended purpose. They also pointed out that there had been no systematic training of judges, lawyers or support staff in the proper use of the new law.*

*Once CLD had the information concerning the problems with the Cassation Law, it was able to consider steps to remedy it. After CLD finished its analysis, it made recommendations to the Commission in Congress handling the reform. Many of these comments were incorporated into the revised law, which was approved by the Ecuadorian Congress. CLD lobbied the President's advisors concerning the CLD recommendations not included, resulting in a partial veto by the President. CLD has negotiated with key deputies and foresees no problem in a final law being passed that incorporates almost all of CLD's main recommendations. The Ecuadorian Congress is expected to vote and approve the revised law, which incorporates comments from the Executive, prior to this year's Presidential Elections. After the revised Cassation Law goes into effect, the Mission and CLD will return to the field to measure the results of the modified law through interaction with its customers/stakeholders.*

GOE delegation will negotiate a US\$14.0 million IBRD loan to Ecuador for justice sector reform. The IDB assistance package to the justice sector, in the US\$2-3 million range, is still under design. Also, the governments of Spain and Great Britain have expressed their interest in directly participating in the implementation of the Action Plan. Thus, USAID's activities over the last few years have been successful in involving other donors in Ecuador's judicial reform process.

- (3) **Justice sector perceptions** - During the last quarter of 1995, CLD contracted a firm to carry out a purposive survey. The survey, totalling 108 interviews, was carried out in Quito and Guayaquil among Congressmen, politicians, judges, lawyers, directors of legal offices, journalists, representatives of NGOs, businessmen, and public employees. Among other topics, survey respondents were asked about their perceptions of justice in Ecuador. The majority of the respondents were of the opinion that justice in Ecuador is not applied evenly, but on the contrary, justice and its laws are frequently broken and violated. Many of the respondents, even stated that in Ecuador "justice" is synonymous with injustice, corruption, immorality, bureaucracy, or bribery. Another common theme was that political parties unduly influence the administration of justice because of the practice of naming justices as political appointees. A lack of professionalism, education, training, and technical skills was also noted as applying to personnel of the justice sector. This was attributed to a lack of economic support from the government. Finally, a common perception was that justice is very slow and is only given to the rich and powerful, not to the poor.
- (4) **Justice sector coordination** - Following technical assistance and analysis provided by USAID, the President issued a decree which legally created the Coordination Unit for Ecuadorian Judicial Reform. This is the first GOE entity in Ecuadorian history specifically charged with coordinating and implementing judicial reform efforts. USAID/Ecuador and the GOE have agreed to revise the current Limited Scope Grant Agreement, whose Mission has been completed, in order to allow Mission support to the recently created Coordination Unit until expected funding from other donors becomes available. This "bridge financing" is essential in preparing the groundwork for future interventions by USAID/Ecuador and other donors.
- (5) **Public confidence in the judicial system** - In mid-1995, the Ecuadorian Congress dismissed the President of the Supreme Court. His replacement, Dr. Carlos Solorzano, was largely unknown. His appointment coincided with the political scandal involving the use of so-called "fondos reservados". The "fondos reservados", officially used for purposes of internal and external security, apparently had been widely used for political purposes by the then Vice-President Dahik. The scandal grew to such proportions that rather than face indictment and trial on criminal charges, the Vice-President fled the country and subsequently was granted political asylum in Costa Rica. The "fondos reservados" scandal continues to unravel. The new President of the Supreme Court has surprised everyone with his relentless pursuit of the truth in this matter. Frequently interviewed by the press, he is blunt in expressing his determination to pursue the case wherever the truth may lead. Dr. Solorzano's dedication to bringing to justice those who improperly used or benefitted from the "fondos reservados" has greatly increased public confidence in the judiciary.
- (6) **EDSP trainees role enhancement** - Nineteen EDSP participants are in the final two months of their master's degree program in the United States. The program has been carried out according to plan, and students who have been surveyed indicated almost complete satisfaction with the experience. However, due to budget constraints the local office of the program's contractor, World Learning, Inc., was closed in August 1995. An evaluation of the impact the training has on the participants will be carried out primarily through focus groups, beginning in mid-1997.

## **INTERMEDIATE RESULT 1: Improved Operation of the Justice System**

- (1) **Judicial Reform constituency building** - CLD has continued to actively promote public understanding of, and support for, the Ecuadorian judicial reform as reflected by the number of public education and information dissemination activities carried out during the period: four books on judicial reform-related topics were published and disseminated and at least ten workshops/seminars were held on a wide variety of justice sector related topics. CLD has continued publishing its judicial reform bulletin and has completed the preparation of four new publications that center on oral proceedings, administrative law, and alternative dispute resolution mechanisms. Also, CLD is beginning to develop a magazine to promote and generate a demand for judicial reform. The magazine will be a source of income for CLD's publication center in the future. Finally, CLD has begun planning for a second public education campaign. (See sidebar "Customer/Stakeholder Input Used to Enhance Partner's Product")
- (2) **Judicial reform technical support** - CLD has been instrumental in keeping judicial reform as a top priority on the national agenda. CLD is working in close collaboration with the Supreme Court in the preparation and fine tuning of the secondary legislation needed to implement the recently approved constitutional amendments: the Organic Law of the Judicial Function and the Organic Law of the National Judicial Council. CLD is also collaborating with the Supreme Court in the revision of civil and criminal procedures to allow the introduction of oral proceedings. It is important to note that CLD's relationship with the Supreme Court has steadily become closer.
- (3) **Institutional strengthening of NGOs** - CLD has begun a process to strengthen its Board of Directors. Three commissions have been formed among board members to direct administrative, technical, and fund raising activities. Board members received specialized training in these activities during the first quarter of calendar year 1996.
- (4) **Strengthening of judges' management skills** - Through a pilot training program for judges and court personnel, CLD has designed and is implementing a training program for judges and support staff from the Judicial Function with the purpose of increasing their court management skills. CLD developed this component with the assistance of Judicial Training entities from Costa Rica and Uruguay, the most successful in Latin America. This pilot activity will be followed by additional training to increase judges' court management skills included in the soon to be approved IBRD and IDB assistance packages to the justice sector.
- (5) **Reduction in the number of cases processed by the courts** - This is also a pilot activity through which the Supreme Court and CLD are implementing a training program for judges to strengthen the judicial processes' conciliation stages with the purpose of reducing the number of cases in litigation. This activity, too, is a pilot effort and will be useful for the work that the international donors will undertake in the future.

## **INTERMEDIATE RESULT 2: Current and/or potential leaders equipped with new skills and knowledge**

- (1) **Civil-military dialogue** - With financing provided by G/DG through the "Democracy Projects", implemented by American University, a ground-breaking dialogue between civilian and military leaders on the legitimate role each plays in a democracy was initiated in early 1996. To date, two such seminars have been conducted. Locally, the seminars are held under the auspices of the Catholic University of Quito. In each of the two seminars conducted, approximately twenty-five leaders of civil society and ten senior level military officers have met for several hours on each occasion. The seminars are closed to the press. Discussions are frank and direct. The most recent topic, discussed in March 1996 was "The Role of the Military in the Economy". Each seminar has a "presenter" from the civilian and military representatives and each has been attended by a representative of the "Democracy Projects". Preceding and following each seminar, the U.S. Country Team is briefed on seminar content, the tenor of the discussions and

recommendations for any desired modifications. Seminars will continue to be held each month, except in May, through September 1996.

- (2) **EDSP Masters degree training** - Training will be completed by June 1996. Within approximately six months after the return to Ecuador of all students, focus groups will be conducted with them to ascertain the degree to which skills and knowledge acquired in the United States has resulted in better job performance and self-confidence. Assuming that funds are available, additional focus groups with selected students will be conducted one year after the students return from the U.S. The purpose of these focus groups will be to determine whether and to what extent U.S. training has resulted in professional advancement of the trainees.

**INTERMEDIATE RESULT 3: Students and professors equipped with new skills or knowledge**

- (1) **Modern textbooks at affordable prices** - Sales of textbooks for the period October 1994 to March 1996 amounted to 80,716 books, which shows that the project is fulfilling its main objective of putting modern textbooks, at affordable prices, in the hands of students and professors. Also, through the academic support component of the project, training was provided to professors at the national level, in modern teaching methodologies and techniques, with the technical assistance of the Center for Teaching Excellence of the University of Maryland, College Park.

**B. Indicator Tables - Summary of Data**

**STRATEGIC OBJECTIVE 3: Improved responsiveness of selected democratic institutions with greater citizen participation**

SO Indicator No. 1: Number of Reform proposals enacted and being implemented				
Unit: Proposals enacted or implemented		Year	--Planned--	--Actual--
Source: Official Register	Baseline	1992	1	1
Comments: Reforms to the Constitution were enacted which introduced the legal concepts of an Ombudsman (Defensor del Pueblo), the Constitutional Court, the acknowledgement of alternative dispute resolution mechanisms outside of the formal judicial system, and procedural guaranties for individual rights.  NOTE: This indicator will be incorporated into the Mission's re-defined SO 3 framework, but at the Activity Output level.		1993	1	1
		1994	2	1
		1995	2	2
		1996	0	
		1997	1	
	target	1998	1	

SO Indicator No. 2: Level of public confidence in the judicial system				
Unit: Number of respondents		Year	--Planned--	--Actual--
Source: Focus Groups with six key groups of customers: judges, lawyers, judicial sector personnel, opinion leaders, and justice sector NGOs	Baseline	1996	See previous text on p. *47* "Justice sector perceptions." The results of focus groups do not lend themselves easily to meaningful quantification of the outcome. The actual results of the focus groups will be presented in narrative form in the text of future reports. The Mission will also continue to examine other cost-effective ways to gauge changes in public confidence, e.g., piggy-backing onto other survey instruments.	
Comments: The collection of baseline data took place in the last quarter of FY95 when CLD contracted a firm to carry out a purposive survey which covered a number of topics, including perceptions of the justice sector.  NOTE: This will be retained in the Mission's re-defined SO 3 framework at the Result level.		1997		
		1998		
		1999		
	Target	2000		

SO Indicator No. 3: Percent of EDSP trainees showing more effectiveness in community, professional or institutional activity				
Unit: Percentage of respondents/year		Year	--Planned--	--Actual--
Source: Contractor quarterly reports	Baseline	1992	85%	100%
Comments: FY 94/95 participants have not been evaluated because only long-term academic participants were sent for training. They will return in August 1996.  NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.		1993	85%	100%
		1994	85%	0%
		1995	85%	0%
		Target	1996	85%

**STRATEGIC OBJECTIVE 3: Improved responsiveness of selected democratic institutions with greater citizen participation**

SO Indicator No. 4: Percent of professors using RTAC texts for classroom teaching				
Unit: Percentage of respondents		Year	--Planned--	--Actual--
Source: Yearly Survey	Baseline	1992	50%	42% (1)
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 7/93-6/94.		1993	40%	36% (2)
		1994	50%	50% (3)
		1995	60%	60%
NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.	Target	1996	70%	

**SO 3 - INTERMEDIATE RESULT 1: Improved Operation of Justice System**

IR 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	1993	2	2
Comments: Draft laws presented include the Arbitration Law and the amendments to the Cassation Law.		1994	2	2
		1995	2	2
NOTE: This indicator will be incorporated into the Mission's re-defined SO 3 framework, but at the Activity Output level.	Target	1996	1	1

IR 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		Year	--Planned--	--Actual--
Source: NGO quarterly reports	Baseline	1993	3	3
Comments: The accomplished activities include the publishing and dissemination of 4 books: the accusatory system in penal procedures, two books on administrative law, and one on oral proceeding. Also included are 10 seminars on different subjects related to judicial reform.		1994	3	4
		1995	5	14
NOTE: This will be retained in the Mission's re-defined SO 3 framework, but at the activity output level.				

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**SO 3 - INTERMEDIATE RESULT 1: Improved Operation of Justice System**

IR Indicator No. 1.3: Number of institutional strengthening actions established in CLD which promote project activities.				
Unit: Number of activities		Year	--Planned--	--Actual--
Source: NGO quarterly reports	Baseline	1993	7	7
Comments: Training activities for Board members were delayed and will be implemented in the last quarter of 1996.		1994	3	2
		1995	1	0
	Target	1996	0	.
NOTE: This will be retained in the Mission's re-defined SO 3 framework, but at the activity output level.				

**SO 3 - INTERMEDIATE RESULT 2: Current and/or Potential leaders equipped with new skills and knowledge**

IR 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; rather planned levels should be used for comparison purposes.  The number of participants trained in FY94/95 is less than planned because targets were lowered as a result of budget reductions.		1993	64	65
		1994	76	20
		1995	50	0
	Target	1996	0	
NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.				

IR 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; rather planned levels should be used for comparison purposes.		1993	64	65
		1994	76	20
		1995	50	0
	Target	1996	0	
NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.				

**SO 3 - INTERMEDIATE RESULT 2: Current and/or Potential leaders equipped with new skills and knowledge**

IR Indicator No. 2.3.: Percent of EDSP trainees learning new skills				
Unit: Percentage of trainees		Year	--Planned--	--Actual--
Source: Contractor quarterly reports	Baseline	1992	85%	100%
Comments: FY94/95 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.  NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.		1993	85%	100%
		1994	85%	0
		1995	85%	0
	Target	1996	85%	

IR Indicator No. 2.4.: Percent of EDSP trainees applying new skills				
Unit: Percentage of respondents		Year	--Planned--	--Actual--
Source: Contractor quarterly reports	Baseline	1992	85%	100%
Comments: FY 94/95 participants have not been evaluated because only long-term academic participants were sent for training and they have not returned yet. They will return in August, 1996.  This indicator will not be evaluated on cumulative basis, but on a yearly basis.  NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.		1993	85%	100%
		1994	85%	0
		1995	85%	0
	Target	1996	85%	

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**SO 3 - INTERMEDIATE RESULT 3: Students and professors equipped with new skills or knowledge**

IR Indicator 3.1.: Percent of professors adopting RTAC texts				
Unit: Percentage of professors		Year	--Planned--	--Actual--
Source: Annual RTAC surveys	Baseline	1992	40%	0
<p>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.</p> <p>NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.</p>		1993	50%	36.14%
		1994	60%	50 %
		1995	70%	60%
	Target	1996	80%	

IR Indicator No. 3.2.: Number of RTAC texts purchased				
Unit: Number of RTAC texts		Year	--Planned--	--Actual--
Source: RTAC Management Information Systems	Baseline	1992	70,000	20,709
<p>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.</p> <p>• YEAR 1995: period 10/1/94 to 3/30/96</p> <p>NOTE: This will not be retained in the Mission's re-defined SO 3 framework as the activity will be completed by the end of FY 96.</p>		1993	32,000	30,326
		1994	47,000	39,270
		1995	55,000	80,716 *
	Target	1996	56,000	

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### C. Expected Progress in FY97 and FY98

The expected results identified below should be viewed from the context of the SO 3 Results Framework presented in Section III.

#### Expectations for SO 3

- (1) During the first year of implementation of the Mission's new activities which comprise the "ROL/Democracy Support" Results Package, a coalition of NGOs dedicated to increasing access to the justice sector for disadvantaged groups will be formed and a plan to achieve increased access will be devised and initiated. As the NGOs gain more experience and the plan is implemented, measurable results in securing greater access to the justice system will be achieved. In addition, the Mission expects that by the end of the first year of implementation of the ROL/Democracy Support activities, Transparency International and the GOE's Office of the Controller General will have prepared and begun implementing an anti-corruption plan. In addition, the Mission expects that technical assistance in modern methods of fraud detection will have been provided to a broad group of GOE officials in the OCG and key ministries of the GOE.

#### RESULT A: The effective and fair application of the rule of law for all citizens

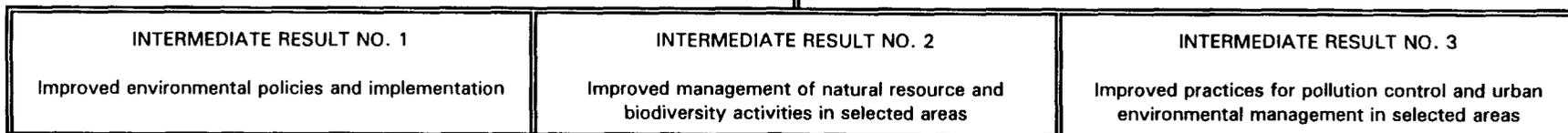
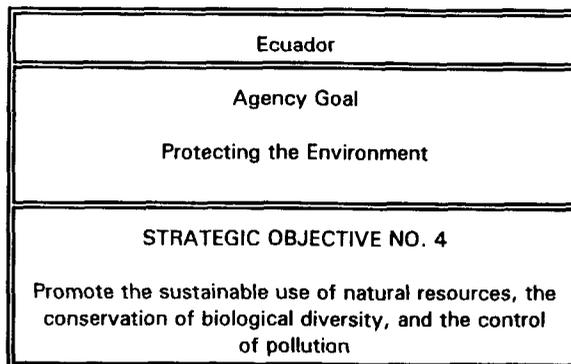
- (1) **Anti-violence laws** - Within the first year of implementation, with USAID/Ecuador assistance, five leading NGOs dedicated to increasing women's roles in promoting reforms in the justice system will have formed a coalition and, in cooperation with five regional "comisarias" and the GOE's Direccion Nacional de la Mujer (DINAMU), will be disseminating and promoting the implementation of Gender/Family Anti-Violence Laws throughout the nation. Other NGOs will be providing vital information and legal services to selected indigenous communities, focusing on Ecuador's Oriente region. As a group, NGOs devoted to increasing access to the justice system for women, minors and indigenous people are expected to increasingly exercise greater influence over lawmakers and the judiciary.
- (2) **Reform proposals enacted and implemented** - The new Organic Law for the National Judicial Council and the amendments to the Organic Law of the Judicial Function will be passed by the Ecuadorian Congress.
- (3) **Criminal code and civil code** - During the remainder of FY 1996 and FY 1997, CLD will continue working closely with the Supreme Court in preparing and vetting revisions to the Criminal Code and the Civil Code. The most critical part of these efforts is the advocacy/coalition building that will be necessary both within the Supreme Court and in Congress. Full discussions with key members in both bodies are required. Such discussions are necessary not only to secure approval, but also to ensure that enactment of the proposed codes do not yield any unforeseen negative results.
- (4) **Increased access** - As with many countries throughout the region, Ecuador has a plethora of laws on the books which theoretically ensure access to the justice system for all citizens. In practice, however, it is clear that such access is denied to large segments of the population. In particular, poor women and indigenous people do not enjoy the same degree of access as do many other citizens. USAID/Ecuador's new program in ROL/Democracy support seeks to help change this situation by providing assistance to NGOs dedicated to and experienced in increasing access for women, minors and indigenous people. The programs which these NGOs will carry out include dissemination and implementation of the recently enacted "Law Against Violence in the Family", legal services to traditionally disadvantaged groups (indigenous, women and minors), and development and implementation of extra-judicial alternative dispute resolution mechanisms.

- (5) **Prisoner database** - CLD's pioneering work in developing the "Prisoners in Preventive Detention Database" will continue in FY 1996/97. Significant progress has been made in devising the database and it has attracted interest from the Country Team and from other countries in the LAC region. CLD has a proposal pending with NAS to utilize a portion of the next generation of asset sharing funds to finance some of the costs of refinement of the database and its expansion to lower courts. USAID/Ecuador will continue financing some of these costs.

## **RESULT B: More transparent government institutions**

- (1) **Fraud detection** - The GOE's Office of the Controller General (OCG) is the government entity officially charged with identifying corruption within the government. However, the OCG lacks training in modern methods of fraud detection. Under the Regional Financial Management Improvement Project III, USAID/Ecuador and Casals & Co. have scheduled for late May 1996 a five day seminar for staff of the Office of the Controller General (OCG) on modern methods of fraud detection. Spanish speaking certified fraud examiners will conduct the seminar.
- (2) **Anti-corruption plan** - In addition, the OCG has no anti-corruption plan in place. Presently, the only private sector entity in Ecuador dedicated exclusively to combatting anti-corruption is Transparency International (TI). TI is known and respected internationally as a highly competent organization with sound experience throughout the world in anti-corruption activities. In several national surveys conducted in 1995 in Ecuador, a majority of respondents identified corruption as the nation's number one problem. Thus, one of the five components in the Mission's proposed SO 3 Results Framework is "anti-corruption". In late FY 1996, USAID/Ecuador will enter into an agreement with the local chapter of Transparency International (TI) to provide technical assistance to the GOE's Office of the Controller General (OCG) for the preparation and implementation of a government-wide anti-corruption plan. Results, in terms of the identification and prosecution of cases of official corruption, are expected in late FY 1997.

**STRATEGIC OBJECTIVE 4**  
**Strategic Objective Program Tree**



Projects (Number\Title)	Projects (Number\Title)	Projects (Number\Title)
518-0069 Sust. Uses Bio.Resources	518-0069 Sust. Uses Bio.Resources	518-0117 Env.Ed/Tech Trans. (Oikos)
518-0117 Env.Ed/Tech Transfer (Oikos)	518-0107 Bio.Resources-Galápagos	518-0076 Shelter Sector TA
518-0076 Shelter Sector TA	518-0117 Env. Ed/Tech Transfer (Oikos)	518-0118 Training for Development
518-0123 Env.Supp.Program (new start FY97)	518-0123 Env. Supp.Program (new start FY97)	518-0123 Env.Supp.Program (new start FY97)
	PL480 TITLE II-CARE/FISE/NGO Supp	PL480 TITLE II-CARE/FISE/NGO Supp
* 936-5517 Env. Action Plan (WRI)	* 936-5517 Env. Action Plan (WRI)	* 936-5559 Env.Poll.Prev. (EP3)
* 936-5839 Env.Ed.Comm.(GREENCOM)	* 936-0782 Parks in Peril	* 936-5544 US-Israel Coop. Rsch.
* 936-5559 Env.Poll.Prev.(EP3)	* 598-0605 Env.Mgt. Systems	* 936-4196 Integ. Pest Mgmt. CRSP
* 936-4215 LAC TECH	* 936-5453 Access	* 936-5839 Env.Ed.Comm.(GREENCOM)
* 936-4201 Ag.Pol.Anal.(APAP III)	* 936-4198 SANREM CRSP	* 940-4040 Inst.for Contemp.Stud.

## A. Analysis of the Data - Progress to Date

This SO is directly linked to Agency Goal 4 "Environment managed for long-term sustainability" and supports three of the Agency Objectives under this Goal: "Biological diversity conserved"; "Sustainable urbanization promoted and pollution reduced"; and "Sustainable natural resource management." This SO directly supports the U.S. Mission Program Plan goal of promoting sound environmental policies and sustainable use of natural resources.

Activities under this SO support the following area in the Summit of the Americas Action Plan: Creation of "Partnerships for Pollution Prevention."

Analysis of the actual versus planned results of the SO 4 indicators reveals that all sixteen intermediate result targets for 1995 were met or exceeded, except for the drafting of the Oil Clean-Up Trust Fund legal framework.

### STRATEGIC OBJECTIVE 4: Promote the sustainable use of natural resources, the conservation of biological diversity, and the control of pollution

(1) **National Environmental Action Plan (NEAP)** - The USAID/Ecuador-funded Presidential Environmental Advisory Commission (CAAM) provided leadership for the completion of Ecuador's first environmental action plan, following eighteen intensive months of analyses, consultations, reviews, and achieving consensus across every sector, sub-sector, ministry, the armed forces, NGO, PVO, municipal, and private sector group. The NEAP provides a national environmental blueprint, defining the environmental problems, concerns, and agreed-upon, required actions to be undertaken by each and every "player", in lieu of establishing a national environmental protection agency. The Mission's re-defined SO 4 results framework will continue to support the adoption of selected NEAP policies and practices.

(2) **Change in abundance and distribution of species in Galapagos** - The Charles Darwin Foundation and their research station in the Galapagos Islands have now completed all of the programmed research studies, surveys, reports, scientific publications and training programs. The research studies, which covered over 99 percent of the total area of the Galapagos archipelago, revealed that the endemic species of 24 islands are threatened by introduced plants and those of 50 islands are threatened by introduced vertebrates. Recent surveys, when compared with those of expeditions during the last centuries (now electronically catalogued in a 7000 entry bibliography), demonstrate shocking declines in the populations of many species previously thought to be stable. The analyses were essential to the finalization of this GOE five-year, \$5.0 million quarantine program, which was fully vetted by Galapagos residents.

(3) **Impact monitoring in Cotacachi-Cayapas Ecological Reserve (RECC)** - In and around the 2050 km<sup>2</sup> RECC, three methodologies for ecological impact monitoring have been developed, and 24

#### *"Green" Flowers*

*Ecuador's export flower industry has grown 38 percent in only 4 years, now accounting for over US\$54.5 million of foreign exchange. The capital and labor intensive industry has reinvigorated highland community economies, while bringing new concerns regarding improved pesticide management, especially the health impacts upon the mostly young, female work force.*

*In 1993, USAID/Ecuador targeted improved pesticide management as a high priority and began to aggressively support activities among Ecuadorian partners to address this issue. As a result, more than 120 large firms and 150 small producers introduced exposure-reducing practices among their 5000 employees, instituted regular blood testing to monitor pesticide levels, began to intensively protect pregnant workers, and launched experiments to develop pesticide-free production technologies.*

*The firms' investments have borne impressive results. Among the most noteworthy is the perfection of a pesticide-free production system for gypsophyllum (Angels Breath), one of the largest exports, which will enable larger export firms to "contract" the production and delivery of this "green" product from much smaller, less capital and labor intensive producers.*

community parabiologists (including four women) from three formerly conflictive ethnic groups are collecting and processing species abundance and distribution data on a monthly basis.

- (4) **Pollution prevention models** - With assistance from the Ecuadorian environmental pollution prevention component of the EDUCAR project within the Oikos Foundation, more than six industries benefitted from full environmental audits, and pollution prevention pre-assessments targeted for several additional industries were completed ahead of schedule, including food processing firms, tanneries, plastic processors, metalwork industries, and car assembly plants. The pollution prevention models have been funded by both the EDUCAR and EP3 programs. Without the EP3 program, the Oikos Foundation would not have been able to conduct any of its own independent audits. A joint review with public and private sector organizations was completed under the auspices of the CAAM to analyze the Taura Syndrome (which causes high mortality of shrimp larvae, shrimp exports being Ecuador's third largest generator of foreign exchange) and pollution prevention policies for the Guayas River Basin.

### **INTERMEDIATE RESULT 1: Improved environmental policies and implementation**

- (1) **Environmental (Natural Resources) law** - As in many other countries, Ecuadorian individual, civic and group actions to protect or better manage the environment sooner or later confront the "legal" framework of national law, wherein proposed actions and/or activities must find their basis for recourse. The newly drafted law greatly expands the basis for such recourse; but upon passage, its implementation will be highly dependent upon continued strengthening of the jurisprudence system and access to that system by ordinary citizens (e.g., para-legal training of community members.)
- (2) **National Environmental Endowment Fund** - The fund was originally conceived as an autonomously managed adjunct to the Solidarity Fund, which was established in 1992 to support social and environmental "needs", financially nourished by a percentage of the sale price of state-owned assets. Unfortunately, as the state-owned assets have been sold by GOE institutions over the last three years, few if any proceeds have been deposited to the Solidarity Fund. Therefore, the endowment was established in late 1995 as a private, non-profit entity with the same goal and purpose as originally conceived, but legally enabled and charged with obtaining funding from any source.
- (3) **Para-legals advancing community rights** - The policy and legal issues component of the SUBIR/CARE project impacts directly upon the achievement of these intermediate results.

#### *Legal Eagles at the Village Level!*

*Empowering local communities to truly exercise their constitutional rights is a tricky business.....and a daunting task for anyone so minded. In Ecuador, the constitution guarantees all citizens the right "to live in a healthy environment." But without legally defined rights to their property, indigenous villagers remain essentially powerless to establish resource management plans for their ancestral lands or to conserve their way of life.*

*Through the auspices of the Quito Lawyers Guild and the SUBIR project, fourteen young villagers were trained in the basic laws which influence community life in order to analyze and act upon the legal principles related to the environment, land rights and community organizations. Since their graduation, the first group of "paralegals" have facilitated arbitration to legalize seven community organizations, obtain legal jurisdiction for five indigenous and Afro-Ecuadorian communities over their ancestral lands, and successfully negotiate legal recognition of their community's handicraft and ecotourism micro-enterprises.*

*In an eloquent and moving testimony at the second graduation of seventeen additional paralegals (including six women) in December, one of the first group's villagers said "When I went out into our lands to negotiate the Chachi area limits, to try to determine what actually belonged to whom, it all seemed hopeless. I was very tired. But when we went back and sat down together, Blacks and Chachis, to draw the maps again and establish once and for all our land limits, based on measurements and calculations we had gathered, it was then that I realized that all the sacrifice was worth the effort."*

The second "crop" of para-legals, i.e., seventeen community-based representatives including six women, initiated their legal training program in May 1995, in coordination with the Quito Bar Association (under the model successfully developed and implemented during SUBIR's first phase). In a ground-breaking legal decision, the indigenous community's property rights to their ancestral lands (including the Chachi and the 400 year old afro-Ecuadorian communities) were recognized by the GOE in November 1995, thus paving the way for finalizing natural resource and forestry management plans in the 50,000 hectare buffer zone adjacent to the lowland portion of the RECC, the country's last remaining stand of humid tropical forest. (See sidebar "Legal Eagles at the Village Level")

- (4) **User fees for national parks** - The fee collection structure established in 1993 continues to meet or exceed targets, in spite of political events in the Galapagos which temporarily reduced tourism. However, the fees are deposited to the Treasury, which then transfers some of these funds to the National Forestry and Parks Authority (INEFAN) through the Ministry of Finance. In late 1995, the transfer of funds diminished substantially and even limited park management activities confronted budgetary constraints.
- (5) **Modern cost accounting system for water and sewage authorities approved by the Controller General** - This ground-breaking policy reform achieved in 1994 has legally (and technically) enabled all municipalities in Ecuador to begin using cost accounting systems which increase transparency and allow for cost recovery. The new accounting system is a major improvement over the old government system, which did not allow for full cost accounting and transparency, and hindered the ability of municipalities to measure and implement full cost recovery for municipal services. Implementation of the new policy, allowing cities and smaller municipalities to proceed with the provision of joint public/private solid waste services and the decentralization of potable water systems, is incorporated into the Mission's re-defined SO 4 framework.
- (6) **Financial sustainability of ecological reserves** - The Nature Conservancy (TNC) achieved agreement in principle among the Fundación Antisana, Fundación Rumicocha, and the Quito Water Authority (EMAP) to charge Quito's 250,000 bill-paying water users about US\$2.00 annually to establish a Management Fund for the 403,000 hectare Cayambe-Coca Ecological Reserve (and the 120,000 hectare Antisana Ecological Reserve). This very efficient and transparent mechanism directly linking beneficiaries (urban water users) to the cost of sustainably managing Quito's primary source of potable water along the eastern cusp of the Cordillera Central represents a major conceptual and policy reform. Following completion of the economic and financial analyses by EMAP in 1996, the project's NGO participants and EMAP will undertake the second phase of "social marketing" to ensure beneficiary stakeholding and civic oversight in managing the fund. RHUDO's achievement of the 1994 SO 4 objective with EMAP and the Controller General's office to establish modern cost accounting systems for water use paved the way for a close working relationship among Mission, project and

*"Nature never gives..."*

*Anything to anyone; everything is sold..." said Ralph Waldo Emerson. Ecuador's 200 year-old indigenous community of Oyacachi, nestled deeply within the 400,000 hectare Cayambe-Coca Ecological Reserve is intent upon making sure the extraordinary biodiversity and breathtaking scenic beauty of the Reserve are not sold cheaply. The 400 men, women and children who guard access to this Reserve have joined forces with national park officials, local NGOs and the USAID/Ecuador funded SUBIR project personnel to train community park guards, paralegals and parabiologists to clearly assert their role in sustainably managing the traditional hunting and fishing territories which now comprise the national Reserve.*

*Emerson's words may be totally unknown to the Oyacachenses, but his admonition is nothing new to these people, whose generations of ancestors carefully calculated the cost of nature's bounty. Their full participation in determining the costs and benefits of sustaining this increasingly accessible treasure is a key to USAID/Ecuador's strategic framework.*

municipal authorities, thus leading to the establishment of the Reserve Management Fund agreement.

- (7) **Alternative income generation for communities in and around ecological reserves** - The development, testing and adoption of community income-increasing models in the RECC buffer zone (to reduce pressure upon the adjoining reserve) advanced substantially during the reporting period, as the SUBIR/CARE participating communities inaugurated eco-tourism bungalows and began construction of a micro-processing plant for sisal. The lowland community corporation-managed bungalows recently celebrated their 1000th "paying" tourist; the first visitors four months ago were a group of students from Oxford, England. The community association-owned sisal pulp and hand-made paper operation (with U.S. marketing contracts firmly in place) will revive a 50 year old dying sisal industry in twelve highland buffer zone communities among 3000 rural residents, eliminate river-polluting sisal processing for rope, salvage 95 percent of the pulp formerly lost in processing, and provide be used for livestock feed and soap production among women residents.
- (8) **Verification of the adoption of sustainable resource management behaviors** - Through USAID/W's centrally funded Environmental Education and Communication (GreenCom) project, the SUBIR/CARE land use management staff completed the country's first model for selecting target behaviors in environmental programs. The model, which was based upon staff and community experience, established and field-tested measurable, observable indicators of changes in behavior among rural residents. These indicators evidence adoption and implementation of land use management/ conservation activities in the highland buffer zone of the RECC. To our knowledge, this is the first technology to identify and verify the adoption of sustainable resource management behaviors. Over the next six months, CARE will apply the model to the project's four remaining components.
- (9) **Biodiversity monitoring** - USAID/W's Center for Economic Growth assignment of \$428,000 to SANREM activities in Ecuador in May 1995 to coordinate research efforts under the CRSP and SUBIR/CARE's Phase II activities to monitor biodiversity in the lowland and highland portions of the RECC, through Ecuador's highly regarded EcoCiencia Foundation. Satellite imagery obtained by EcoCiencia of the lowland portion of the RECC has enabled SUBIR/CARE to complete the delimitation of communal lands and reserve boundaries (in conjunction with the land policy component's historic accords), and implement the area's land use management plans.
- (10) **Saving the Andean condor** - Finally, the selection of Ecuador in late August as one of four country participants in USAID/W's Conservation of Biological Diversity project, combining USAID, Peace Corps and Department of the Interior resources, has enabled several Ecuadorian NGOs to initiate a twelve month, \$99,000 program to save the Andean condor, the national symbol. The program is targeted into the highland regions of the two ecological reserves (Cotacachi-Cayapas and Cayambe-Coca) where SUBIR works.
- (11) **Tropical forests and biodiversity** - The World Bank Report citing Ecuador as containing the highest concentration of biodiversity in the hemisphere, and the country's 12 million hectares of tropical forest both justify USAID/Ecuador's concentration of environmental activities upon the improved conservation and management of natural resources. These include field demonstrations, policy analysis and consensus building in the lowland tropical rainforest, highland grassland and cloud rainforests, and the Galapagos Island's marine and terrestrial ecosystems, in coordination with appropriate GOE entities, but primarily through NGOs, PVOs and active community organizations.

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

- (1) **Adoption and implementation of plant/animal quarantine regulations to protect Galapagos Islands and completion of infrastructure and management systems for the Galapagos Marine Resources Reserve** - EIA funding was assigned to the Mission in late spring to assist the Charles Darwin Foundation in transforming the 70,000 sq<sup>2</sup> km Galapagos Marine Resource Reserve (the second largest marine park in the world) into a genuine, operational and sustainably-managed ecological reserve, while simultaneously transforming the Foundation's research station into a truly community-based, community-defended resource essential to the economic well-being of the Galapagos residents. The GOE assignment of \$200,000 to the project from PL480 funds to meet local costs, and the dedication of \$120,000 of the Foundation's own funds to the project has substantially leveraged the original EIA allocation of \$450,000. The CDF's research station in the Galapagos remained a highly visible "target" for some island residents and politicians in their efforts to publicize their allegations of economic and social abandonment by the GOE. A major component of the new USAID/Ecuador grant to the Foundation is to achieve a positive identification among all Galapagos residents with respect to the research station and Foundation.
- (2) **Local and regional water, sewer and solid waste authorities using modern financial management systems** - The objective of USAID/Ecuador-RHUDO/SA's water policy is to clarify the role of National Government in the sector and move toward a decentralized system which will operate using cost-recovery principles. Following the successful experience of working with the Quito Water Authority, in 1994, RHUDO/SA provided assistance in defining a national policy for the sector. In 1995, direct assistance was provided to municipalities in the water and sanitation sector. RHUDO/SA determined that tariffs, concessions, and organizational alternatives for water and sewerage systems should be stressed at the municipal level in order to promote the success of the decentralized system and improve the municipal provision and accountability for this service. RHUDO/SA conducted assessments of these issues in the municipalities of Salcedo, Guaranda, Quevedo, Machala and Naranjal and studied the water tariff system in Ecuador. Finally, a municipal guide was produced to assist local governments with setting tariffs. RHUDO/SA met with the Municipalities of Guayaquil, Cuenca, Ibarra, Manta, Portoviejo, Baños, Riobamba and other to specifically discuss tariffs. In addition, RHUDO/SA studied and disseminated alternative organizational models for water and sewerage systems. In July 1995, three seminars were held for over 40 municipalities throughout Ecuador and the Association of Ecuadorian Municipalities to discuss the decentralization policy, tariff setting, and management alternatives for water and sewerage systems.
- (3) **Water quality** - An EP3 US-Ties water quality pilot project began during 1995 to improve the water quality in three small communities of the Province of Manabi (Monteoscuro, La America and Hospital Rodriguez Zambrano). The project will test the feasibility of using low-cost US water purification technology in developing countries. To date, the systems have been researched and designed, and local agreements signed. The water purification systems are currently being shipped to Ecuador for installation.
- (4) **Urban environmental assessment** - RHUDO/SA has completed an assessment of urban environmental issues in Ecuador which provides leaders with strategies for action in dealing with deficient solid waste and sewage management, inadequate provision of potable water, and air and industrial pollution.
- (5) **Oil Clean-up Trust Fund** - Although some progress has been achieved (e.g., observational travel, conceptualization of fund), this intermediate objective did not achieve the 1995 target. During most of the twelve month period, one of the key "players" ( the Ministry of Mines and Petroleum and the state-owned petroleum companies) remained embroiled in the on-again, off-again process of deciding whether to build a second oil pipeline from the production fields in the Amazonian lowlands, across the Andes to an Ecuadorian Pacific port. Simultaneously, the GOE struggled

with the designation of whether oil is a "strategic national commodity", with the designation and subsequent resignation of a new Minister, and with the sudden dismissal of Petroecuador's top management under accusations of fraudulent behavior.

Nevertheless, the establishment of a producer-endowed "emergency fund" to immediately address petroleum environmental disasters, thus enabling private firms to obtain parallel commercial insurance for the same purpose, remains an important Mission intermediate result in the re-defined SO 4 framework.

- (6) **Lead-free manufacturing and marketing models** - An initial analysis of the ceramics handicraft industry has been completed and several producers have voluntarily adopted lead-free production practices. Much remains to be done, including the promotion of lead-free handicrafts among wholesalers, retailers and consumers, to enable the development of a "demand driven", financially and economically attractive alternative to lead contaminated ceramic handicrafts.
- (7) **Summit of the Americas: lead in gas** - USAID/Ecuador has collaborated closely with other U.S. government agencies, as well as GOE, Municipal and private sector representatives, to phase out lead in gasoline. The Municipality of Quito, for example, has already banned the use of leaded gasoline within the city limits. Although this decision remains to be fully implemented, at least political will to phase out lead has been expressed in the form of new regulations. PetroEcuador, the government owned oil production company, has announced it will increase production of unleaded gasoline as well as import high octane gasoline (that does not require lead or aromatic additives). These measures have increased public awareness of the catastrophic health consequences of burning leaded gasoline, although it has heightened concern regarding the increased potential emissions of aromatics and their by-product, increased levels of ozone.

*Get the lead out! (Part 2)*

*Last year we reported on Mission funded activities through the Oikos Foundation to develop lead-free market incentives for the ceramics handicraft cottage industries among indigenous villagers in the central highlands.*

*But there remains a dearth of information among most citizens regarding this danger. Public awareness seems to ebb and flow.....Egyptian descriptions of lead poisoning 3000 years ago were apparently lost upon the Romans, and even Sir John Franklin's entire Canadian polar expedition was lost in 1847 to lead solder contaminated canned foods. With the advent of the automobile age in the 1920's, we added lead to gasoline to improve its combustion.*

*To increase the flow and reduce the ebb, Ecuadorian public awareness was recently increased through a succinct but very complete description of the incidence of lead in a multitude of products, workplaces and rural settings, in a publication funded by USAID/Ecuador produced in cooperation with the Presidential Environmental Advisory Commission (CAAM) and the Fundación Natura.*

*The pamphlet, citing extraordinarily high levels of lead concentrations among children and certain workers, and the impact upon human well-being, will hopefully serve as yet another "wake-up" call to support measures undertaken by municipal authorities and enlightened industrial leaders to once again "get the lead out".*

B. Indicator Tables - Summary of Data

**STRATEGIC OBJECTIVE 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: Process indicator - Status of Plan		Year	--Planned--	--Actual--
Source: Mission monitoring through CAAM Grant	Baseline	1993	Draft	Draft
<p>Comments: Completion refers to preparation of final version; approval to National Environmental Congress ratification; publication to official registry publication; implementation to action upon recommendations (but see note below). Percentages refer to the percentages of Plan recommendations implemented; planned units are cumulative.</p> <p>NOTE: Implementation of selected NEAP actions have been subsumed into the Mission's re-defined SO 4 Framework, and will be monitored/reported upon from 1996 through 2001 at the SO level.</p>		1994	Completion	Completion
		1995	Approval, publication, & implementation	Approval, publication, & implementation
		1996	50%	
	Target	1997	90%	

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: SUBIR and Charles Darwin Foundation Projects	Baseline	1994	Study completed	Study completed
<p>Comments: Botanical inventories established around Yasuni, in Sinangue (Cayambe-Coca), two in San Miguel and one in Playa de Oro areas (Cotacachi-Cayapas). Data collected and analyzed in 1993. Zoological inventories: mammal, bird, reptile and amphibian inventories completed in Playa de Oro and San Miguel areas. Subset of indicator species sampled during 1995 to provide basis for expected (planned) percentage increases; it is assumed that a 25% increase could be achieved by the year 2000.</p> <p>NOTE: This indicator will not be included in the Mission's re-defined SO 4 framework, however monitoring of species (based upon these completed baseline inventories by local NGOs/PVOs for insertion into INEFAN data bank) will continue if GOE funding is forthcoming.</p>		1995	Monitoring on sub-set of indicator species completed	Completed
	Target	2000	See Note	See Note

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	Baseline	1994	0	1
<p>Comments: Models being implemented by different types of industries; planned indicators are cumulative.</p> <p>NOTE: This too-broadly defined indicator will be included in the Mission's re-defined SO 4 framework in a more concise definition as "Number of private sector entities with cleaner industrial processes" as an indicator at the Intermediate Result level.</p>		1995	3	4
	Target	2000	15	See Note

**SO 4 - INTERMEDIATE RESULT 1: Improved environmental policies and implementation**

IR Indicator No. 1.1: Completion, approval, publication and implementation of Natural Resources (Environmental) Law				
Unit: Process indicator - Status of Law		Year	--Planned--	--Actual--
Source: Mission monitoring through CAAM Grant	Baseline	1995	Draft	Draft and Completion
<p>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.</p> <p>NOTE: This indicator will be retained in Mission's re-defined SO 4 framework at the Intermediate Result level.</p>		1996	Completion	
		1997	Approval and publication	
		1998	Implementation	
		1999	50%	
	Target	2000	75%	

IR Indicator No. 1.2: Establishment of national Environmental Endowment Fund				
Unit: Process Indicator - Status of Fund and percent of target fund endowed		Year	--Planned--	--Actual--
Source: Mission monitoring through CAAM Grant and Fundación Natura	Baseline	1995	Drafted	Drafted, Approved and Published
<p>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.</p> <p>NOTE: This indicator will be retained in Mission's re-defined SO 4 framework, but at the Intermediate Result level.</p>		1996	Approved	
		1997	25%	
		1998	50%	
		1999	75%	
	Target	2000	90%	

IR Indicator No. 1.3: Fees collected from users of national parks and dedicated to park management				
Unit: US \$ 000		Year	--Planned--	--Actual--
Source: National Institute of Forests and Natural Areas (INEFAN)	Baseline	1992	\$500	\$500
<p>Comments: Planned targets for 1997-2000 will be based upon tourism projection analysis.</p> <p>NOTE: This indicator will be retained in Mission's re-defined SO 4 framework. However, the multi-dimensional aspect (between collection AND dedication) will be corrected in the re-defined SO 4 framework.</p>		1993	\$2,000	\$2,300
		1994	\$2,400	\$2,190
		1995	\$3,000	\$3,200
		1996	\$3,500	
	Target	2000	\$5,000	

**SO 4 - INTERMEDIATE RESULT 1: Improved environmental policies and implementation**

IR 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	Baseline	1994	1	1
Comments: Cost accounting system was approved by Controller General and is expected to be adopted by different cities of Ecuador (see IR Indicator 3.1 below).	Target	1995	1	1
	NOTE: This one-time event indicator will not be retained in the Mission's re-defined SO 4 framework.			

**SO 4 - INTERMEDIATE RESULT 2: Improved management of natural resource and biodiversity activities in selected areas**

IR 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	Baseline	1992	0	0
Comments: Indicator is the number of communities adopting each model, summed across models. For 1995-97, the indicator was defined upon the final structure of SUBIR Phase II as "Community organizations (including secondary level organizations) with officially/legally recognized agreements to help manage natural resources within zone of influence and with economic, financial and technical resources equivalent to their task."		1993	3	3
		1994	16	17
	Target	1995	13	13
NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, more precise indicators addressing adoption of (sustainable) (a) natural resource, (b) land use and (c) protected area co-management plans will be utilized.				

IR 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, the indicator was defined upon the final structure of SUBIR Phase II as "Ecuadorian NGOs with officially/legally recognized agreements to help manage natural resources within zone of influence and with economic, financial and technical resources equivalent to their task."		1994	8	47
	Target	1995	3	3
NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, more precise indicators addressing adoption of (sustainable) (a) natural resource, (b) land use and (c) protected area co-management plans will be utilized.				

**SO 4 - INTERMEDIATE RESULT 2: Improved management of natural resource and biodiversity activities in selected areas**

IR Indicator No. 2.3: Adoption and implementation of plant/animal quarantine regulations to protect Galápagos Islands				
Unit: Process indicator - Status of regulations		Year	--Planned--	--Actual--
Source: SUBIR and Charles Darwin Foundation Projects	Baseline	1995	Draft	Completion and Approval
<p>Comments: Completion refers to preparation of final version; approval to Congressional ratification; publication to official registry publication; implementation to subsequent implementation of regulatory legislation.</p> <p>Update: The regulations have been finalized, approved and form the basis for a five-year, \$5.0 million quarantine "project" to be implemented upon GOE obtaining funding.</p> <p>NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, the development, approval and implementation of a new law to protect the unique bio-diverse status of the Galapagos will be tracked, including implementation of Quarantine Project, if funded.</p>		1996	Completion, approval, and publication	
		1997	Implementation	
		1998	50%	
		1999	75%	
	Target	2000	100%	

IR Indicator No. 2.4: Completion of infrastructure and management systems for Galápagos Marine Resources Reserve				
Unit: Process indicator - Status of Reserve		Year	--Planned--	--Actual--
Source: Charles Darwin Foundation, Parks in Peril and Coral Reef Initiative Reports, The Nature Conservancy (TNC)	Baseline	1995	Draft plan	Completed
<p>Comments: Assumes Marine Reserve becomes part of TNC's PIP Program.</p> <p>NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, more precise indicators addressing adoption of (sustainable) (a) natural resource, (b) land use and (c) protected area co-management plans will be utilized, which include the Galapagos Marine Reserve. Inclusion in PIP remains an objective.</p>	Target	1996	Reserve included in PIP	

**SO 4 - INTERMEDIATE RESULT 3: Improved practices for pollution control and urban environmental management in selected areas**

IR 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, RHUDO, Municipalities and Oikos Foundation	Baseline	1994	1	1
<p>Comments: 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 were to be based upon evaluation.</p> <p>NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, the number of municipalities adopting and implementing financial management reforms and sound cost mechanisms in the provision of potable water (and sewer services) will be tracked.</p>		1995	3	3
	Target	1997	7	

IR Indicator No. 3.2: Number of cities with improved solid waste collection system				
Unit: Number of Municipalities		Year	--Planned--	--Actual--
Source: Reports from Municipalities, RHUDO, and Oikos Foundation	Baseline	1994	1	1
<p>Comments: 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 were to be based upon evaluation.</p> <p>NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, the (a) number of public/private partnerships and/or community organizations established for the provision of solid waste services and (b) the percentage increase in solid waste collection in selected municipalities will be tracked.</p>		1995	2	2
	Target	1997	3	

IR Indicator No. 3.3: Oil Disaster Clean-up Fund established				
Unit: Process indicator - Status of Fund and endowment		Year	--Planned--	--Actual--
Source: Reports from CAAM, CONADE and Ministry of Energy and Mines	Baseline	1995	Drafted	Not Drafted
<p>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.</p> <p>NOTE: This indicator will be retained in Mission's re-defined SO 4 framework, but at the Intermediate Result level.</p>		1996	Approved	
		1997	Published	
		1998	50%	
		1999	75%	
	Target	2000	100%	

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**SO 4 - INTERMEDIATE RESULT 3: Improved practices for pollution control and urban environmental management in selected areas**

IR 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	Baseline	1995	1	2
<p>Comments: Models being implemented by different types of industries; planned units are cumulative.</p> <p>NOTE: This indicator will not be retained <i>per se</i> in Mission's re-defined SO 4 framework. Instead, the result will be subsumed and the indicators monitored under re-defined intermediate results to (a) increase proper urban and industrial pollution management and (b) implement cleaner industrial operations.</p>	Target	2000	15	N.A.

### C. Expected Progress in FY 1997 and FY 1998

The expected results identified below should be viewed from the context of the SO 4 Results Framework presented in Section III.

#### Expectations for SO 4

- (1) **Implementation of National Environmental Action Plan** - The development, negotiation and final approval of the NEAP in early 1995 signaled a major change in the conceptualization and assumption of responsibility among Ecuadorian leaders, citizens and elected officials. The plan spans every sector and sub-sector, defining the primary environmental problems, their causes (legal, technical, institutional, informatic, economic and social) and defines policy options for their solution. If 50 percent of the recommendations can be implemented during FY 1997/98, Ecuador will have taken giant strides towards achieving an "environment managed for long term sustainability".

#### RESULT A: Improved conservation and management of natural resources

This result is purposively multi-dimensional to reflect a strategic paradigm which (1) divides the expected SO 4 outcome into "green" and "brown" interventions, while recognizing the differentiated concepts of conservation and sustainable management.

- (1) **Sustainable land use/natural resource management plans** - This new quantitative indicator (thousands of hectares under management plans) provides an excellent (if partial) measure of progress towards achieving the result. A complex series of actions must be completed prior to putting such plans in place (i.e., biodiversity inventories, definition of property rights, demarcation of boundaries, economic analyses, etc). By the end of 1998, 1,279,000 hectares spanning three major ecological reserves and three national parks (and their adjacent buffer zones) are targeted for land use/natural resource management plans.
- (2) **Income-generating options adopted** - A *sine-qua-non* for achieving conservation and sustainable natural resource management is to develop income alternatives for the persons who live in/around parks, reserves and protected areas. By 1998, no less than \$40,000 in profits from such options will be achieved among men and women in/around these areas (in a country where average per capita rural income is below \$580/year).
- (3) **User fees to park management** - Previously, Mission support enabled a policy reform wherein park user fees were instituted, increased, and a portion of the Galapagos fees dedicated to mainland park management/maintenance. In 1995, disbursement of the fees to INEFAN was truncated by the Ministry of Finance (initial recipient of the fees). Pressure to reform the process is underway; the new indicator measures actual disbursement of such fees to the intended purpose; it provides an excellent "proxy" indicator of government support for improved conservation and management. The target for actual disbursements is US\$3.0 million by the end of 1998.
- (4) **Environmental law** - The conservation and management of natural resources in Ecuador (at every level) is anchored upon an underlying system of laws which often thwart implementation of the very measures they were designed to achieve. A new law has been drafted to address these limitations; its passage and official publication is expected to be achieved by 1998.
- (5) **Biodiversity research** - A \$40 million IDB loan to Ecuador to strengthen scientific research (across the board) was approved in 1995, in response to widespread national concern. The most recent generation of well-trained professionals increasingly demand that policy decisions be based upon sound scientific research. During 1997, Mission resources will continue to increase the quantity,

quality, and widespread access to biodiversity research findings; and by 1998, its increased utilization in decision making.

**RESULT B: Improved management of urban environment and pollution prevention**

This result is purposively multi-dimensional to reflect a strategic paradigm which (1) divides the expected SO 4 outcome into "green" and "brown" interventions, while recognizing the differentiated concepts of strictly urban issues and those related to pollution prevention/mitigation, regardless of their location (e.g., pesticides).

- (1) **Urban services and cost recovery** - Together with RHUDO/SA, USAID/Ecuador has initiated an EP3 Sustainable Cities program in Cuenca. Solid waste is a growing problem in Cuenca. Although most of the city receives garbage collection, Cuenca currently does not have a sanitary landfill. The city has received the credit to construct a landfill; however, they have met with public opposition in the process of siting the landfill. The goal of the Cuenca Sustainable Cities program will be to design and implement a community-based solid waste plan that will serve as a mechanism for increased community participation in local government decision-making.

In order to improve the provision of urban environmental services, RHUDO/SA is in the process of identifying five municipalities to assist with the provision and coverage of potable water, emphasizing cost recovery principles. In addition, RHUDO/SA, working with the Peace Corps, is providing technical assistance to the community of Cumanda for the establishment of sewage treatment ponds, the first of its kind in Ecuador and a model of appropriate technology for other municipalities.

- (2) **Models of pollution prevention adopted** - Through the EP3 program, USAID/Ecuador and RHUDO/SA will continue providing assistance to municipalities through a local NGO, the Oikos Foundation, to control and mitigate industrial pollution. This program will conclude in FY97 and is on target for meeting all of its objectives. Full pollution prevention diagnostic assessments will be performed for various industries and will be complemented by the information clearing house which has been established in the Oikos Foundation.

The core SO 4 Team and local Team partners expect the projected results to be achieved on schedule and within the projected levels of resource availability. These expectations need to be confirmed with the Team's virtual members and USAID/W partners.

### **III. STATUS OF THE MANAGEMENT CONTRACT**

## A. Strategic Objective Changes or Refinements

The most exciting development involved the number of truly participatory teams that have been formed in order to usher in the era of reengineering. USAID/Ecuador has been in the vanguard of Agency efforts to plan strategically and to use a results-oriented approach to management. The framework of SO teams has been used to structure management reviews of the portfolio since 1991. However, the project structure tended to encourage continuing fragmentation of staff efforts during implementation. The efforts to define results and to focus the Mission's portfolio has encouraged the lively and productive participation of SO Team members across the board; the collaboration and supportive work relationships engendered by this exercise (the process) will undoubtedly have positive repercussions long after the results frameworks have been defined (the product). There is a palpable, enhanced sense of participation and commitment in the new reengineering teams.

Progress in planning for reengineering was initially covered in last Fall's TR2 Report. In summary, that piece laid out the steps the Mission had taken in from a mini-retreat for American and key FSN staff; presentation of USAID/W's reengineering videos; the establishment of a Reengineering Steering Team (RST), chaired by the Mission's Assistant Director; the formation of RST Working Groups (Communications, Computer, New Procedures, Results Focus, and Values); the completion of staff training on Windows; the purchase and installation of additional computer equipment; a second Mission-wide workshop to provide additional detail with respect to the new operating systems; TOT training in USAID/W.

### *Reengineered Teamwork Motivates Staff and Increases Efficiency*

*"In my opinion, to be involved in this SO I since the beginning was very positive. First, I started to know how this SO I was structured.... It was as if I began to "get along with the project". Second, the clearance process has become much easier because I now know what kind of information needs to be cleared. It was not as before when it seemed I was just clearing a bunch of papers. In those cases, I had to read and re-read the information to be cleared in order to get a picture of how the action should be handled. The point is, understanding the SO heightens the motivation at this stage of processing and it becomes much easier to complete the job quickly. In conclusion, to be involved since the starting point in the whole SO, not only in the financial management part, is very good and motivates the people that are working on this SO." (USAID/Ecuador Accountant and SO 1 Core Team Member)*

Since that report, the Mission has followed-up on the TOT training by undertaking four half-day power-point presentations which reached all Mission staff on the topics of the core values, planning, achieving, PM&E, and the NMS. In March, the Mission completed a final series of Mission-wide workshops and SO-based retreats, facilitated by a team provided by MSI. The objective was to incorporate the core values into Mission operations and to consolidate the results of the training undertaken to date.

Over the last six months, the individual SO teams have initiated the process of transforming the Mission project portfolio into a result package portfolio. The transformation of strategic objective trees began with each SO Team identifying the critical results necessary to achieve the SO through USAID/Ecuador assistance and other development partners. Input into the results frameworks was also obtained from partners, as well as virtual team members in USAID/Washington and La Paz. Each team analyzed the cause-and-effect linkages in the strategy. This was followed by the SO Team establishing an SO results framework which provided sufficient information in order that the framework: (a) illustrates adequately the development hypothesis (or cause and effect linkages) represented in the strategy and thereby assists in communicating the underlying premise of the strategy, and (b) is useful as a management tool and therefore focuses on the key results which must be measured to indicate progress. The teams also identified and examined the critical assumptions underlying each SO.

Each team has also examined the indicators to ensure that they truly reflect achievement of the SO results framework and where necessary to propose indicators which are expected to easily demonstrate

progress towards and/or achievement of SO results. Recognition that accomplishment of results depends on the completion of a multitude of steps, which constitute the "process" of development. Reengineering will change many of the terms, but it will not eliminate many of the process-type activities, such as policy dialogue, that ultimately lead to major people-level results. Now, however, such processes as drafting, promoting, and passing a law will be tracked as lower level results (i.e., activity outputs).

Taking advantage of a TDY by the LAC Bureau Gender/WID Advisor, each SO was reviewed to determine appropriate options for monitoring gender participation. The purpose was to ensure that the relevance of gender was assessed for all activities, particularly those focusing on policy reform and institutional development and that any gender differentiated impacts were reported. The SO team representatives identified sex-disaggregated data relevant to SO achievement, focusing on impact rather than only inputs/outputs.

As a result of the formulation of the Results Frameworks for each SO, the logical grouping of the results (and at a lower level the activity outputs) resulted naturally in the formation of Results Packages. Each SO Team has also completed a Customer Service Plan (CSP) and a Performance Monitoring Plan. Given that in many cases the customers can be associated with a specific results package, CSPs have been developed at the RP level; these are consolidated to form the SO CSP, thereby accommodating any coordination among customer contacts that may be required. These plans identify the particular customers, the actions that will be taken to ensure regular customer input and feedback, and the teams principles.

The Mission has taken some additional steps with respect to empowerment. The Working Group has reviewed the ADS, the cabled guidance to the CELs on delegations of authority, analysis provided by USAID legal advisors, and "reengineered" Mission Orders from other USAIDs. A draft revision of the delegations of authority within the Mission has been prepared and is being reviewed by the Working Group for presentation to the Director. Clarifications and key concepts resulting from the March retreat have to be discussed and incorporated into the document.

With so much substantive change behind us, the Mission is actively looking forward to the time-saving promise of the New Management System. The Mission has sent six staff, representing a cross-section of Mission interests (financial management, contracting, technical, and program) to the TOT for the NMS. Training of all staff on the NMS will have been completed by the end of May and the Mission will be poised to launch its full-scale use of the new software.

## Strategic Objective 1 - Results Framework

**SO 1: Increase Sustainable Economic Growth for a Broad Base of the Population**  
**T/F: FY 2002**  
**Partners: USAID, FE, INCAE, CONAM, WB, IDB, Ecuadorian Congress, ENLACE, Accion, Unibanco, FED, SOLIDARIA, FUNO, MIDUVI, AF, FISE, CARE, PC**  
**Indicators: Real growth in GDP per capita, World Bank statistics (LSMS) showing reduction in poverty**

**Result A. Increased competitiveness of the economy**  
**T/F: FY 2002**  
**WB, IDB, USAID, FE, INCAE, Ecuadorian Congress, CONAM**  
**Indicators: Increase in the ratio of non-traditional export to GDP**

**Result B. Expanded opportunities and participation by low-income groups in a growing market economy**  
**T/F: FY 1999**  
**USAID, ENLACE, Accion, Unibanco, PC, FED, SOLIDARIA, FUNO, MIDUVI, AF, IDB, FISE, CARE**  
**Indicators: Percentage increase in employment in selected micro and small enterprises compared with percentage increase in employment**

**A.1. More efficient investment in people**  
**T/F: FY 2002**  
**USAID, FE, INCAE, CEPAR, NGOs, MOE, MOH, MOSW, WE, IDB**  
**Indicators: Primary education repetition rates. Percent of labor force covered by Social Security**

**A.2. Accession to free trade areas in the Americas**  
**T/F: FY 2000**  
**USAID, FE, MICIP, CONADE, INCAE**  
**Indicators: Process indicator-policy reform leading to accession to free trade areas in the Americas**

**A.3. Increased private sector participation in the economy**  
**T/F: FY 2000**  
**WB, IMF, FE, USAID, CONAM**  
**Indicators: Decreases in inflation rates**

**B.1. Increased access to financial services by micro-entrepreneurs with emphasis on women**  
**T/F: FY 1999**  
**USAID, Accion (Unibanco, FED, IDB, CAF, SOLIDARIA, FUNO, ENLACE, FE**  
**Indicators: Increase the total yearly volume of credit micro-entrepreneurs. Increase in the number of micro-entrepreneur borrowers. Increase in the amount of savings deposits in targeted financial institutions**

**B.2. Increased access by low-income groups to housing solutions**  
**T/F: FY 1999**  
**CFH, MIDUVI, USAID, FE**  
**Indicators: Number of "Housing Incentives" issued to low-income families. Total value of "Housing Incentives" issued**

**B.3. Increased access by the poverty level segments of society to donor financing**  
**T/F: N/A**  
**USAID, FISE, CARE, PeaceCorps**  
**Indicators: Number of final customers and intermediate customers (FISE, CARE, PC, SDAA) Number of final customers, specifically women (SDAA/PC, CARE/FISE)**

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**SO 1 Linkages to Agency Framework** - This SO is directly linked to Agency Goal 1 "Broad-based economic growth achieved" and it supports aspects of all three of the Agency Objectives under this Goal: "Strengthened markets;" "Expanded access and opportunity for the poor;" and "Basic education expanded and improved to increase human productive capacity." It also supports Agency Objectives under Agency Goal 2 "Sustainable democracies built", i.e.: "Increased development of politically active civil society;" and "More transparent and accountable government institutions." This SO directly supports the U.S. Mission Program Plan goal of promoting economic reform and growth.

Activities under Result A "increase the competitiveness of the economy" include the Agency Goal 1 program approaches of: improving policies, laws and regulations governing markets; strengthening institutions that reinforce and support competitive markets; and improving educational policy environment. Result A activities also include the Agency Goal 2 program approaches of increasing effectiveness of Civil Society Organizations (CSO) management; increasing CSO participation in policy formulation and implementation; and increasing local government participation in decision-making. Specifically, these activities should lead to more efficient investment in people and accession to Free Trade Areas in the Americas, while increasing the participation of the private sector in the economy. USAID's policy dialogue support and technical assistance are helping Ecuador to initiate social reforms (in education, social security, health, decentralization) and deepen economic reforms (such as trade liberalization, privatization, and legal and regulatory measures that strengthen micro and small enterprises).

Activities under Result B "expand opportunities and participation by low-income groups in a growing market economy" include Agency Goal 1 program approaches of expanding access to formal financial services for microentrepreneurs; expanding economic opportunities for women; and expanding economic opportunities in disadvantaged geographic areas and/or among disadvantaged groups. This is being accomplished through activities aimed at: increasing access to financial services by micro entrepreneurs; increasing access by low-income groups to housing solutions; and increasing opportunities for low-income groups to receive donor financing for productive activities and social infrastructure.

**SO 1 Development Hypothesis** - The principal focus of SO 1 is to achieve higher economic growth for a broad-base of the Ecuadorian population. USAID/Ecuador recognizes that only if and when the benefits of growth are widely and equitably shared among the different social and economic strata of the Ecuadorian population, the country will be in a position to consolidate its social, economic and democratic processes, and be an active participant in a highly competitive world, as it enters in the year 2,000. The key development hypothesis is that in order to achieve sustainable and equitable growth for the vast majority of Ecuadorians, the country must: (a) improve the internal and external competitiveness of its economy; and (b) increase the participation and benefits of low income groups in a market-based economy. Ecuador can improve its competitive position through: (1) qualitatively and quantitatively improved investments in its human resources base (social sector structural policy reform); (2) setting the stage and policy environment for Ecuador's accession to free trade areas in the Americas; and, (3) improving the environment for private foreign and domestic investments and increasing the role and participation of the private sector in the economy. Ecuador can increase participation of low-income groups in a growing and market oriented economic development process through: (1) improving the access of microentrepreneurs throughout the country, with emphasis on women, to adequate and efficient financial services; (2) providing low-income groups with access affordable housing solutions and related housing infrastructure; and, (3) attracting the attention and financing of the donor community to the social infrastructure and productive investment needs of the poor majority of Ecuador.

In line with the above, USAID/Ecuador is assisting the country to adopt and implement new social and economic reforms and modernization actions. To achieve this, Ecuador must address problems in formulating and implementing policies: social programs are not reaching the poor; the fragmented democratic process in Ecuador impedes the timely and effective formulation, issuance and implementation of policy; and economic reforms are incomplete and are holding Ecuador back from participating in the growing world economy and from more fully providing opportunities to the poor.

Microentrepreneurs represent a formidable resource which can contribute to job creation and to better the lives of poor Ecuadorians. The ultimate customers -- microentrepreneurs in rural and urban areas - through their own efforts, will be able to increase their income, create jobs for the poor and enhance their participation in Ecuador's economic and social development as a result of the technical and financial contributions which the various implementing partner NGOs and USAID/Ecuador will provide. This is expected to empower these microentrepreneurs to be both authentic customers of microfinance institutions and real participants contributing constructively and sustainably to Ecuador's socio-economic development. In line with Agency emphasis, the SO 1 microenterprise activities will concentrate on the three most critical elements that are essential to broad-based economic growth: (a) finding ways to help microenterprises to expand; (b) removing obstacles to the creation of new businesses; and, (c) facilitating the transition of microenterprises to the formal sector.

One of the most basic needs of low-income groups is access to shelter. Housing, the largest single expenditure for low-income families, also constitutes their most important asset and provides increased opportunities for income generation and improved health. The current housing deficit in Ecuador is estimated to be 1.3 million units. The SO 1 activities will promote the achievement of policy reforms that directly impact on low-income groups' access to shelter, focusing on implementation of a housing incentives system, financial sector changes increasing credit to poor families, and adoption of sound national policies.

One category of USAID/Ecuador customers are extremely low-income groups, mostly women, who have reached a degree of community-level organization. These disadvantaged groups are located in urban and rural areas of the country and have little or no access to income opportunities and social services. Through local government institutions, NGOs, Peace Corps and USAID, financing is being provided for productive activities, basic social infrastructure, and technical skills training. Benefits of these activities reach a broad population and are expected to have a multiplier effect.

#### **SO 1 Critical Assumptions**

- The GOE shall continue to place a high priority upon stabilizing the economy by: maintaining low inflation rates; appropriate real interest rates and a stable real exchange rate; and a public sector balance with emphasis on capital expenditures.
- Economic and social reform continue to be in the agenda of the Executive Branch and the Congress, and in the agenda of the international donor community.

**SO 1 Illustrative Activities** - The following activities have been identified to achieve Results A and B under this SO.

#### **RESULT A: Increased competitiveness of the economy**

In order to promote more efficient investment in people, the Mission will continue to support the attainment of specific demand driven social reforms by strengthening the advocacy and research capabilities of local NGOs. FE and CEPAR, in partnership with INCAE, are undertaking analyses and informing Ecuadorian public and private sector leaders regarding models of social sector reform. This will be coordinated with the "supply side" reforms being instituted by the World Bank and the IDB. Support for Ecuador's accession to free trade areas in the Americas consists of technical assistance in developing recommendations for the necessary regulatory reform for intellectual property rights, the labor sector, land tenancy and concessions of public services. The Mission will promote increased private sector participation in the economy with technical assistance through FE and CONAM to increase the number of public entities privatized; increase the number of concessions granted for private sector delivery of public services; increase land and tenancy security; strengthen capital markets; and to establish a sustainable housing finance system.

## **RESULT B: Expanded participation by low-income groups in a growing market economy**

In order to incorporate a broad base of the population, principally microentrepreneurs, into the formal financial system, the Mission is expanding financial services by micro-entrepreneurs with emphasis on women. Customers (women and other disadvantaged groups) as microentrepreneurs, in urban and rural areas, will have access to financial resources to improve their economic well-being and improve their quality of life for their families and communities. Activities will include the provision of technical assistance, training and related support activities involving the direct participation and investment from Ecuadorian NGO partners.

Illustrative housing solution activities include reform of the Ministry of Urban Development and Housing, refocussing its efforts from those of direct housing provider to manager of housing solutions. Reforms involve downsizing and restructuring the Ministry and the creation of a second story mortgage bank to increase the flow of capital to private housing lenders. These reforms are aimed primarily at low income groups and also seek to implement a subsidy system already approved by the GOE.

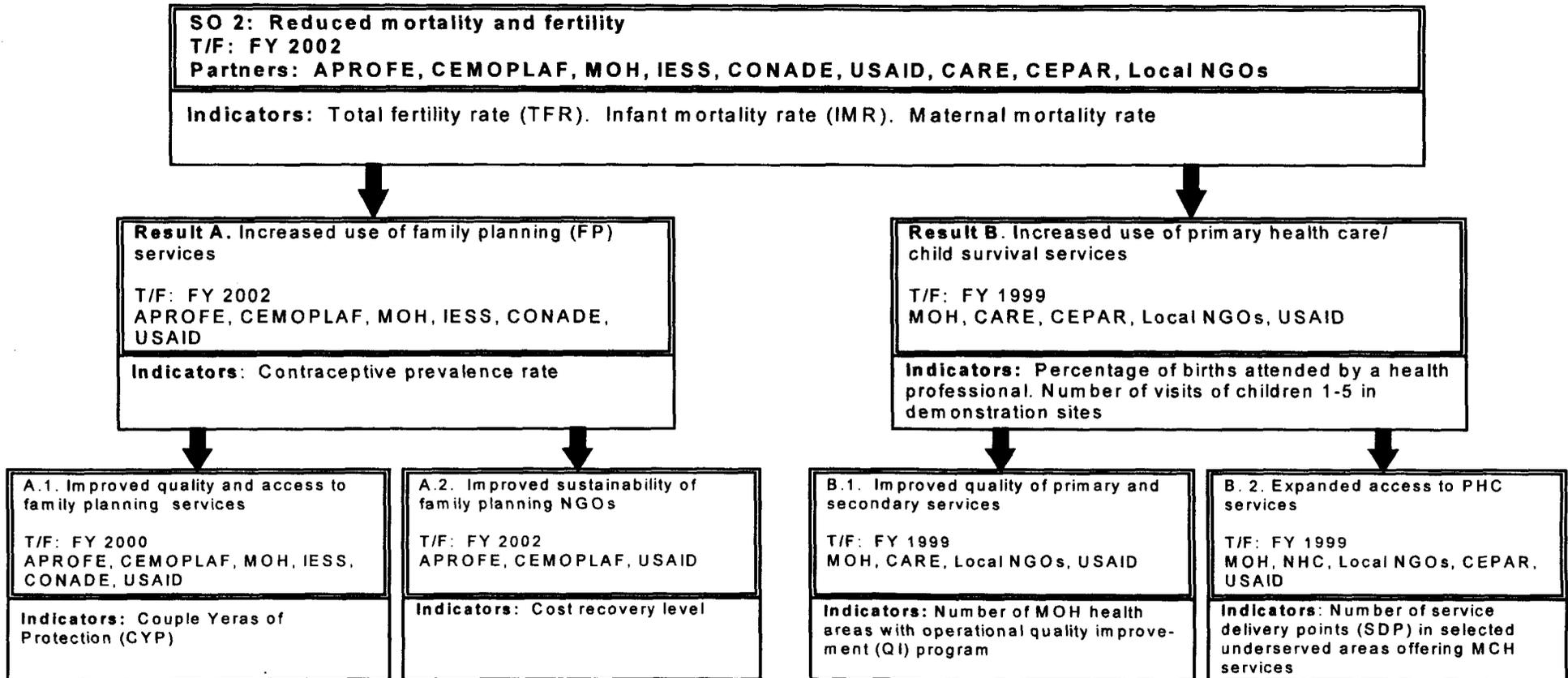
Finally, in order to increase opportunities for low-income groups to receive donor financing for productive activities and social infrastructure, the Mission will coordinate the participation of the following: (1) Ecuador's Social Emergency Investment Fund (FISE) which provides financing for basic infrastructure and some productive activities directly to communities and through selected NGOs; (2) CARE which provides financing, training and technical assistance for productive infrastructure and productive environmental activities through NGOs; (3) Peace Corps which channels USAID/Ecuador resources and provides technical assistance for basic infrastructure and productive activities directly to poor communities; and (4) Other NGOs and government institutions, e.g., municipalities and local councils, Federation of Guayaquil's suburbs\barrios, and organizations representing indigenous groups which are utilizing USAID's SDAA Program to finance income generation and technical vocational training activities.

**SO 1 Changes or Refinements** - In 1994, the Mission refocused SO 1 from an emphasis on trade expansion and economic restructuring/modernization of the state to an emphasis on poverty alleviation. This change led in late 1994/early 1995 to identifying new indicators which were presented in the FY96/97 Action Plan. However, during last year's review of the Action Plan, the LAC Bureau and the Mission agreed to reduce (and, if possible eliminate) "process-oriented" indicators at the Results level and establish quantitative indicators. Throughout the balance of 1995 and early 1996, the Mission re-engineered SO 1 by identifying results which are clearly quantitative. In conformance with LAC Bureau guidance, the SO targets social policy reform in sectors such as education, health, social security, and pensions. With significant results achieved under the SO's macroeconomic and structural adjustment initiatives in prior years, the Mission now has a foundation upon which to produce results.

The SO 1 Results Framework is a product of extensive reengineering undertaken during the past year. The statement of SO 1 and PO 2 (Result B) remain essentially unchanged. PO 1 (Result A) has been reworded to identify the result of the economic and social policy changes, i.e. "Increased efficiency and competitiveness of the economy." The SO 1 Team subsequently identified Intermediate Results (and related Activity Outputs) leading to Results A and B, along with appropriate indicators for each level of the hierarchy. Where possible, existing indicators were used for purposes of continuity. Where this was not possible, the SO 1 Team identified additional replacement indicators. In the FY96-97 Action Plan, the Mission stated that we were designing the MAS activities and reported program outcomes and indicators planned at that time. The recently approved MAS documentation modified the prior outcomes/indicators to reflect appropriate and attainable results. In accordance with the Agency's reengineering guidance, the SO 1 Team is reporting intermediate results and indicators based on close consultation with our MAS partners. Through greater income generation and job creation derived from increased microentrepreneurial activity and access to formal financial services, SO 1 Result B: "Expanded Opportunities and Participation by Low-Income Groups in a Growing Market Economy" can be achieved.

The Results Framework includes input by the SO 1 partners and virtual team members in USAID/W including staff from G/EG/MD, G/ENV/UP, and LAC/DPB/EA.

## Strategic Objective 2 - Results Framework



**SO 2 Linkages to Agency Framework** - This SO is directly linked to Agency Goal 3 "World's population stabilized and human health protected in a sustainable fashion" and it supports two of the Agency Objectives under this Goal: "Sustainable reduction in unintended pregnancies" and "Sustainable reduction in child mortality." This SO directly supports the U.S. Mission Program Plan goal of promoting economic reform and growth.

Activities under Result A "Increased use of family planning services" include the Agency Goal 3 program approaches of: transferring technology and skills to build local family planning service capacity; improving the host country environment for the acceptance, expansion and adoption of family planning services and practices; and expanding the availability, quality, and use of sustainable family planning services. Specifically, these activities should lead to increased quality, access, and sustainability of family planning services in Ecuador, through: research and training; social marketing, communications, and awareness building in order to expand service delivery of specific target sub-groups which have exhibited high levels of unmet demand or are at high health risk; and introduction of alternative approaches to increase cost recovery and financial sustainability.

Activities under Result B "Increased use of primary health care/child survival services" include the Agency Goal 3 program approaches of: transferring technology and skills to build local child health capacity; improving the host country environment for the expansion and adoption of child health services; and expanding the availability, quality, and use of child health services. In addition, activities under this SO also support improvement of maternal health services. Specifically, the SO 2 Team expects to increase the percentage of births attended by a health professional from 67 percent in 1995 to 90 percent in the year 2000.

**SO 2 Development Hypothesis** - The principal focus of SO 2 is to reduce levels of mortality and fertility. Traditionally, high rates of fertility and mortality (especially infant mortality) have had a significant negative effect on a country's ability to sustain development progress. This is especially true among the Ecuadorian 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 key development hypothesis is that in order to obtain reduced levels of mortality and fertility, the Mission must take the two-pronged approach of increasing the use of family planning services and increasing the use of primary health care/child survival services. The Mission believes that an increased use of family planning services can be achieved through two intermediate results: (1) improved quality and access to the services and (2) improved sustainability of FP NGOs. The second intermediate result doesn't by itself increase the use of FP services, but without it, the use of services would probably decline from the current level. The Mission plans to increase the use of PHC/CS services by (1) improving the quality of primary and secondary health services and (2) expanding access to these improved services.

### **SO 2 Critical Assumptions**

- Since there is no direct causality between improving sustainability and increasing use of family planning services, it is assumed that since both NGOs' primary objective is to provide FP services and to reduce the unmet demand for FP services, once the NGOs are self-reliant, they will continue working toward meeting these objectives.
- To achieve improved quality and access to PHC services it is assumed that the GOE and other major donors (especially World Bank) will continue to support politically and financially the health reform agenda.
- Infant and maternal mortality cannot practically be measured except at 5 year intervals, but it is assumed that these rates will continue to decline at steady over the next 5 years, to the projected levels in 1999 that will be verified by a national survey.

**SO 2 Illustrative Activities** - Several activities have been programmed to help achieve Results A and B.

**RESULT A: Increased use of family planning services**

To improve sustainability of family planning programs, the Mission will set up an endowment like mechanism and a contraceptive procurement revolving fund for APROFE and CEMOPLAF. For CEPAR using prior year ESF, the Mission and the MOF will also create an endowment fund. There is a contraceptive phase out planned with implementation starting in 1996. There are three activities which work towards the achievement of both intermediate results: contraceptive social marketing, operations research activities, and establishing APROFE as a regional reproductive health training center. The operations research activities focus on cost analysis which in conjunction with cost containment and pricing policy affect both sustainability and access. By turning APROFE into an "international" training center, we improve the income generation capability of APROFE and improve the quality of the services provided by other organizations in Ecuador and other countries as well.

To further improve quality and access to family planning services there will be: (1) training of MOH trainers in sterilization techniques and counselling for family planning; (2) logistic assessments and training to assure the correct amount of contraceptives at the right place at the right time throughout the network of FP services; and (3) TA to improve the quality of the Information, Education and Communication (IEC) provided by the family planning programs. Finally, in the area of policy promotion there will be an emphasis on awareness raising and consensus building, though work with local and national leaders, the press, and service providers.

**RESULT B: Increased use of primary health care/child survival services**

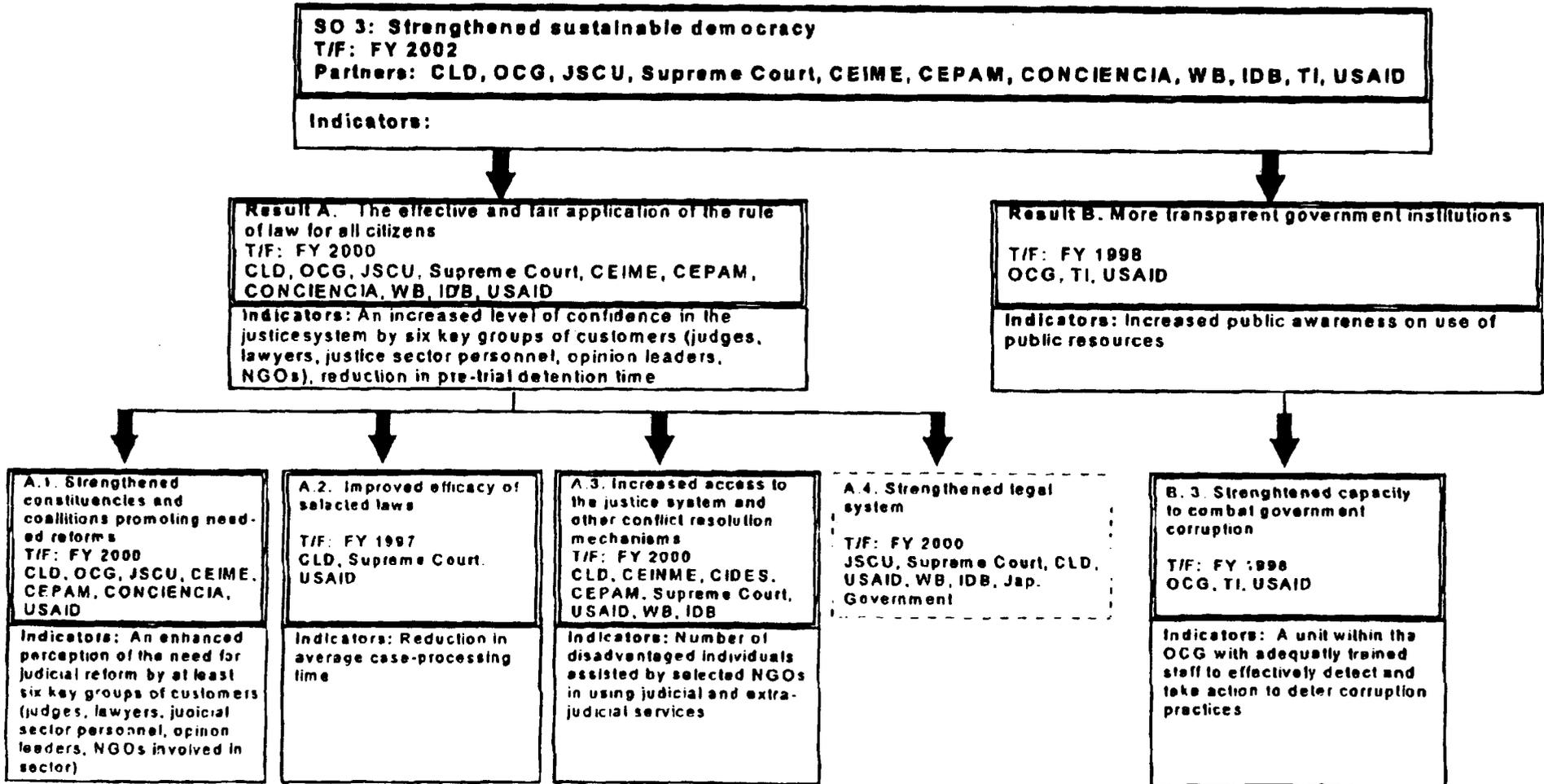
Result B, which focuses on Child Survival activities, will be accomplished through the following activities which will more effectively address the primary constraints upon improving child survival indicators in Ecuador: (1) activities with the MOH/National Health Council focusing on improving the quality of public sector health services revising the role of the MOH, rationalization and targeting of resources, and decentralization of health services; (2) strengthening the capacity and expanding the role of the private sector as an alternative to public sector services through the development and implementation of replicable demonstration projects that increase coverage, improve quality and efficiency, and develop alternative financing mechanisms; and (3) the development of an independent private sector think tank capability for policy analysis, formulation, dissemination and advocacy. Through consensus building seminars and workshops related to health reform and studies/research on various aspects of the health system, the redefined role of the MOH decentralization, etc this third component will facilitate reforms that will result in expanded access and increased use of MCH services.

**SO 2 Changes or Refinements** - The SO 2 results framework previously presented has been modified, especially to reflect comments from last year's Action Plan review and the fine tuning of our strategy. The SO itself has been simplified to read "Reduced mortality and fertility", with the same Infant Mortality and Total Fertility Rate indicators, and the addition of a maternal mortality indicator as recommended by AID/W. Two significant of the three former Program Outcomes (increased use of FP and Increased use of PHC/CS services) As recommended in the Action Plan review, Program Outcome 3 has now been divided into two (Intermediate) Results, one to deal with sustainability of FP NGOs, the other to capture the health care reform agenda that will lead to long-term sustainability in the health sector. These intermediate results, plus two additional intermediate results to measure increased quality and access to FP and PHC services, provide the basis for two related but independent Results Packages.

The other major changes in the Strategic Objective results, outputs and their respective indicators, are deletions and/or additions that incorporate recommendations from the 1995 RIG Audit of SO 2, other Action Plan review comments, field support recommendations and input from many of our partners (CARE, CEPAR, APROFE, CEMOPLAF and the MOH) who have been consulted on the framework. The changes reflect the refocusing of the CS Project in 1995 on PHC demonstration projects, policy analysis and broad health sector reform initiatives with the MOH. The Mission has thus eliminated outputs

related to water systems, diarrheal disease and cold chain equipment which we no longer support. Finally, the reader will note much greater focus on the private sector, especially NGO results, since our resources are mainly flowing to NGO activities in both health and FP. The framework was sent to the Global and LAC Bureau virtual team members for informal review; and has also received inputs from staff of various field support projects of the Global Bureau.

## Strategic Objective 3 - Results Framework



**SO 3 Linkages to Agency Framework** - This SO is directly linked to Agency Goal 2 "Sustainable democracies built" and supports two of the Agency Objectives under this Goal: "strengthened rule of law and respect for human rights" and "More transparent and accountable government institutions." This SO directly support the U.S. Mission Program Plan goal of strengthening democratic institutions. Activities under Result A "The effective and fair application of the rule of law for all citizens" include the Agency Goal 2 program approaches of: ensuring legal protection of citizens' rights and interests, particularly as they relate to women and the indigenous; enhancing fairness of the administration of justice; and improving timeliness of the administration of justice. Specifically, these activities should lead to strengthened constituencies and coalitions promoting needed judicial sector reforms; improved efficacy of selected laws; increased access to the justice system and other conflict resolution mechanisms; and a strengthened legal system. Activities under Result B "More transparent government institutions" include the Agency Goal 2 program approaches of: strengthening the mechanisms to promote ethical standards in government; and increasing civilian control over military and police forces. Specifically, these activities will strengthen the GOE capacity to combat corruption.

**SO 3 Development Hypothesis** - The underlying principle of SO 3 is that in order for the country to make viable its social and economic development potential, it must take serious and concerted steps to introduce key institutional and legal reforms to strengthen and make more transparent and sustainable the democratic process that was initiated in 1978, when Ecuador took the leadership in Latin America in abandoning the kind of dictatorial form of government that prevailed throughout the region at that time. The overriding development hypothesis is that sustainable democracy should be strengthened through two key results: (1) a more effective and fair application of the rule of law for all citizens; and (2) the implementation of a more transparent institutional make-up at the GOE level. It is clear that rule of law (ROL) and democracy are inextricably linked, much like the two sides of a coin. In a well-functioning democracy, the rule of law is a requisite. Democracy cannot function well in a system of government which has major flaws in the application of laws to its citizens, and marked weaknesses in its ability to uncover and severely sanction all forms of corruption. Such flaws inexorably lead to unfairness, inequalities, human rights abuses, overall disrespect of constitutional rights, and the misuse of scarce government development resources. Ecuador has made some progress in recent years in improving the processes and mechanisms to improve government transparency and apply its laws and improve its justice system. However, there is broad consensus among public and private institutions in Ecuador, as well as among the international donor community, that the system and the institutions that implement the legal system and that are expected to fight corruption still face major constraints that jeopardize the prospects of reaching the ultimate milestone of a democratic society that protects human rights, promotes justice, openly fights corruption, encourages participation and facilitates social development and well-being for all citizens. The key constraints are in the areas of political will to undertake judicial system reforms, structural deficiencies particularly related to erratic legislation, limited access to effective legal services by large groups of the population, particularly among the non-elite classes, and serious weaknesses in the institutions that run the judicial system. In addition, Ecuador has faced a series of corruption scandals which point to the need for developing and implementing effective anti-corruption mechanisms to promote transparency and accountability in the operations of its public institutions. The Mission believes that addressing these constraints will result in an improved administration of justice, an attack on corruption, and, subsequently, in a stronger and more sustainable democracy. Further, the development hypothesis for SO 3 is predicated on the basis that in order to achieve an effective and fair application of the rule of law the country must: (1) take firm steps to strengthen constituencies and coalitions that seek and promote needed reforms in the legal system; (2) improve the efficacy in the application of selected legal bodies; and, (3) increase the access of all citizens to the justice system and to alternative mechanisms for conflict resolution. Concomitantly, in order to obtain the desired result of more transparent GOE institutional framework, Ecuador should strengthen the capacity to combat government corruption and stop the misuse and illegal appropriation of public sector social and economic development resources.

### **SO 3 Critical Assumptions**

- Concerned GOE institutions, advocacy private sector groups and non-governmental organizations continue to recognize that reforms of Ecuador's judicial system are needed, that the processes to apply the rule of law fairly to all citizens need improvements, and they sustain their support for the reforms and improvement efforts.
- Political differences between Ecuador's many political parties will not interfere with the progress of the reform.
- The three relevant branches of government (legislative, executive, and judicial) will collaborate in carrying out the needed legal reforms and improvements in the rule of law processes, as well as the anti-corruption initiatives.

**SO 3 Illustrative Activities** - These activities will fill gaps not covered by other donors such as the World Bank and the Interamerican Development Bank (IDB), in which USAID/Ecuador has a capability and can optimize the use of its very limited resources. The key sectors in which the USAID/Ecuador participation can have a lasting impact are in the areas of constituency/coalition building and access creation. To a lesser extent, USAID/Ecuador will be involved in the areas of structural reforms and legal system institutional strengthening, areas in which the World Bank and the IDB are heavily involved.

#### **RESULT A: The effective and fair application of the rule of law for all citizens**

The Mission will undertake constituency/coalition building activities to generate the demand for reform, expand the commitment among Ecuadorians to carry out needed reforms and to mobilize the local support necessary to support the development and implementation of such reforms. Activities will also support efforts to improve the legal system, particularly by providing TA and research supporting the initiatives of the judiciary and legislature to enact and implement appropriate laws. Access creation activities will support local efforts to increase the availability of affordable legal services to low-income population groups who are denied such services when their rights are violated. Legal system (institutional) strengthening activities will be carried out in coordination with the World Bank and the IDB to modernize the overall justice sector system so that the concerned institutions are better equipped to apply the rule of law to all citizens in a fair and equitable way.

Funding for constituency building, legal reform, and increased access will be channeled through Ecuadorian NGOs. USAID/Ecuador will continue support to CLD, Ecuador's leading NGO in judicial reform. However, the Mission will establish new, important relationships with NGOs devoted to women's issues, such as implementing the new Anti-violence Law against women and children, NGOs dedicated to providing legal services and legal access to indigenous groups. Funding for strengthening the legal system will be channeled through a recently created GOE Coordinating Unit, which is charged with coordinating all international assistance to the justice system.

#### **RESULT B: More transparent government institutions**

USAID/Ecuador will support local efforts to promote transparency in the operations of public sector agencies and accountability in the use of public sector resources. This will include the dissemination of anti-corruption mechanisms through seminars and workshops. Funding will be channeled through an NGO specialized in combatting official corruption.

**SO 3 Changes or Refinements** - The Strategic Objective Team has conceived a new statement for SO 3: "Strengthened sustainable democracy". Within the context provided by this SO, the SO 3 Team identified two major results: Result A which is similar in intent to Program Outcome No. 1 and a new Result B which recognizes the Mission's work in combatting corruption. Given that the

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RTAC and CLASP activities are phasing out and will be completed during FY 1996, these (along with Program Outcomes No. 2 and No. 3) have not been incorporated into the new SO 3 results framework. Rather, for purposes of reporting, they will be handled as targets of opportunity in their final months. An analysis of the existing Strategic Objective Tree indicators for Program Outcome No. 1 revealed that the majority of them were process oriented and focused on the activity output level, and therefore new indicators have been identified for each of the Intermediate Results. The SO Team has greatly emphasized the customer focus of these results in the identification of these new indicators.

## Strategic Objective 4 - Results Framework

**SO 4: The environment managed for long-term sustainability**  
**T/F: FY 2002**  
**Partners: USAID, GOE, CAAM, INEFAN, CARE, TNC, WCS, CDF, OIKOS, FUNAN, EcoCiencia, Jatun Sacha, CECIA, Dept. of Interior, Peace Corps, EMAP-Q, GEF, MIDIVI, SSA, AME, BEDE, Plan Intl, Municipalities, Chambers of Industry, AmCham**

**Indicators: Implementation of the National Environmental Action Plan (NEAP)**

**Result A. Improved conservation and management of natural resources**  
**T/F: FY 2002**  
**CAAM, INEFAN, CARE, TNC, WCS, CDF, FUNAN, EcoCiencia, Jatun Sacha, CECIA, Dept. of Interior, Peace Corps**

**Indicators: National parks, reserves and adjacent buffer zones under sustainable land use/natural resource management plans. Community-based income (gender disaggregated) generated by sustainable income-generating options adopted in/around parks and reserves. Userfees dedicated to national park management. Environmental law implemented. Biodiversity research utilized for planning and decisions**

**Result B. Improved management of urban environment and pollution prevention**  
**T/F: FY 2001**  
**CAAM, MIDIVI, SSA, AME, BEDE, Plan Intl, Municipalities, Chambers of Industry, AmCham, SESA, MOE, PetroEcuador**

**Indicators: Number of municipalities with council-level approved tariff reforms to improve urban services cost recovery**

**A.1. Adoption of improved practices to conserve biodiversity**  
**T/F: FY 2002**  
**CAAM, INEFAN, CDF, CECIA, Dept. of Interior, PC, TNC**

**A.2. Adoption of improved practices to manage natural resources**  
**T/F: FY 2002**  
**CAAM, OIKOS, INEFAN, CARE, TNC, WCS, CDF, FUNAN, Eco-Ciencia, Jatun Sacha, EMAP-Q, GEF**

**B.1. Adoption of improved practices for municipal environmental management**  
**T/F: FY 2001**  
**MIDIVI, SSA, AME, BEDE, Plan Intl, Municipalities**

**B.2. Adoption of improved practices for prevention and control of pollution**  
**T/F: FY 2002**  
**CAAM, OIKOS, Chambers of Industries, AmCham, SESA, MOE, PetroEcuador**

**Indicators: Unique biodiverse status of the Galapagos Islands protected. Andean condor preserved and protected)**

**Indicators: Community participation in management of parks and reserves. Standard environmental impact assessment (EIA) methodology adopted. Environmental support trust fund established and endowed. Curriculum for environmental education revised and expanded**

**Indicators: Provision of joint public/privatesolid waste services increased. Municipal solid waste management improved. Management and finance of potable water systems decentralized**

**Indicators: Oil disaster clean-up fund established and endowed Improved pesticide management policies and practices. Proper urban and industrial pollution management increased. Cleaner industrial operations implemented**

**SO 4 Linkages to Agency Framework** - This SO is directly linked to Agency Goal 4 "Environment managed for long-term sustainability" and supports three of the Agency Objectives under this Goal: "Biological diversity conserved;" "Sustainable urbanization promoted and pollution reduced;" and "Sustainable natural resource management." This SO directly supports the U.S. Mission Program Plan goal of promoting sound environmental policies and sustainable use of natural resources.

Activities under Result A "Improved management of natural resources" include the Agency Goal 4 program approaches of: improving management of protected areas; promoting sustainable use of biological resources; managing forests, water resources, and coastal zones sustainability. Specifically, these activities should lead to the adoption of improved practices to conserve biodiversity and the adoption of improved practices to manage natural resources.

Activities under Result B "Improved management of selected urban environments" include the Agency Goal 4 program approaches of: increasing access to water and sanitation services; promoting improved urban management; and promoting pollution prevention and control. Specifically, these activities should lead to the adoption of improved practices for municipal environmental management and the adoption of improved practices for prevention and control of pollution.

**SO 4 Development Hypothesis** - The principal focus of SO 4 is to manage the environment for long-term sustainability. The key development hypothesis is that this can only be achieved through improved management of mutually dependent spheres of natural resources and urban environments. Incursion into parks and reserves and their buffer zones (and resultant threat to habitat which ensures biodiversity) occurs in response to perceived economic necessity. In fact, the greatest threats to biodiversity derive from demands on natural resources from colonization, logging, oil exploration and mining. People tend to protect only what they value, including natural resources and biodiversity. The greatest threats to man-made resources derive from an explosive demand upon urban and peri-urban services and infrastructure, including clean water, sewerage, garbage and waste disposal, industrial pollution, and sustainable operation of these services. The Mission recognizes that informed decisions by resource users must be based upon increased knowledge regarding economic as well as social value of resources. Local participants at the community level must have access to the formal systems to effectively and actively participate in the sustainable management of natural and built resources. Policy reforms, be they regulatory, legislative, judicial and/or instructive, must result in behavioral change among all citizens if the environment is to be managed for long-term sustainability. Therefore, the development hypothesis is that the desired improvement in environment management in Ecuador can be achieved through the adoption of improved policies and practices for: (1) the conservation of biodiversity, (2) the management of natural resources, (3) environmental management, and (4) the prevention of pollution.

#### **SO 4 Critical Assumptions**

- The GOE shall continue to place a high priority upon environmental policy reform.
- The GOE, other cognizant authorities and the citizenry continue to implement the 1995 National Environmental Action Plan.
- Cognizant GOE authorities and institutions continue to become increasingly normative rather than implementational, and continue to increasingly delegate their authorities.
- Projected levels of funding are sustained.
- The participation, cooperation, and support of NGOs, PVOs, local community, municipal and regional government authorities and supporting civilian institutions remain strong and uninhibited.

**SO 4 Illustrative Activities** - The following activities have been identified in order to achieve Results A and B.

**RESULT A: Improved conservation and management of natural resources**

USAID/Ecuador and partner resources have been programmed to support activities to achieve two intermediate results under this "green" result: adoption of improved practices to conserve biodiversity, and adoption of improved practices to manage natural resources. These activities include: Biodiversity research utilized for planning and decisions; Unique biodiverse status of the Galapagos Islands protected; Andean condor preserved and protected; National parks, reserves and adjacent buffer zones under sustainable land use/natural resource management plans; Community based income generated by sustainable income generating options adopted in/around parks and reserves ; User fees dedicated to national park management; Environmental law implemented; Community participation in management of parks and reserves; Standard environmental impact assessment methodology adopted; Environmental support trust fund established and endowed; and Curriculum for environmental education revised and expanded

**RESULT B: Improved management of urban environment and pollution prevention**

USAID/Ecuador and partner resources have been programmed to support activities to achieve two intermediate results under this "brown" result: adoption of improved practices for municipal environmental management, and adoption of improved practices for prevention and control of pollution. These activities include: Number of municipalities with council-level approved tariff reforms to improve urban services cost recovery; Provision of joint public/private solid waste services increased; Municipal solid waste management improved; Management and finance of potable water systems decentralized; Oil disaster clean-up fund established and endowed; Improved pesticide management policies and practices adopted; Proper urban and industrial pollution management increased; and Cleaner industrial operations implemented

**SO 4 Changes or Refinements** - The indicated results and corresponding indicators in Section II (above) have been slightly modified in the proposed SO 4 framework, in order to increase the clarity of the causal flow between intermediate and final results, to eliminate multi-dimensionality, to express the indicators in objectively verifiable terms, and to more clearly define the timeframe for expected achievement. These modifications need to be confirmed with the SO Team's virtual members and USAID/W partners.

The proposed SO, "The environment managed for long-term sustainability" reflects a less parochial approach than the original SO Program Tree objective, which was multi-dimensional and tied to a more restrictive administrative and project input dominated concept.

The proposed Results A and B sub-results reflect the actual and easily-perceived dichotomy between "green" and "brown" environmental activities, resources and associated results, rather than the old SO Program Tree trichotomy among policies, practices, and pollution control/urban environment outcomes, although the new framework (at the intermediate result level) recognizes the cross-cutting impact of specific policy reforms.

The proposed intermediate results represent groupings of activities which contribute to conservation of biodiversity, management of natural resources, improved municipal environmental management, and improved practices for control of pollution. Duplicative intermediate results and lower level activity outputs from the old SO Program Tree have been subsumed or eliminated, and multidimensional results and indicators have been re-designed. The old Program Tree outcomes and their indicators which provided justifiable continuity into the new framework have been retained. Although the Mission supports discrete activities and/or targets of opportunity through our local partners which address global climate change and sound energy services, there are not sufficient available resources to fully address these Agency objectives.

The indicators for the proposed results and intermediate results have been fully reviewed among core SO 4 Team members and local partners, but must yet be reviewed by extended and virtual SO Team members. Finally, some of the untested proposed indicators in the new framework must be tested to ensure they are objectively verifiable, and where possible, they must be gender disaggregated.

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## **B. Special Concerns or Issues**

**Need for close coordination between Mission and Bureau** - This has been a trying period for the Mission as it tries to anticipate the changes coming out of Washington. During these difficult budget times, it is particularly important that programming decisions be taken in as collaborative a manner as possible. Although the Mission may not agree with the final decisions, if it has participated in the discussions leading up to that decision, then it is in a better position to understand the basis for the decision, to explain it to our partners, and to implement it.

**Strategic Planning** - Following review and approval of the FY96-98 R4, the Mission will begin to move into the preparation of the USAID/Ecuador Strategic Plan for the period FY 1998-2002 during the Fall of 1996. At that time, it is imperative that decisions concerning the direction of the USAID/Ecuador program in Ecuador have been fully discussed and relevant decisions made, so that the Strategic Plan fully represents the Agency's approach.

**New Ecuadorian Administration** - With elections scheduled for May 1996 and a new administration taking office in August, Ecuadorian development will enter into a critical phase as future directions for the country will be determined. As a leader in the Latin American return to democracy, Ecuador is watched as a bellwether to measure the health of democratic institutions across the continent. Recently, public confidence in democracy suffered with the government's inability to deal effectively with the electricity crisis with the resultant loss of productivity and a particularly severe impact on microenterprises. Government credibility suffered a further blow when former Vice-President Dahik was indicted on charges of corruption and fled the country. This was followed by the indictment of the Controller General. Concurrently, the prestige of the military has loomed very large as a result of the success of its firm stance during the border conflict. Within this atmosphere of doubt, the new administration needs to succeed for democracy to continue to succeed in Ecuador. The Mission needs to know what Washington's plans are to help this new administration to succeed, so that the Mission can take appropriate action beginning in August and to define the USAID/Ecuador strategy.

**Other Donor Pipeline** - USAID/Ecuador has played a catalytic role in helping both Ecuador and the international development banks design and facilitate approval of new projects. These include the Social Emergency Fund, Basic Health Sector Reform, Supreme Court Institutional Strengthening, Coastal Resources, Agricultural Sector Development Project, and the Financial Sector reform project. USAID/Ecuador laid the initial groundwork for these projects by: making the initial investments in diagnostic studies, financing seed money, initial project implementation on a much smaller scale, or helping Ecuador meet the implementation of the Banks's conditions precedent for approval of the loans. A serious concern of USAID/Ecuador is the extremely slow disbursement rate of the World Bank and IDB portfolios. Bank loans to Ecuador total US\$ 2.3 billion dollars, of which 49 percent remain undisbursed, and the GOE has to pay heavy commitment fees. A key constraint is the weak institutional capacity of the GOE which impedes a faster and more effective utilization rate. One possible solution is of course to strengthen the GOE's monitoring capabilities and let the private sector and the NGO community implement the projects. However, there may be legal constraints in the GOE or with international banks that limit this possibility. Can USAID/W recommend additional actions or guidance that the Mission can take to help Ecuador address this serious problem?

## **C. 22 CFR 216 Issues and Schedule**

The coming year will include the design of follow-on activities under two of the Mission's SOs: Family Planning (SO 2) and Environmental Management (SO 4). It is expected that the IEEs for these two sets of activities will be in line with the IEEs for the predecessor activities. In the case of the family planning activities which will be designed in late FY 97, it is expected that the IEE will recommend a categorical exclusion. In the case of the environmental management activities which will be designed in early FY 97, it is expected that the IEE will recommend a negative determination for most of the planned activities; some of the planned activities may require an Environmental Assessment which will recommend mitigation measures if necessary.

**STATUS OF 22 CFR 216 MEASURES FOR CURRENT USAID/ECUADOR PROJECTS**

	PROJECT	THRESHOLD DECISION	PACD
SO 1	518-0089 Policy Dialogue Support	Categorical Exclusion	09-30-1998
	518-0051 Agricultural Sector Reorientation Project	Negative Determination	05-31-1996
	518-0121 Microenterprise Assistance and Strengthening (MAS)	Categorical Exclusion	12-30-2000
	518-0076 National Shelter Delivery System	1/	12-31-1995
	518-0004 Special Development Activity Authority	1/	N/A
	Food Aid: - Section 416 B - Food for Progress - PL-480 Title II	1/	N/A
SO 2	518-0071 Child Survival & Health	Categorical Exclusion	04-30-1999
	518-0084 Health & Family Planning	Categorical Exclusion	09-30-1997
SO 3	518-0120 Rule of Law & Democracy Support	Categorical Exclusion	08-31-2000
SO 4	518-0069 Sustainable Uses for Biological Resources	Negative, Positive, Categorical Exclusion 2/	09-30-1998
	518-0124 Sustainable Use of Galapagos Marine Resources	Categorical Exclusion	07-01-1997
	518-0117 Environmental Education & Technology Transfer	Categorical Exclusion	06-26-1996
All SOs	518-0118 Training for Development	Categorical Exclusion	08-31-2001

- 1/ No Initial Environmental Examination prepared. An open issue is the need for preparing these IEEs.  
 2/ An open issue is the implementation of the mitigation measures recommended in some of the EAs prepared during Phase I of the SUBIR project.

## **IV. RESOURCE REQUIREMENTS**

## A. Program Funding Request by Strategic Objective

Over the past several years, USAID/Ecuador has undertaken a concerted effort to consolidate its development assistance program in Ecuador and reduce the number of management units in order to improve the Mission's strategic focus and respond to new budget realities within the Agency. As described above, the USAID program in Ecuador is fully consistent with Agency Strategic Goals in the areas of sustainable economic growth, health and family planning, strengthening democracy and protecting the environment, and supports U.S. foreign policy objectives as described in the Mission Program Plan (MPP). The program consists of a highly integrated and interrelated approach for helping Ecuador achieve sustainable development.

For example, activities under SO 1, which encourage broad-based economic growth (i.e. policy dialogue, microenterprise development, housing and urban development, etc.), also contemplate social and democratic reforms in support of SO 2 and SO 3. In a similar fashion, activities with NGOs for basic health (SO 2) and environmental management (SO 4), are critical in the achievement of sustainable economic growth (SO 1) and the provision of greater economic opportunities to the poor.

With the levels of resources under the different budget scenarios contemplated for FY96, FY97, and FY98, and because of the highly integrated and interrelated nature of the program, the Mission's preference would be to terminate or reduce funding of selected components of the existing four Strategic Objectives, rather than eliminate any SO at this time. The Ecuador program is not a resource intensive program. Rather, it is constructed around the fact the USAID Mission has sufficient credibility, and therefore a strong "seat at the table" to influence, through our partners, key policy changes in the legal, regulatory, institutional and resource allocation areas to improve the environment for sustainable development. Accordingly, modest investments, as those contemplated in the Budget Tables, in technical assistance, institution building and policy dialogue have already played, and will continue to play, a significant role in achieving substantive structural reforms as a basis for improved performance in the economic, social, democratic and environmental sectors.

However, the Mission does recognize that funding levels below those contemplated in the worse-case scenarios for FY97 and FY98 would force threshold decisions regarding the strategic objective composition of its development assistance program. Consequently, USAID/Ecuador, in order to respond to declining levels of resources, to the possibility of deeper cuts in the planning years. In early FY 97, at the time the Mission is expected to submit its revised Strategic Plan, after the new GOE assumes power in August 10, 1996, and USAID/Ecuador has a clear idea about its priorities and development assistance needs, a threshold determination will be made and conveyed to USAID/Washington, as to which SO will be dropped by September 30, 1999.

In light of the interrelation, linkages, and cohesiveness that exist among the four Mission SOs, it has been difficult, and to some extent unfair to the nature of our development assistance efforts, to establish a priority ranking of SOs. For example, the single most important activity in the entire portfolio is family planning. This should be the last program cut under any scenario. Yet because family planning activities are under the same SO with health and child survival, they are shown below as the "4th" priority. Such ranking, which was already reported to USAID/Washington in the context of the FY-96 Bureau Budget Submission (BBS), is as follows:

<u>Abbreviated SO Title</u>	<u>Ranking</u>
SO 1: Sustainable Economic Growth	2nd
SO 2: Health and Family Planning	4th
SO 3: Strengthening Democracy	1st
SO 4: Environmental Management	3rd

SO 3 "Strengthening Democracy" has been ranked first in strategic importance because it is a U.S. Government priority in Ecuador and is the most important objective in the MPP, particularly in light of

the upcoming national elections and the need to consolidate the Ecuadorian democratic process started in 1978. At the funding levels included in this R4 presentation, and working mostly with local NGOs and the civil society, SO 3 is expected to achieve the following results:

- A. An improved administration of justice for all citizens through: (1) constituencies and coalitions promoting needed reforms; (2) improved efficacy of selected laws and regulations; and (3) increased access of the population to the justice system and other conflict resolution mechanisms.
- B. More transparent Government institutions through a strengthened GOE capacity to combat corruption.

SO 1 "Sustainable Economic Growth" has been ranked second in strategic priority. This SO is expected to set the stage to improve social and economic conditions in Ecuador, broaden the participation and benefit of the poor and disadvantaged in and from the economic process, and improve the social and economic policy framework for sustainable development. Under the budget scenarios described in the Budget Tables, SO 1 is expected to achieve the following results:

- A. Increase efficiency and competitiveness of the economy through: (1) Policy reform leading to a more efficient investment in people; (2) Policy reform leading to accession to free trade areas in the Americas; and (3) Increased private sector participation in the economy.
- B. Expanded opportunities and participation by low income groups in a growing market economy through: (1) Increased access to financial services by microentrepreneurs, with emphasis on women; (2) Increased access by low-income groups to housing solutions; and (3) Increased access by the poverty levels of society to donor financing for productive activities and social infrastructure.

SO 4 "Environmental Management" has been ranked third in strategic priority because of the critical impact that a rational management of natural resources, an adequate control of pollution and an improved conservation of biodiversity will have in Ecuador's prospects for achieving sustainable development in the long term. Further, this SO will also play a crucial role with indigenous communities within protected areas and their buffer zones in providing such groups with first-time economic opportunities. Following are the expected results in SO 4 under the funding levels contemplated in this R4:

- A. Improved conservation and management of natural resources through: (1) Adoption of improved practices to conserve biodiversity; and (2) Adoption of improved practices to manage natural resources.
- B. Improved management of the urban environment and pollution prevention through: (1) Adoption of improved practices for municipal environmental management; and (2) Adoption of improved practices for the prevention and control of pollution.

In spite of the dramatic results achieved in contraceptive prevalence, reducing population growth, and decreasing infant mortality, SO 2 "Health and Family Planning" has been ranked 4th in strategic priority as major donors are moving into the public health sector. However, USAID/Ecuador remains the key donor supporting family planning, which is the single most important activity in the entire portfolio. Thus, continued assistance and resources will be required under this SO well into the year 2002, because other donors are not working in family planning, hence, USAID's attention needs to be continued in support of family planning NGOs. The following results are expected to be achieved with the reduced levels of funding contemplated for FY96, FY97, FY98 and the out years:

- A. Increased use of family planning services through: (1) Improved quality and access to family planning services by the population; and (2) Improved sustainability of family planning NGOs.

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B. Increased use of primary health care/child survival services through: (1) Expanded access and improved quality of primary health care services; and (2) Implementation of health care reform.

The Mission has already achieved significant progress towards the above results. In spite of the problems described under Section I above, including the problems derived from the border conflict and the economic and the political crisis of 1995, the country is moving towards the introduction of structural reforms that will enable Ecuador to: achieve sustainable economic growth for a broad base of the population; reduce mortality and fertility to levels which are conducive to sustainable development; strengthen the democratic process; and, manage the environment for long-term sustainability. The rather modest investments proposed in this R4, particularly at the reduced funding levels included in the Budget Tables, are critical in enabling the Mission to work principally with its PVO and NGO partners towards sustainable social and economic development for the poor majority in Ecuador. In addition, the funding levels requested and justified in this presentation will continue to be central in playing a catalytic role to attract larger resource inflow from the donor community, i.e., the World Bank and the Interamerican Development Bank. These donor resources are also essential for the achievement of the results outlined above for each of the Mission's strategic objectives.

**Table 1**  
**ALL RESOURCES TABLE**  
**USAID/ECUADOR**  
**(\$000)**

Funding Category	FY 1997		FY 1998		
	FY 1996	Base	Base - 20%	Base -10%	Base -30%
<b>Development Assistance/ SEED/FSA/ESF/IDA***</b>					
Economic Growth	3,018	3,004	3,201	5,056	4,096
Of which: Field Support****	365	235	188	180	164
Population/Health	4,660	7,341	4,953	4,093	3,153
Of which: Field Support****	1,750	1,600	1,280	1,200	1,100
Environment	2,500	4,332	3,740	3,769	2,169
Of which: Field Support****	90	370	284	200	180
Democracy	1,750	2,557	1,850	2,382	1,982
Of which: Field Support****	0	0	0	0	0
Humanitarian Assistance/Transition					
Of which: Field Support****					
<b>PL480:</b>					
<b>Title II</b>					
<b>Title III</b>					
<b>Other (HG, MSED, ECA)***</b>					
<b>GRAND TOTAL</b>	<b>11,928</b>	<b>17,234</b>	<b>13,744</b>	<b>15,300</b>	<b>11,400</b>

**Table 2**

**FUNDING SCENARIOS BY OBJECTIVE  
USAID/ECUADOR**

(\$000)

OBJECTIVE	FY 1997		FY 1998		
	FY 1996	Base	Base - 20%	Base -10%	Base -30%
<b>Strategic Objective # 1:</b> <b>Increase sustainable economic growth for a broad base of the population.</b>  Development Assistance/SEED/FSA****	3,487	3,654	3,751	5,656	4,696
<b>Strategic Objective # 2:</b> <b>Reduced levels of mortality and fertility.</b>  Development Assistance/SEED/FSA****	4,560	6,991	4,553	3,693	2,753
<b>Strategic Objective #3:</b> <b>Improved responsiveness of selected democratic institutions with greater citizen participation.</b>  Development Assistance/SEED/FSA****	1,481	2,257	1,700	2,182	1,782
<b>Strategic Objective #4:</b> <b>The environment managed for long-term sustainability.</b>  Development Assistance/SEED/FSA****	2,400	4,332	3,740	3,769	2,169
<b>Total</b>	11,928	17,234	13,744	15,300	11,400
Development Assistance/SEED/FSA**** Economic Support Funds PL480: Title II Title III International Disaster Assistance Other (HG, MSED, ECA) ****	11,928	17,234	13,744	15,300	11,400

**B. Program Management Requirements: Operating Expenses (OE) and Staffing**

During the current FY, the preparations for the transition to "managing for results" has been greatly hampered by continuing budget constraints and crisis. The FY 96 total OE request of \$2,627,900 combining OE dollars and trust funds, reflects a 16 percent decrease from our actual FY 95 OE obligations and we anticipate that the FY 97 request of \$2,575,300 will further restrict our operations. To achieve this level, the Mission has had to eliminate both US and FSN positions. We anticipate that the long term benefits from these cuts will provide us the flexibility to manage at the various funding scenarios during the FY97-FY98 time frame even with the 2 percent per year reduction provided in the OE guidance.

During FY 96, the Mission is eliminating five FSNPSC positions, transferring another four FSNPSC positions from OE to project funding, and downsizing the USDH staff from 13 to 10. Annual savings on the FSNPSC salaries and benefits are expected to be \$420,000 but this is offset by an increase in cost related to the transfer of USDH to USAID/W in the amount of \$50,000. While we view these FSN personnel cost savings as having a long term positive effect, some savings related to USDH will be offset by the USAID/W mandate to defer home leave and extend tours implemented in December 1995.

While the inflation rate has maintained a constant rate of 22 percent, the exchange rate has fluctuated somewhat but has been slightly greater than the inflation rate during the past year. Only this extraordinary factor, plus substantial staff reductions, has provided the necessary budget flexibility in FY 96 for the Mission to maintain essential services and operations in support of its strategic objectives and programmatic needs.

USAID/Ecuador is aware that the Bureau is studying the costs of establishing a South America Regional Service Center in Lima. The Mission understands that this center will absorb the financial management and contracting support services we have available on site in Quito. We realize that the prospect of reduced funding in the out years has forced the Bureau to consider this as an option. While we are ready to assist in this study, we are unsure there will be significant cost savings to justify the reduced efficiency. One time severance pay costs here, vacant office space in our long term, leased office building, additional travel and communication costs as well as training new FSN staff in Lima argue against such a change.

Even though this R4 is for the Ecuador program, one should not lose sight of the fact that the Controller's Office in Ecuador serves not only the bilateral program, but RHUDO/SA and the anti-narcotics program of USAID/Colombia as well. While the bilateral program has decreased over the past few years, the RHUDO/SA program (based in Quito) has increased and the program in Colombia has stayed about the same. Nevertheless, the Controller's Office has been able to eliminate one USPSC and five FSNs during the last 18 months and with 19 FSNs it is arguably the most efficient regional operation in the Bureau. With the full utilization of AWACS we see these staff numbers going down further in the near future.

If the decision to regionalize in Lima has been made, we ask that the Bureau consider the timing of such a transfer on two counts: one programmatic and the other related to foreign policy. With respect to programmatic considerations, the bilateral program size and complexity, as well as the pipeline at least through FY 99, justify maintaining the RCO and our own Controller's Office. Also, both Offices currently support the RHUDO/SA for South America (which is based here in Quito) and USAID/Colombia. The foreign policy considerations of the Embassy are described in cable QUITO 001736 dated March 28, 1996 (attached as Annex B).

Table 3  
 OPERATING EXPENSE BUDGET REQUEST

OC	Overseas Mission Budgets											
	FY 96			FY 97			FY 98					
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total			
11.1	Personnel compensation, full-time permanent			Do not enter data on this line			Do not enter data on this line					
11.1	Base Pay & pymt. for annual leave balances - FNDH			189.4		189.4	196.3		196.3	203.4		203.4
	Subtotal OC 11.1			189.4	0.0	189.4	196.3	0.0	196.3	203.4	0.0	203.4
11.3	Personnel comp. - other than full-time permanent			Do not enter data on this line			Do not enter data on this line					
11.3	Base Pay & pymt. for annual leave balances - FNDH			0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 11.3			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5	Other personnel compensation			Do not enter data on this line			Do not enter data on this line					
11.5	USDH			0.0		0.0	0.0		0.0	0.0		0.0
11.5	FNDH			6.0		6.0	6.2		6.2	6.4		6.4
	Subtotal OC 11.5			6.0	0.0	6.0	6.2	0.0	6.2	6.4	0.0	6.4
11.8	Special personal services payments			Do not enter data on this line			Do not enter data on this line					
11.8	USPSC Salaries			152.0		152.0	156.6		156.6	161.3		161.3
11.8	FN PSC Salaries			803.1	16.0	819.1	846.2		846.2	870.9		870.9
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 11.8			955.1	16.0	971.1	1,002.8	0.0	1,002.8	1,032.2	0.0	1,032.2
12.1	Personnel benefits			Do not enter data on this line			Do not enter data on this line					
12.1	USDH benefits			Do not enter data on this line			Do not enter data on this line					
12.1	Educational Allowances			120.4		120.4	96.6		96.6	112.9		112.9
12.1	Cost of Living Allowances			0.0		0.0	0.0		0.0	0.0		0.0
12.1	Home Service Transfer Allowances			4.2		4.2	0.0		0.0	0.0		0.0
12.1	Quarters Allowances			213.9		213.9	230.6		230.6	174.3		174.3
12.1	Other Misc. USDH Benefits			28.9		28.9	2.1		2.1	2.2		2.2
12.1	FNDH Benefits			Do not enter data on this line			Do not enter data on this line					
12.1	Payments to the FSN Separation Fund - FNDH			16.0		16.0	16.0		16.0	16.0		16.0
12.1	Other FNDH Benefits			23.8		23.8	23.8		23.8	23.8		23.8
12.1	US PSC Benefits			0.0		0.0	0.0		0.0	0.0		0.0
12.1	FN PSC Benefits			Do not enter data on this line			Do not enter data on this line					
12.1	Payments to the FSN Separation Fund - FN PSC			33.4		33.4	35.1		35.1	36.8		36.8
12.1	Other FN PSC Benefits			0.0		0.0	0.0		0.0	0.0		0.0
12.1	IPA/Detail-In/PASA/RSSA Benefits			0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 12.1			440.6	0.0	440.6	404.2	0.0	404.2	366.0	0.0	366.0
13.0	Benefits for former personnel			Do not enter data on this line			Do not enter data on this line					
13.0	FNDH			Do not enter data on this line			Do not enter data on this line					
13.0	Severance Payments for FNDH			0.0		0.0	0.0		0.0	0.0		0.0
13.0	Other Benefits for Former Personnel - FNDH			0.0		0.0	0.0		0.0	0.0		0.0
13.0	FN PSCs			Do not enter data on this line			Do not enter data on this line					
13.0	Severance Payments for FN PSCs			0.0		0.0	0.0		0.0	0.0		0.0
13.0	Other Benefits for Former Personnel - FN PSCs			0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 13.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0	Travel and transportation of persons			Do not enter data on this line			Do not enter data on this line					
21.0	Training Travel			18.8		18.8	19.4		19.4	20.0		20.0
21.0	Mandatory/Statutory Travel			Do not enter data on this line			Do not enter data on this line					
21.0	Post Assignment Travel - to field			22.3		22.3	0.0		0.0	0.0		0.0
21.0	Assignment to Washington Travel			0.0		0.0	3.2		3.2	3.9		3.9
21.0	Home Leave Travel			9.1		9.1	42.4		42.4	15.9		15.9
21.0	R & R Travel			24.8		24.8	12.6		12.6	17.2		17.2
21.0	Education Travel			43.3		43.3	18.4		18.4	13.4		13.4
21.0	Evacuation Travel			13.4		13.4	13.7		13.7	14.0		14.0
21.0	Retirement Travel			2.0		2.0	2.1		2.1	0.0		0.0
21.0	Pre-Employment Invitational Travel			0.0		0.0	0.0		0.0	0.0		0.0
21.0	Other Mandatory/Statutory Travel			0.0		0.0	0.0		0.0	0.0		0.0
21.0	Operational Travel			Do not enter data on this line			Do not enter data on this line					
21.0	Site Visits - Headquarters Personnel			4.0		4.0	4.1		4.1	4.2		4.2
21.0	Site Visits - Mission Personnel			41.8		41.8	43.1		43.1	44.3		44.3
21.0	Conferences/Seminars/Meetings/Retreats			10.5		10.5	10.8		10.8	11.1		11.1
21.0	Assessment Travel			0.0		0.0	0.0		0.0	0.0		0.0
21.0	Impact Evaluation Travel			0.0		0.0	0.0		0.0	0.0		0.0
21.0	Disaster Travel (to respond to specific disasters)			0.0		0.0	0.0		0.0	0.0		0.0
21.0	Recruitment Travel			0.0		0.0	0.0		0.0	0.0		0.0
21.0	Other Operational Travel			3.1		3.1	3.2		3.2	3.3		3.3
	Subtotal OC 21.0			193.1	0.0	193.1	173.0	0.0	173.0	147.3	0.0	147.3
22.0	Transportation of things			Do not enter data on this line			Do not enter data on this line					
22.0	Post assignment freight			98.0		98.0	15.7		15.7	32.3		32.3
22.0	Home Leave Freight			0.9		0.9	7.1		7.1	3.9		3.9
22.0	Retirement Freight			15.9		15.9	15.8		15.8	0.0		0.0
22.0	Transportation/Freight for Office Furniture/Equip.			2.3		2.3	2.5		2.5	2.6		2.6
22.0	Transportation/Freight for Res. Furniture/Equip.			3.0		3.0	3.0		3.0	3.0		3.0
	Subtotal OC 22.0			120.1	0.0	120.1	44.1	0.0	44.1	41.8	0.0	41.8
23.2	Rental payments to others			Do not enter data on this line			Do not enter data on this line					
23.2	Rental Payments to Others - Office Space			302.4		302.4	311.3		311.3	320.5		320.5
23.2	Rental Payments to Others - Warehouse Space			12.0		12.0	12.5		12.5	13.0		13.0
23.2	Rental Payments to Others - Residences			0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 23.2			314.4	0.0	314.4	323.8	0.0	323.8	333.5	0.0	333.5

OC	Overseas Mission Budgets									
	FY 96			FY 97			FY 98			
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	
23.3	Communications, utilities, and miscellaneous charges			Do not enter data on this line			Do not enter data on this line			
23.3	55.0		55.0	56.7		56.7	58.3		58.3	
23.3	10.0		10.0	10.0		10.0	10.0		10.0	
23.3	51.0		51.0	52.5		52.5	54.0		54.0	
23.3	0.0		0.0	0.0		0.0	0.0		0.0	
23.3	0.0		0.0	0.0		0.0	0.0		0.0	
23.3	0.0		0.0	0.0		0.0	0.0		0.0	
23.3	0.5		0.5	0.6		0.6	0.8		0.8	
23.3	0.0		0.0	0.0		0.0	0.0		0.0	
23.3	5.5		5.5	5.6		5.6	5.7		5.7	
	Subtotal OC 23.3	122.0	0.0	122.0	125.4	0.0	125.4	128.8	0.0	128.8
24.0	Printing and Reproduction			0.0			0.0			
	Subtotal OC 24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
25.1	Advisory and assistance services			Do not enter data on this line			Do not enter data on this line			
25.1	2.5		2.5	2.5		2.5	2.6		2.6	
25.1	5.2		5.2	5.4		5.4	5.5		5.5	
25.1	0.0		0.0	0.0		0.0	0.0		0.0	
	Subtotal OC 25.1	7.7	0.0	7.7	7.9	0.0	7.9	8.1	0.0	8.1
25.2	Other services			Do not enter data on this line			Do not enter data on this line			
25.2	61.8		61.8	63.6		63.6	65.5		65.5	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	1.0		1.0	1.0		1.0	1.0		1.0	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	1.5		1.5	1.6		1.6	1.7		1.7	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	19.1		19.1	19.7		19.7	20.3		20.3	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	0.5		0.5	0.6		0.6	0.7		0.7	
25.2	23.0		23.0	23.5		23.5	24.1		24.1	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
25.2	0.0		0.0	0.0		0.0	0.0		0.0	
	Subtotal OC 25.2	106.9	0.0	106.9	110.0	0.0	110.0	113.3	0.0	113.3
25.3	Purchase of goods and services from Government accounts			Do not enter data on this line			Do not enter data on this line			
25.3	30.4		30.4	31.3		31.3	32.3		32.3	
25.3	0.0		0.0	0.0		0.0	0.0		0.0	
	Subtotal OC 25.3	30.4	0.0	30.4	31.3	0.0	31.3	32.3	0.0	32.3
25.4	Operation and maintenance of facilities			Do not enter data on this line			Do not enter data on this line			
25.4	1.9		1.9	2.0		2.0	2.0		2.0	
25.4	2.4		2.4	2.4		2.4	2.4		2.4	
	Subtotal OC 25.4	4.3	0.0	4.3	4.4	0.0	4.4	4.4	0.0	4.4
25.7	Operation/maintenance of equipment & storage of goods			Do not enter data on this line			Do not enter data on this line			
25.7	4.0		4.0	4.0		4.0	4.2		4.2	
25.7	0.0		0.0	0.0		0.0	0.0		0.0	
25.7	3.5		3.5	3.8		3.8	4.0		4.0	
25.7	4.0		4.0	4.0		4.0	4.0		4.0	
25.7	0.0		0.0	0.0		0.0	0.0		0.0	
	Subtotal OC 25.7	11.5	0.0	11.5	11.8	0.0	11.8	12.2	0.0	12.2
25.8	Subsistence and support of persons (by contract or Gov't.)			0.0			0.0			
	Subtotal OC 25.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
26.0	Supplies and materials			62.3			63.1			
	Subtotal OC 26.0	62.3	0.0	62.3	79.6	0.0	79.6	63.1	0.0	63.1
31.0	Equipment			Do not enter data on this line			Do not enter data on this line			
31.0	0.0		0.0	10.0		10.0	0.0		0.0	
31.0	0.0		0.0	0.0		0.0	0.0		0.0	
31.0	24.0		24.0	28.0		28.0	0.0		0.0	
31.0	0.0		0.0	0.0		0.0	0.0		0.0	
31.0	21.0		21.0	18.0		18.0	0.0		0.0	
	Subtotal OC 31.0	45.0	0.0	45.0	56.0	0.0	56.0	0.0	0.0	
32.0	Lands and structures			Do not enter data on this line			Do not enter data on this line			
32.0	0.0		0.0	0.0		0.0	0.0		0.0	
32.0	0.0		0.0	0.0		0.0	0.0		0.0	
32.0	0.0		0.0	0.0		0.0	0.0		0.0	
32.0	0.0		0.0	0.0		0.0	0.0		0.0	
	Subtotal OC 32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
42.0	Claims and indemnities			0.0			0.0			
	Subtotal OC 42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	<b>TOTAL BUDGET</b>	<b>2,608.8</b>	<b>16.0</b>	<b>2,624.8</b>	<b>2,576.8</b>	<b>0.0</b>	<b>2,576.8</b>	<b>2,492.8</b>	<b>0.0</b>	<b>2,492.8</b>

Table 4  
 WORKFORCE SCHEDULE

Funding Source	FY 96			FY 97			FY 98		
	USDH	US PSC	FN PSC Total	USDH	US PSC	FN PSC Total	USDH	US PSC	FN PSC Total
Operating Expenses	10	4	72	10	4	72	9	4	65
Trust Funds			0			0			0
Subtotal	10	4	72	10	4	72	9	4	65
Program Funds		2	13		1	13		1	15
Total	10	6	85	10	5	85	9	5	80

Funding Source	FY 99			FY 00			FY 01		
	USDH	US PSC	FN PSC Total	USDH	US PSC	FN PSC Total	USDH	US PSC	FN PSC Total
Operating Expenses									
Trust Funds									
Subtotal									
Program Funds									
Total									

FNDH and FN PSC includes both host country and third country nationals.

NOTE: Staffing levels for the out years will be developed and included in the Mission strategy after program levels have been established.

## **C. Field Support from Global Bureau**

The Mission anticipates the following services and support from G Bureau contracts and cooperative agreements. The level of resources required can be found in Table 5.

### **1. Strategic Objective 1**

- G/EG: Private Enterprise Development Support (PEDS) (940-2028) for assistance in design of the Village Banking activities.
- G/EG: Financial Sector Development Project III (940-0025) for TA in prudential supervision of microenterprise finance.
- G/EG: Microenterprise Innovation Project(940-0401) for TA to undertake an impact evaluation of microenterprise activities.
- G/EG: Private Enterprise Development Support (PEDS) (940-2028) on IPR and privatization.
- G/HCD Advancing Basic Education and Literacy. (598-0659) for TA to undertake a Reform Impact Assessment.

### **2. Strategic Objective 2**

- G/PHN: OMNI (936-5122) to support the launching of a national micronutrient supplementation and fortification program.
- G/PHN: Partnerships for Health Reform (936-5974.13) for health reform studies.
- G/PHN: Quality Assurance (936-5992) to improve operations in 40 health areas and several hospitals.
- G/PHN: RPM (936-5974.08) for training in pharmaceutical management.
- G/PHN: BASICS (936-6006) for TA to APOLO activities to strengthen the private sector.
- G/PHN: CEDPA (936-3059) to provide TAACS Advisor.
- G/PHN: Centers for Disease Control (936-3038) for TA in contraceptive logistics management. (In FY 98 there will be a buy-in to CDC to initiate support for the 1999 National Health and Demographic Survey, ENDEMAIN, a critical survey for measuring SO Results.)
- G/PHN: JHU/PCS (936-3052) for IEC development with the NGOs.
- G/PHN: INOPAL III (936-3030) to institutionalize operations research at APROFE and CEMOPLAF(in collaboration with FHI).
- G/PHN: SOMARC III (936-3051) for TA for the further development of CEMOPLAF's social marketing program.
- G/PHN: Initiatives in NFP and Breastfeeding(936-3061) for TA on fertility awareness training at high schools.

- G/PHN: AVSC (936-3068) for training of MOH trainers on surgical techniques and contraceptive counselling.
- G/PHN: JHPIEGO (936-3069) for TA to set up reproductive health training center at APROFE.
- G/PHN: FHI (936-3079) for TA in cost studies (in collaboration with INOPAL).

### 3. **Strategic Objective 3**

Given that the scarce resource available to the Mission are barely sufficient to carry out USAID/Ecuador's planned new activities in ROL/Democracy Support, currently the Mission has no plans to "buy-in" to any G/DG project. If additional funds become available, however, the Mission would like to "buy-in" to the Global Women in Politics (GWIP) Project (STATE 052030 dated 14MAR96) which directly complements the objectives of the Mission.

### 4. **Strategic Objective 4**

- G/EG/AFS: IPM CRSP: Integrated Pest Management (936-4196): TA and training in the rational use of pesticides to continue initial Mission investments.
- LAC/RSD/BBEG: LACTECH (936-4215). TA and training in land tenure, natural resource management and conflict resolution in Galapagos and among indigenous villagers in/around national parks.
- G/HCD/FSTA: (936-5839): Environmental Education & Communication-GreenCOM: TA and training to support Oikos Foundation and Fundación Charles Darwin activities.
- G/ENV/ENR: Forest Resources Management II (936-5556): TA and training in forestry issues for the new Environmental Support Project (518-0123).
- G/ENV/ENR: Conservation of Biological Diversity Project (936-5554) TA and training to continue second and third years of Andean condor preservation project.
- G/ENV/ENR: Environmental Pollution Prevention Project (EP3): (936-5559) TA and training for industrial pollution prevention for Oikos Foundation and Chambers of Industry.
- G/ENV/ENR: Parks in Peril Project (936-0782): TA and training to initiate PIP site in the Galapagos Marine Reserve
- G/EG/AFS: SANREM CRSP (936-4198): To continue TA and training in support of sustaining biodiversity in park/reserve buffer zones.

**Table 5  
GLOBAL FIELD SUPPORT**

Mission: Strategic Objective	Field Support: Activity Number & Title	Priority*	Duration	Estimated Funding (\$0000)									
				FY 1996**		FY 1997 ***				FY 1998****			
				Global Bureau	Operating Unit	FY 1997 Base Obligated by ****		Global Bureau	Operating Unit	Global Bureau	Operating Unit		
SO1 : Increase Sustainable Economic Growth for a Broad Base of the Population	940-2028 Private Enterprise Development Support (PEDS)	High	13 years (1985-1998)	0	--	50	--	40	--	35	--		
SO1 : Increase Sustainable Economic Growth for a Broad Base of the Population	940-0025 Financial Sector Development Project (FSDP)	Medium	5 years (1993-1998)	0	--	30	--	24	--	21	--		
SO1 : Increase Sustainable Economic Growth for a Broad Base of the Population	940-0406 Microenterprise Innovation Project	Medium-High	10 years (1995-2005)	15	--	15	--	12	--	10	--		
SO1 : Increase Sustainable Economic Growth for a Broad Base of the Population	940-2028 Private Enterprise Development Support (PEDS)	High	13 years (1985-1998)	100	--	90	--	72	--	63	--		
SO1 : Increase Sustainable Economic Growth for a Broad Base of the Population	598-0659 Advancing Basic Education & Literacy (ABEL)	High		250	--	50	--	40	--	35	--		
<b>GRAND TOTAL</b>				365	--	235	--	188	--	164	--		

\* For priorities use high, medium-high, medium-low, low  
 \*\* The FY 1996 level is from operating bureau allocations based on 75 per cent of the FY 1996 CP request level, except for PL480 programs for which appropriations have been enacted.  
 \*\*\* Base is defined as operating bureau allocations from the FY 1997 ONVB request level.  
 \*\*\*\* If the funding source is unknown, show all the funding as Obligated by Global Bureau

**Table 5**  
**GLOBAL FIELD SUPPORT**

Mission: Strategic Objective	Field Support: Activity Number & Title	Priority*	Duration	Estimated Funding (\$0000)											
				FY 1996**		FY 1997***				FY 1998***					
				Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit		
S02: Reduced Level of Mortality and Fertility	936-5122 Opportunities for Micronutrients Interventions (OMNI)	Medium-High	6 years (1992-1998)	0	150	120	120	105	105	105	105	105	105	105	105
S02: Reduced Level of Mortality and Fertility	936-5974 Partnership for Health Reform (PHR)	High	5 years (1995-2000)	325	300	240	240	210	210	210	210	210	210	210	210
S02: Reduced Level of Mortality and Fertility	936-5992 Quality Assurance Project	High	6 years (1990-1996)	150	200	160	160	140	140	140	140	140	140	140	140
S02: Reduced Level of Mortality and Fertility	936-5974 National Pharmaceutical Management	Medium	5 years (1992-1997)	275	150	120	120	105	105	105	105	105	105	105	105
S02: Reduced Level of Mortality and Fertility	936-6006 Basic Support for Institutionalizing Child Survival (BASICS)	Medium-Low	5 years (1993-1998)	100	0	0	0	0	0	0	0	0	0	0	0
S02: Reduced Level of Mortality and Fertility	936-5970 Technical Advisors in AIDS and Child Survival (TAACS)	High	10 years (1987-1997)	100	150	120	120	105	105	105	105	105	105	105	105
S02: Reduced Level of Mortality and Fertility	936-3038 Family Planning Logistics Management (CDC)	High	6 years (1990-1996)	100	100	80	80	70	70	70	70	70	70	70	70
S02: Reduced Level of Mortality and Fertility	936-3030 Strategy for Improving Service Delivery/Operations Research (INOPAL)	Medium	(2000)	100	175	140	140	122.5	122.5	122.5	122.5	122.5	122.5	122.5	122.5
S02: Reduced Level of Mortality and Fertility	936-3051 Contraceptive Social Marketing III	High	5 years (1992-1997)	200	200	160	160	140	140	140	140	140	140	140	140
S02: Reduced Level of Mortality and Fertility	936-3061 Initiatives in Natural Family Planning and Breastfeeding (Georgetown Univ.)	Low	5 years (1991-1996)	30	25	20	20	0	0	0	0	0	0	0	0
S02: Reduced Level of Mortality and Fertility	936-3068 Program for Voluntary and Safe Contraception (AVSC)	Medium-High	5 years (1993-1998)	100	0	0	0	0	0	0	0	0	0	0	0
S02: Reduced Level of Mortality and Fertility	936-3052 Information, Education and Communication Support Project	Medium	5 years (1995-2000)	75	75	60	60	50	50	50	50	50	50	50	50
S02: Reduced Level of Mortality and Fertility	936-3069 Training in Reproductive Health (JHP/IECO)	Medium-High	5 years (1993-1998)	100	0	0	0	0	0	0	0	0	0	0	0
S02: Reduced Level of Mortality and Fertility	936-3041 Contraceptive Technology Research	Medium-Low	5 years (1995-2000)	75	75	60	60	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
<b>GRAND TOTAL</b>				1,750	1,600	1,280	1,280	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100

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**Table 5  
GLOBAL FIELD SUPPORT**

Mission: Strategic Objective	Field Support: Activity Number & Title	Priority*	Duration	Estimated Funding (\$0000)									
				FY 1996**		FY 1997 ***				FY 1998***			
				Obligated by ****:		FY 1997 Base Obligated by ****		FY 1997 Base -20% Obligated by ****		FY 1998 Base -30% Obligated by ****			
				Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit		
SO4: The environment managed for long-term sustainability	936-4196 IPM CRSP	Medium	2 years (1996-1998)	90	---	90	---	33	---	0	---	---	---
SO4: The environment managed for long-term sustainability	936-4215 LACTECH	High	5 years (1997-2002)	0	---	50	---	50	---	50	---	---	---
SO4: The environment managed for long-term sustainability	936-5556 Forest Resources Management	Medium	5 years (1997-2002)	0	---	50	---	33	---	0	---	---	---
SO4: The environment managed for long-term sustainability	936-5554 Conserv. of Biological Diversity	High	2 years (1997-1999)	0	---	50	---	50	---	50	---	---	---
SO4: The environment managed for long-term sustainability	936-5559 EP3	High	5 years (1997-2002)	0	---	50	---	35	---	30	---	---	---
SO4: The environment managed for long-term sustainability	936-0782 Parks in Peril	High	5 years (1997-2002)	0	---	50	---	50	---	50	---	---	---
SO4: The environment managed for long-term sustainability	936-4198 SANREM CRSP	Medium	5 years (1997-2002)	0	---	30	---	33	---	0	---	---	---
<b>GRAND TOTAL</b> .....				90	---	370	---	284	---	180	---	---	---

## **ANNEX A: Special Issue - New Partnership Initiative (NPI)**

### **A. NGO Empowerment**

Ecuador has a vibrant and varied local NGO community, reflecting the generally positive enabling environment for NGOs. Consistent with the purposes of the NPI, current USAID/Ecuador and RHUDO/SA programs seek to empower both Ecuadorian and U.S. NGOs in several respects. In FY 1996, USAID/Ecuador plans to provide roughly 95 percent of its assistance through NGOs and municipalities and only 5 percent through the GOE. The increased allocation of resources through NGOs reflects USAID's commitment to capacity building of various local NGOs, in some cases for many years. USAID/Ecuador is supporting NGO empowerment in terms of financial self sufficiency, legal recognition, independence of action, mutual support, and competent management. Although USAID/Ecuador assistance has fostered strong, mutually beneficial, ties between these local NGOs and U.S. NGOs, more needs to be done to institutionalize these relationships for the longer term.

1. **Enabling Environment for NGO Empowerment** - FE is Ecuador's premier "think tank" led by private sector leaders. It is collaborating with grassroots based NGOs, chambers (commerce, production, industry, small industry, etc.) and creating linkages with governmental agencies to foster an enabling environment by undertaking policy dialogue with the highest levels of the GOE in both the social and economic sectors. Working with indigenous groups and working with grassroots level NGOs that are delivering both microcredit and small business credit financial services as well as social services to rural poor (with a focus upon women), FE is producing results by reforming the legal, regulatory and business environment in Ecuador.

2. **Capacity Building for NGO Empowerment** - To assist in capacity building, FE staff have completed training programs to upgrade its own technical capacity, management skills, fund-raising capability and personnel management skills. In turn, FE assists grassroots level NGOs to further improve their own capacity in those areas.

RHUDO/SA has been supporting Plan International through capacity building as it transitions from an organization based on providing donations to an organization that operates through sustainable service delivery mechanisms in low-income communities. The recommendations developed by RHUDO/SA and adopted by PLAN are designed to: (1) expand the number of families benefitting from their programs; (2) establish sustainable credit systems; and (3) empower families and communities. The recommendations formed a comprehensive, coherent policy with parameters and room for innovation by the field offices. PLAN implemented this new policy for fiscal year 1996 in eight pilot field offices, including two in Ecuador.

Working with CARE, USAID/Ecuador is strengthening the capacity of local NGOs and local government bodies through assistance in training, technical assistance and financing of pilot projects to deliver PHC, while facilitating the development of linkages. For example: (1) In Bolivar Canton (Carchi Province) a joint demonstration project on more effective and cost recovery PHC is being jointly developed by CARE, a local savings and loan cooperative, the municipal government, and the Ministry of Health; (2) In Chilibulo, a poor suburb of Quito, CARE is working with Fundacion Eugenio Espejo (a local NGO) to develop a microenterprise scheme to be financed by PATH; and (3) CARE is working with the municipality of Chordeleg and the Catholic Church to establish a clinic based comprehensive health delivery system that will also include water and sanitation system. Additional funding is expected from the Dutch.

Also through CARE, USAID/Ecuador is providing assistance to build the capacity of three local NGOs working to improve natural resource management and coordination: Jatun Sacha; EcoCiencia; and CEDENMA. CARE is also working to deepen and broaden the links among these local NGOs and between them and U.S. NGOs such as the MacArthur Foundation.

**3. Linkages for NGO Empowerment** - To establish linkages with U.S. based NGOs, FE has conducted a series of meetings in the U.S. and in Ecuador with U.S. NGOs (e.g., Accion International, Project Hope, FINCA, WOCCU, Catholic Relief Services, and others) and facilitated linkages with local level NGOs (CEPAR, Fundacion Natura, Oikos Foundation, Fundacion Alternativa, Fundacion Ecuatoriana de Desarrollo, and others) in Ecuador.

By constructing NGO networks, RHUDO/SA provides a forum for both vertical and horizontal linkages among local NGOs to improve their access to information and enhance their advocacy role. For example: (1) One of RHUDO's most important policy dialogue activities is the regular meeting of its LACUM member network. These meetings are an extremely cost effective method for promoting the adoption of sound policies at a high level throughout Latin America. For example, the Eleventh Meeting of the Latin American Housing, Urban Management and Urban Environmental Institutional Network (held in Quito in August 1995) was an important preparatory event for Habitat II which brought together high level policy makers to promote development of relationships between NGOs and private sector entities to solve urban management problems. The network meeting highlighted lessons-learned from positive NGO-private sector partnerships in urban management and sustainable cities. In preparation for Habitat II, the meeting also disseminated information on innovative instruments for diagnosing and monitoring urban sector issues and for the preparation of indicators relevant to the sector. (2) RHUDO/SA sponsored the Second LAC Conference of NGOs Working on Urban Environment (held in Quito in August 1995) examined solutions to preventing and controlling air pollution. Participants analyzed experiences in which NGOs, community based organizations, and municipalities have worked together to find solutions for solid waste collection, recycling, and disposal. Several NGOs and municipalities reached agreements for sharing lessons-learned from urban environmental experiences. This conference brought together agents of change in Latin America (namely the municipalities, NGOs, and community based organizations) in one forum to develop options for sustainable urban environmental management.

In order to build upon a number of ongoing efforts to construct NGO networks to expand exchanges of ideas and lessons learned between the U.S. and local NGOs, RHUDO/SA has been working with the Cooperative Housing Foundation (CHF) to link U.S. and Latin American NGOs together in urban environmental activities. To date, CHF has: (1) Created the North/South Interface Urban Environment Information and Dissemination Center; and (2) Implemented a Partnerships for Livable Urban Environment Workshop which brought together representatives of U.S. PVOs working with urban environmental activities in Latin America and the Caribbean, USAID, IDB and the private sector, to become acquainted and share experiences and information focussed on urban environmental projects.

There are a number of long-standing relationships between local and U.S. NGOs which have been nurtured by USAID/Ecuador. For example, Fundacion Natura, a local environmental NGO which USAID/Ecuador helped launch, is now affiliated with The Nature Conservancy, World Resources International, and UICN, among others. Another example is APROFE, a local NGO providing family planning services, which has a longstanding affiliation with International Planned Parenthood Foundation. Similarly USAID/Ecuador provides funding to ACCION International which in turn supports a local NGO, the Fundacion Ecuatoriana de Desarrollo. USAID/Ecuador is continuing to work to develop linkages among a number of other local and U.S. NGOs in the health and family planning sector. For example: (1) CEMOPLAF, a local family planning NGO, is expanding its services to include a clinic in Lago Agrio, Sucumbios Province in the Amazon jungle. This new multipurpose clinic is being developed with USAID/Ecuador support, municipal collaboration, and contributions from Petroecuador. CEMOPLAF and USAID/Ecuador are now studying the possibility of linking up with CARE to include financing of expanded services in MCH. (2) Project HOPE, in a joint effort with local NGOs, the municipality, and Fundacion PROMESA, is submitting a proposal for matching grant funding to establish a private drug fund in Santo Domingo de los Colorados, a growing town located in Ecuador's tropical low-lands.

With the objective of long-term financial sustainability for protecting the Cayambe-Coca Ecological Reserve, USAID/Ecuador is linking the beneficiaries (Quito water consumers) to the sustainability of the natural resource base in the reserve's watershed. This conceptual and operational linkage of the autonomous Quito Water Authority, the National Forestry and Park Authority, and the population in Quito is cutting edge and extraordinarily complex.

Finally, USAID/Ecuador and RHUDO/SA support NGO activities which mutually reinforce one another. An example is the cooperation between the Oikos Foundation, a local environmental NGO focusing on urban pollution, with local chambers of commerce and industry. By linking this new NGO to cutting edge U.S. expertise through the EP3 program, the Oikos Foundation has entered into agreements with Municipalities and Chambers of Industries to target technical assistance to these groups to improve the management of the urban environment.

Additional financial support would be used to foster additional linkages between U.S. and Ecuadorian NGOs and among Ecuadorian NGOs and to expand existing networks. More specifically, assistance would be used to:

- Continue to identify and implement synergistic and operational relationships among these NGOs, local governments and other actors. For example, the Andean Health and Development Foundation, a U.S. foundation, is proposing to work with the municipality of Pedro Vicente Maldonado, local cooperatives such as milk producers, and community groups, to set up health services based on consumer demand and charge for those services. Rotary clubs, Metrofraternidad, the University of San Francisco de Quito, and Catholic University have all proposed schemes to deliver health services in innovative ways with local communities involvement.
- Foster stronger ties among local NGOs, for example by expanding the network of Latin America and Caribbean NGOs to focus and work on urban environment issues; holding a competition of Latin American and Caribbean NGOs to describe their work with community based organizations in urban environment projects.
- Continue to forge partnerships between local and U.S. NGOs, for example by coordinating a North/South America Urban Environment Goods and Services Fair to offer current information on environmental machinery and equipment and technical services available to a wide, international audience, and to establish professional contracts. International donor agencies, governmental environment protection agencies, and private entrepreneurs would co-sponsor the fair which will bring together representatives and officials of national and local government developing countries, members of the North/South NGO Urban Environment networks, NGOs that are interested in learning of the project, chambers of commerce, chambers of contractors, and private entrepreneurs.
- Continue to update and manage the North/South Interface Urban Environment Information and Dissemination Center. Selected publications will be acquired and information about those publications, plus current activities on urban environmental issues, will be produced and disseminated to members of the North and South American Network.

## **B. Small Business Partnership**

USAID/Ecuador promotes small business (businesses having more than six but less than 15 employees) principally through its policy dialogue activity. FE analyzes problems facing small businesses, presents the results of its findings, designs policies and legislation to solve the problems, and then advocates its solutions before key government and private leaders.

1. **Enabling Environment for Small Business Partnership** - Through its policy dialogue initiatives, FE is working with the GOE to improve the enabling environment by establishing laws, policies and institutions that support the creation and growth of micro and small businesses (e.g., with NGOs such as Fundacion Alternativa, ASOMICRO, FED and with the chambers of small industries). With financial support from Ecuador's major donors (IDB and CAF) it is working to reform the banking and financial sector by improving the prudential supervision capability at the Superintendency of Banks and the Superintendency of Companies.

2. **Capacity Building for Small Business Partnership** - Working with business associations and the GOE, FE is contributing toward the privatization and reform of the education, health, social security, and pension sectors which enhances the development of microenterprises and small business firms.

3. **Linkages for Small Business Partnership** - Working through Programa Bolivar, FE is creating linkages between international organizations and NGOs to provide new technology, develop international networks and engage the IESC in delivery of technical assistance (financial, marketing, business planning, etc.) in collaboration with U.S. firms.

RHUDO/SA and USAID/Ecuador have explored the possibility of establishing small enterprises for urban environmental services in conjunction with the local NGO, Oikos Foundation. These small businesses would be engaged in activities such as recycling and waste collection in marginal neighborhood communities. Besides stimulating small businesses by supporting entrepreneurs in disadvantaged communities, the program would lead to increase civic awareness of urban environmental issues and strengthen Ecuador's leading urban environmental NGO.

### C. **Strengthening Democratic Local Governance**

Through a host of activities, USAID/Ecuador and RHUDO/SA now provide extensive support to efforts to decentralize authority and to empower local government. For example, RHUDO/SA provides assistance to strengthen municipal administrative capabilities, enhance the role of women in municipal government, and improve the management of potable water systems and solid waste collection and disposal. USAID/Ecuador provides assistance for strengthening the capability of municipalities to provide primary health care services and supports NGO efforts to lobby for decentralization.

1. **Enabling Environment for Strengthening Democratic Local Governance** - A major focus of FE's program is decentralization and municipal development. Working with RHUDO, FE is organizing activities that will upgrade the capacity of indigenous NGOs, municipal associations, business groups and citizen groups to reform the legal and regulatory environment and engage those groups in national advocacy. FE possesses an excellent capacity to create linkages between those associations and groups and the donor community, particularly IDB, World Bank and CAF.

In support of the right of citizens to organize to pursue local interests, USAID/Ecuador has been enhancing the capacity of communities to represent themselves. Sustainable management of natural resources and the conservation of biodiversity in and around Ecuador's major ecological reserves requires that local communities participate actively in defining and implementing such resource management plans. An initial step is the definition of community ancestral property rights, for which USAID/Ecuador has supported the training of community paralegal agents through CARE and TNC.

2. **Capacity Building for Strengthening Democratic Local Governance** - USAID/Ecuador and RHUDO/SA funded technical assistance directly supports decentralization efforts and improves the capacity of the local government to promote accountability and to meet citizens' needs: (1) The objective of USAID/Ecuador and RHUDO's water policy is to move toward a decentralized system

which will operate using cost-recovery principles. In addition to assisting in the definition of a national policy for the sector, RHUDO/SA provided direct assistance to municipalities in the water and sanitation sector. RHUDO/SA determined that rates, concessions, and organizational alternatives for water and sewerage systems should be stressed to improve municipal provision and accountability for this service. RHUDO/SA conducted assessments of these issues in the municipalities of Salcedo, Guaranda, Quevedo, Machala and Naranjal; studied the water tariff system in Ecuador; and produced a municipal guide to assist local governments with setting rates, and designed alternative organizational models for water and sewerage systems. In addition, RHUDO/SA disseminated these resources and technical assistance to forty municipalities in three national seminars. RHUDO/SA is currently identifying five additional municipalities for continued technical assistance for the improved provision of potable water. (2) RHUDO/SA is strengthening the capacity of the municipality of Machala to improve the management of solid waste services, and to increase community participation in monitoring environmental quality. With technical assistance provided through RHUDO, Machala has initiated an innovative waste collection system which uses low-cost bicycles and push carts for waste collection. The use of bicycle carts has allowed the municipality to expand services to marginal neighborhoods previously not accessible to conventional waste collection vehicles, with over 25,000 inhabitants of the city now being served with this technology. The municipality is promoting and organizing the community to form small businesses for waste collection using this low-cost technology. Financing for start-up costs and equipment will be provided through local banks, and bank loans, guaranteed by the CARE, and accounting will be managed by the enterprises. Eventually, the city hopes to contract coverage for up to 75 percent of the city's residents. With savings generated through the project, the city will improve final disposal through better landfill management. Similar projects are being carried out in marginal neighborhoods in other cities in Ecuador with assistance from Ecuador's Banco del Estado, Germany, and other external support agencies. (3) RHUDO/SA is linking the U.S. NGO, the Cooperative Housing Foundation, with municipalities in Ecuador to strengthen the provision of solid waste services by small community-based private sector enterprises. RHUDO/SA is currently exploring possibilities of combining this effort with those of PLAN International to increase the coverage of solid waste collection and recycling in the poor neighborhoods of Guayaquil. (4) RHUDO/SA is providing assistance to the municipality of Cuenca for the design and implementation of a community-based solid waste plan; and to the community of Cumanda for the establishment of a sewage treatment plant. (5) Through the EP3 program, USAID/Ecuador and RHUDO/SA are providing assistance to municipalities through a local NGO, Oikos Foundation, to control and mitigate industrial pollution. This program serves to increase the links between this local NGO and sources of U.S. expertise such as the Environmental Protection Agency (EPA). The program surpassed its planned outputs for the first year by completing full pollution prevention diagnostic assessments in eight plants and pre-diagnostic assessments in thirty five plants. In addition, Oikos established an information clearing house.

RHUDO/SA continues to identify opportunities to support indigenous NGOs, business groups, and other citizen groups to participate in policy debates and to contribute to problem-solving. For example: (1) RHUDO/SA co-sponsored an international seminar on "Local Governments from a Gender Perspective" with the local NGO, the Center for Planning and Social Studies, (CEPLAES) to promote the inclusion of women and local government issues in the agenda of the United Nations up-coming HABITAT II Assembly and to strengthen the RHUDO-G/WID's Women and Local Government in Latin America project within Ecuador. Gender and local governments experts from eight Latin American countries presented, analyzed and discussed key topics for the advancement of women's participation in local development processes. (2) RHUDO/SA co-sponsored the training of trainers on "Municipal Management and Gender Perspective" with the regional office of the NGO International Union of Local Authorities (IULA) to promote the inclusion of a gender perspective in the training activities provided by the Association of Ecuadorian Municipalities (AME) for its 197 affiliated municipalities. In addition to AME's professional staff, the course was attended by selected women local government officials and NGO representatives working on gender issues. The course was highly participatory and exposed participants to advanced methodologies on gender planning, implementation, and evaluation, developed by the Brazilian Institute for Public

Administration (IBAM). (3) Under the Regional Women and Local Government program, RHUDO/SA is providing assistance to the local NGO, Habitierra, in Cuenca to increase community-based women participation in municipal decision making. (4) Additional assistance is being provided to Habitierra through USAID/Ecuador and the RHUDO/SA in order to improve community participation in shelter programs. An outcome of this technical assistance will be a manual that will be disseminated through Latin America and presented at the United Nations Habitat II Conference.

**3. Linkages for Strengthening Democratic Local Governance** - In order to develop linkages and proven peer learning experiences for local government officials, RHUDO/SA is sponsoring the Second Inter-American Conference of Mayors scheduled for April 1996 in Miami. The conference will focus on Local Government, Municipal Development and Decentralization, all with a heavy overlay of meaningful citizen participation. It will bring together important local, regional and national actors from the public and private sectors to exchange ideas about the challenges they face. As a result, productive policies and programs in the above areas will be shared and advanced.

Additional financial support would be used to enhance the enabling environment through expanded support for decentralization efforts and would increase the capacity for local participation and accountability. Increased access to the benefits of growth is still needed, and broadened participation in the expression of interests and public policy outcomes at the local level is a key requisite for that access. More specifically, assistance would be used to:

- Initiate a Decentralization Program that builds on the success of the LAC Bureau's Regional Project on Local Governance and Municipal Development Program, implemented by RHUDO/SA.
- Provide technical assistance to municipalities to increase their accountability and enhance their capability to provide environmental services through increased citizen participation and linkages with local and U.S. NGOs.

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TAGS:

SUBJECT: FY 96-97 ACTION PLAN FOR ECUADOR

1. THE FY 96-97 ACTION PLAN FOR ECUADOR WAS REVIEWED ON  
APRIL 6, 1995. THE DAEC WAS CHAIRED BY AA/LAC MARK  
SCHNEIDER. IN ATTENDANCE WERE REPRESENTATIVES FROM M,  
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PPC, GC AND THE PEACE CORPS AS WELL AS ALL APPROPRIATE LAC  
OFFICES. G AND STATE/INL ATTENDED THE ISSUES MEETING ON  
APRIL 4. THE USAID DIRECTOR, JOHN SANBRAILO, AND STAFF  
MEMBERS PETER LAPERA AND PATRICIO MALDONADO PRESENTED THE  
ACTION PLAN.

THE MISSION REPRESENTATIVES SHARED INFORMATION ABOUT THE  
BORDER CONFLICT WITH PERU. THE TOTAL EXPENDITURES ARE  
DIFFICULT TO ASSESS BUT ARE AROUND DOLS 250 MILLION.  
ECONOMIC TARGETS FOR 1995 HAVE BEEN REVISED SIGNIFICANTLY  
DOWNWARD. YET, THE MISSION IS CONVINCED THAT THE  
POLITICAL ENVIRONMENT IS CONDUCIVE TO FURTHER ECONOMIC AND  
PERHAPS SOCIAL REFORM.

THE ACTION PLAN WAS APPROVED BY THE BUREAU, SUBJECT TO THE  
GUIDANCE PROVIDED BELOW.

2. PROGRAM FOCUS. FOR THE DAEC REVIEW THE ISSUE WAS  
RAISED OF WHETHER, GIVEN THE RELATIVELY SMALL SIZE OF  
USAID/ECUADORIS PROGRAM, THE MISSION SHOULD CONCENTRATE  
ITS RESOURCES ON FEWER ACTIVITIES AND STRATEGIC  
OBJECTIVES. THE MISSION MADE A CONVINCING CASE THAT ITS  
LONG HISTORY OF INVOLVEMENT IN IMPORTANT ISSUES, TECHNICAL  
CAPABILITY ON THE GROUND IN ECUADOR, AND ABILITY TO  
PROVIDE FLEXIBLE GRANT RESOURCES PROVIDE IT WITH THE  
OPPORTUNITY TO AFFECT CRITICAL ISSUES TO A DEGREE FAR IN  
EXCESS OF THE DOLLAR RESOURCES IT PROVIDES. BY FOCUSING  
ON POLICY ISSUES AND INNOVATIVE ACTIVITIES, IT IS ABLE TO  
CONSTRUCTIVELY INFLUENCE THE UTILIZATION OF THE MUCH  
LARGER (IN DOLLAR TERMS) RESOURCES OF IFIS SUCH AS THE IDB  
AND THE WORLD BANK. AA/LAC PRAISED THE MISSION FOR ITS  
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OUTSTANDING EFFORTS TO MOBILIZE OTHER DONOR RESOURCES AND EXPRESSED HIS VIEW THAT THE BUREAU AND THE MISSION HAVE TO FIND INDICATORS WHICH WILL CONVEY THE SUCCESSES THE MISSION HAS ACHIEVED IN DONOR LEVERAGING. AA/LAC CONFIRMED THE CONTINUATION OF ASSISTANCE IN THE FOUR STRATEGIC OBJECTIVES AS PROPOSED IN THE ACTION PLAN.

3. POVERTY ALLEVIATION. AA/LAC QUESTIONED WHETHER THE ACTION PLAN SUFFICIENTLY DEMONSTRATES THE MISSION'S RESPONSE TO LAST YEAR'S AP GUIDANCE WHICH INSTRUCTED THE MISSION TO FIND WAYS FOR THE PROGRAM TO ADDRESS THE INEQUITIES OF ECUADORIAN SOCIETY. HE DID, NEVERTHELESS, COMPLIMENT THE MISSION ON THEIR INCLUSION OF A DISCUSSION OF THE IMPACT OF EACH STRATEGIC OBJECTIVE ON POVERTY ALLEVIATION. THE MISSION RESPONDED THAT ONE OF THE MAJOR PURPOSES OF THE RESTRUCTURED SO 1 WAS TO HELP THE ECUADORIANS DEFINE/DEVELOP A CONSENSUS SOCIAL AGENDA, AS DISCUSSED IN PARA 4.

4. CONSENSUS ON SUPPORT TO THE SOCIAL SECTOR. A CONCERN AT THE ISSUES MEETING WHICH WAS ALSO DISCUSSED IN THE DAEC WAS WHETHER OR NOT THERE EXISTS IN ECUADOR A SUFFICIENT DEGREE OF POLITICAL CONSENSUS, PARTICULARLY IN THE SOCIAL SECTOR, FOR USAID ASSISTANCE TO BE EFFECTIVE. THE MISSION AGREED THAT ECUADORIAN SOCIETY IS INDEED FRAGMENTED AND THAT THERE IS NOT AGREEMENT ON HOW BEST TO DEAL WITH ITS SOCIAL PROBLEMS. ASSISTING THE GOE TO DEVELOP A "SOCIAL POLICY REFORM AGENDA" IS A MAJOR OBJECTIVE OF THE RESTRUCTURED SO 1. AA/LAC AND THE MISSION DIRECTOR AGREED THAT THERE REMAINS A PROBLEM OF DEVELOPING PRIORITIES ON WHERE DONOR RESOURCES SHOULD BE CONCENTRATED

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AND ACHIEVING DONOR CONSENSUS ON HOW TO IMPLEMENT SOCIAL SECTOR REFORM.

5. IMPACT INDICATORS. THERE WAS CONSIDERABLE DISCUSSION ON THE ADEQUACY OF THE MISSION'S MEASUREMENT AND REPORTING ON

PEOPLE-LEVEL IMPACT. KEY INDICATORS IN ALL PROGRAM SECTORS SHOULD BE DISAGGREGATED BY SEX AND POSSIBLY ALSO BY ETHNICITY, AND PARTICIPATION BY AND IMPACT ON BOTH WOMEN AND MEN (BY ETHNICITY IF RELEVANT) SHOULD BE ANALYZED AND REPORTED. THE GENDER-RELATED CONCERNS WILL BE ADDRESSED THROUGH A LAC/SPM TDY LATER THIS YEAR BY THE LAC WID ADVISOR. AS FOR THE MORE GENERAL IMPACT MEASUREMENT QUESTION, THE MISSION SHOULD TRY, IN ITS NEXT SUBMISSION TO MOVE AWAY FROM "PROCESS" TYPE INDICATORS AND MORE TOWARD DEMONSTRATION OF IMPACT, AS APPROPRIATE. THE MISSION DID CAVEAT, HOWEVER, THAT IN SOME AREAS, SUCH AS THE JUSTICE SECTOR, THERE IS REAL SUBSTANCE IN THE PROCESS. A MAY CONFERENCE WHICH WILL INCLUDE DISCUSSION ON DEMOCRACY INDICATORS SHOULD ASSIST THE MISSION TO DEVELOP BETTER INDICATORS. IN ADDITION, THE MISSION AND THE BUREAU AGREED THAT TDY ASSISTANCE TO FURTHER REFINED THE STRATEGIC FRAMEWORK, PARTICULARLY SOS 1 AND 3 WOULD BE USEFUL AND SHOULD TAKE PLACE.

THE LACK OF INDICATORS RELATING TO THE SUSTAINABILITY OF GOVERNMENT HEALTH PROGRAMS WAS RAISED AS A CONCERN. THE MISSION'S RESPONSE WAS THAT THEY HAVE NOT INCLUDED AN INDICATOR OF SUSTAINABILITY OF GOVERNMENT HEALTH PROGRAMS BECAUSE THEIR PROGRAMS WORK PRIMARILY THROUGH NGOS FOR WHICH ADEQUATE INDICATORS WERE PRESENTED. MOST

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ASSISTANCE TO THE GOE IN HEALTH SERVICES DELIVERY IS PROVIDED BY THE IPIS. USAID'S ROLE VIS A VIS THE GOE IS PRIMARILY AT THE POLICY LEVEL. IT WAS AGREED THAT SOME TARGETS AND INDICATORS OF PROGRESS IN PUBLIC SECTOR SUSTAINABILITY AT THE POLICY LEVEL WOULD BE APPROPRIATE.

6. NGOS AND PVOS. THE MISSION REPORTED THAT NGOS AND PVOS PLAY A MAJOR ROLE IN THE IMPLEMENTATION OF THE USAID/ECUADOR PROGRAM WITH MORE THAN 60 PERCENT OF THE RESOURCES BEING OBLIGATED WITH THEM. THEIR DEGREE OF INVOLVEMENT IN THE PLANNING PROCESS VARIES BY SO, BUT IN

GENERAL THE NGO PARTNERS DID PARTICIPATE IN THE REVIEW OF OBJECTIVES AND THE IDENTIFICATION OF SO AND PO INDICATORS INCLUDED IN THE ACTION PLAN. AA/LAC NOTED HIS IMPRESSION THAT MISSION EFFORTS TO INVOLVE NGOS IN ITS PROGRAM PLANNING AND IMPLEMENTATION SEEMS TO FOCUS PRIMARILY ON NATIONAL LEVEL ORGANIZATIONS, AND NOT REALLY REACH DOWN TO LOCAL ORGANIZATIONS AND INDIVIDUALS. THE MISSION RESPONDED THAT THEY HAVE ENCOURAGED THEIR NATIONAL LEVEL PARTNERS (FE AND INCAE) TO DO JUST THAT. THE MISSION ALSO DESCRIBED HOW THEY HAVE WORKED WITH INDIGENOUS AND LOW INCOME FOCUS GROUPS TO ELICIT INPUT FROM ACTUAL AND POTENTIAL BENEFICIARIES.

7. SUBMISSION OF A STRATEGIC PLAN. AT ISSUE WAS WHETHER USAID/ECUADOR SHOULD PREPARE A NEW STRATEGIC PLAN IN 1996. THE MISSION'S VIEW IS THAT BECAUSE OF THE CYCLE FOR ECUADORIAN ELECTIONS, 1996 WOULD BE A DIFFICULT YEAR TO REACH AGREEMENT ON POLICY ISSUES WITH THE GOE. DURING LATE 1995/EARLY 1996, NGO PARTNERS AND THE MISSION WILL HELP CONTENDING POLITICAL PARTIES UNDERSTAND SOCIAL POLICY

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REFORM. THE MISSION BELIEVES THAT THE STRATEGIC PLAN SHOULD BE PRESENTED IN EARLY 1997, AFTER THE NEW GOE ADMINISTRATION IS IN PLACE. AA/LAC EMPATHIZED WITH THIS SITUATION AND SAID THAT LAC WOULD BE SENSITIVE TO THIS CONCERN. HOWEVER, GUIDANCE ON NEW STRATEGIC PLANNING REQUIREMENTS DURING THE TRANSITION TO A REENGINEERED SYSTEM IS NOT YET IN PLACE. A DECISION ON WHETHER OR NOT USAID ECUADOR WILL BE REQUIRED TO DO A NEW STRATEGIC PLAN FOR 1996 WILL BE MADE AND CONVEYED TO THE MISSION BY THE END OF THE YEAR.

8. NADS. TWO NEW ACTIVITY DESCRIPTIONS FOR FY 97 STARTS WERE CONSIDERED DURING ACTION PLAN WEEK. THESE ARE THE DOLS 12 MILLION POPULATION AND FAMILY PLANNING III PROJECT (518-0122) AND THE DOLS 7 MILLION ENVIRONMENTAL SUPPORT PROGRAM (518-0123). WHILE THE DAEC MEMBERS CONSIDERED ASSISTANCE PROPOSED IN THESE TWO NADS WORTHY OF SUPPORT, THE REVIEWERS DID NOT MAKE A RECOMMENDATION ON APPROVAL OR DELEGATION OF AUTHORITY FOR EITHER OF THESE PROJECTS SINCE, IN THE REENGINEERED OPERATING SYSTEM EXPECTED TO BE FUNCTIONING IN 1997, ASSISTANCE IS NOT LIKELY TO BE PROVIDED THROUGH PROJECT VEHICLES AS WE KNOW THEM. USAID/ECUADOR SHOULD NEVERTHELESS CONTINUE TO DEVELOP PLANS TO PROVIDE ASSISTANCE OF THE SORT PROPOSED IN THE NADS FOR INCLUSION IN THEIR 1997 PROGRAM. OTHER POINTS NOTED CONCERNING THE NADS WERE:

A. THE MISSION SHOULD STRONGLY CONSIDER DESIGNING THE PUBLIC SECTOR ELEMENTS OF THE POPULATION AND FAMILY HEALTH ASSISTANCE TO LAST AT LEAST FIVE YEARS.

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B. CONCERNING THE MISSION'S PLANS TO SUPPORT ENDOWMENTS IN BOTH OF THESE ASSISTANCE EFFORTS, THE MISSION WAS REMINDED THAT THE AGENCY NOW HAS FORMAL GUIDANCE ON ENDOWMENTS AND THAT, WHEN DEVELOPED, ENDOWMENT PROPOSALS MUST COME BACK TO WASHINGTON FOR REVIEW AND APPROVAL BY LAC, PPC AND GC.

C. ON THE ENVIRONMENTAL NAD, AA/LAC WAS CONCERNED THAT THE FOCUS OF THE "BROWN" COMPONENT OF THE PROJECT WAS TOO NARROWLY FOCUSED ON THE OIL CLEAN-UP FUND. THE MISSION DIRECTOR ASSURED HIM THAT THE PROJECT IS IN FACT INTENDED TO BE MUCH BROADER, I.E. DEALING WITH URBAN AND INDUSTRIAL POLLUTION.

THE EIA PROPOSALS WERE REVIEWED ON FRIDAY, APRIL 7. THE OUTCOME OF THAT REVIEW WILL BE REPORTED IN A SEPTEL.

9. REENGINEERING. AA/LAC EXPRESSED HIS APPRECIATION OF THE APIS DISCUSSION ON REENGINEERING AND REQUESTED THAT THE REENGINEERING QUESTIONS POSED IN THE ACTION PLAN BE COMMUNICATED TO THOSE WORKING ON REENGINEERING.

10. GLOBAL/LAC/MISSION COOPERATION. AA/LAC WAS PLEASED TO

SEE THE RELATIVELY HIGH DEGREE OF TRIPARTITE COOPERATION AMONG THE MISSION, G AND LAC TECHNICAL OFFICES AS DESCRIBED IN THE ACTION PLAN. HE COMMENDED THE MISSION AND BUREAU STAFF FOR THE POSITIVE ACTION TAKEN IN THIS REGARD AND REQUESTED EXAMPLES OF BOTH SUCCESSES AND DIFFICULTIES IN G PARTNERSHIP RELATIONSHIPS.

11. FUNDING AVAILABILITY. WITH REGARD TO THE MISSION'S QUERY ABOUT THE POSSIBLE AVAILABILITY OF ADDITIONAL UNCLASSIFIED

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FUNDING TO SUPPORT THE ECONOMIC GROWTH AND DEMOCRACY OBJECTIVES (BOTH OF WHICH REQUIRE "UNRESTRICTED" FUNDING), NO ADDITIONAL UNRESTRICTED RESOURCES WERE IDENTIFIED.

12. OPERATING EXPENSES. THE MISSION WAS COMMENDED FOR DOING AN OUTSTANDING JOB OF MANAGING WITH VERY LIMITED OE RESOURCES IN THE FACE OF AN EXTREMELY LARGE FSN SALARY INCREASE THIS YEAR, WHILE AT THE SAME TIME CONTINUING RIGHTSIZING EFFORTS REFLECTING TRANSITION FROM A PROCESS ORIENTATION TO A RESULTS MODE. THE MISSION WAS ALSO COMMENDED FOR ITS INITIATIVE IN COMING TO GRIPS WITH NEW WAYS TO DO USAID BUSINESS AND FOR ACHIEVING SIGNIFICANT STAFF REDUCTIONS THROUGH FY 97. LAC/W IS MINDFUL OF THE HARD CHOICES THAT HAD TO BE MADE AND THE FUNDING SHORTFALL THIS CREATED. LAC/SPM IS ATTEMPTING TO IDENTIFY ADDITIONAL FUNDING IN FY 95 TO PROVIDE THE MISSION WITH SOME OE RELIEF, ESPECIALLY TO ENABLE MISSION TO PARTICIPATE IN JOINT PLANNING AND SO MONITORING COLLABORATION WITH LAC AND THE GLOBAL BUREAU. DPB REQUESTED A FIRM FIGURE FROM THE MISSION ON THE MINIMUM AMOUNT REQUIRED TO CARRY OUT JOINT PLANNING EFFORTS.

13. BUDGET. THE CURRENTLY AVAILABLE DA BUDGET LEVELS FOR USAID/ECUADOR INCLUDING GLOBAL FIELD SUPPORT ARE DOLS 12.143 MILLION IN FY 95 AND DOLS 16.250 MILLION IN FY 96. FY 1995 FUNDS FROM EIA AND THE MICROENTERPRISE INITIATIVE PROJECT PRIME FUND (BOTH SUBJECT TO SEPARATE CONSIDERATION) ARE NOT INCLUDED IN THE ABOVE NUMBERS.

14. BASED ON DISCUSSIONS AMONG LAC/RSD, G AND MISSION PERSONNEL OUTSIDE THE FORMAL REVIEW PROCESS, THE FOLLOWING UNCLASSIFIED

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CLARIFICATIONS WERE PROVIDED AND ADJUSTMENTS WILL BE MADE TO PERFORMANCE MEASUREMENT INDICATORS:

A. THE MISSION DOES NOT HAVE A PROBLEM WITH INCLUDING DELIVERY CARE IN THE SCOPE OF A REVISED NAD FOR THE POPULATION AND FAMILY PLANNING III PROJECT. THE MISSION WILL EXPLICITLY INCORPORATE IN THE PROJECT TECHNIQUES AND MECHANISMS FOR PREVENTING MATERNAL MORTALITY THAT WERE NOT MENTIONED IN THE NAD AS PRESENTED: CLEAN DELIVERY, ADEQUATE RECOGNITION OF OBSTETRIC EMERGENCIES, AND QUICK REFERRAL FOR SUCH EMERGENCIES.

B. SO INDICATORS DO NOT CAPTURE THE IMPACT ON MATERNAL MORTALITY THAT THE PROGRAM WILL HAVE. THE MISSION HAS INDICATED THAT THEY WANT TO ADD MATERNAL MORTALITY RATIO AS AN SO LEVEL INDICATOR. THEY ARE CURRENTLY REVIEWING AVAILABLE DATA ON MMR TO DECIDE WHICH BASELINE TO UTILIZE. THIS WOULD BE HIGHLY DESIRABLE, SINCE REDUCING MATERNAL MORTALITY IS AN OBJECTIVE OF THE POPULATION AND FAMILY PLANNING III PROJECT.

C: IN THE DISCUSSION OF A WORKING COLD CHAIN AS AN INDICATOR (P. 45), THE MISSION INDICATED THAT THE FUNCTIONING OF THE COLD CHAIN FOR BIOLOGICAL COMMODITIES (VACCINES) IS DEPENDENT ON OTHER DONOR SUPPORT. IN DISCUSSION WITH THE AID/W PHN TEAM FOR ECUADOR, THE MISSION CLARIFIED THAT ITS STRATEGY IS CONSISTENT WITH THE REGIONAL STRATEGY OF ENCOURAGING GOVERNMENTS TO FUND RECURRENT COSTS SUCH AS VACCINE PROCUREMENT.

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D: THE MISSION HAS AGREED TO REVISE THE WORDING OF THE PHN SO BY DELETING "LEVELS OF" AT THE BEGINNING, WHICH MAKES IT LESS AWKWARD.

E: THE MISSION HAS AGREED TO CHANGE THE WORDING OF PO #1 TO "INCREASED USE OF . . . 11 INSTEAD OF "INCREASED NUMBER OF USERS OF . . . 11, WHICH WILL MAKE IT CONSISTENT WITH THE APPROPRIATE, DENOMINATOR-BASED INDICATORS PRESENTED.  
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