

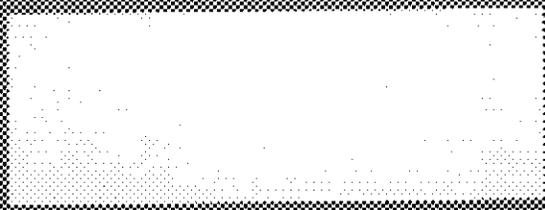
~~UNCLASSIFIED~~

PD-ACC-065

AGENCY FOR
INTERNATIONAL
DEVELOPMENT

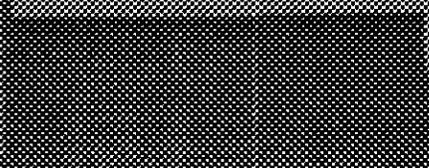


DEVELOPMENT ASSISTANCE PROGRAM
FY 1974



Ecuador

DEPARTMENT
OF
STATE



~~UNCLASSIFIED~~

~~CONFIDENTIAL~~
UNCLASSIFIED

- 1 -
E C U A D O R

DEVELOPMENT ASSISTANCE PROGRAM SUBMISSION

June 30, 1972

I. INTRODUCTION

The over-riding development condition in Ecuador is that over half of the 6,450,000 population live on less than 80 dollars a year. They are inadequately fed, housed, clothed and employed. With little hope for improving their lot, they lack skills, motivation, access to the political process, adequate health and nutrition, and employment opportunities. Given the high rate of population growth, their plight is becoming worse, not better.

USAID/E's participation with Ecuadorean public and private authorities to accelerate real improvement in this condition is concentrated in economic and social priority development problems in five sectors or areas:

- (1) Agriculture
- (2) Industry/Urban
- (3) Education
- (4) Health and Population
- (5) Internal Security

Within these areas we have attempted to select certain subsectors which are of high priority and in which we believe we can bring to bear a special competence not easily obtainable elsewhere, in collaborating with the GOE in its efforts to find ways to integrate the marginados, or marginal inhabitants, into the active economy to improve their daily lot.

The program goals stated in the FY 1973 Country Field Submission remain valid: increasing the income of the marginados, maximizing participation in development process, improving the balance of payments, and increasing private investment. In this paper we are describing operational objectives in areas of concentration appropriate for USAID participation in their achievement.

In agriculture special emphasis is put on the cooperative movement as a vehicle for increasing the participation of the campesino in national life and for enabling him to obtain the resources to acquire land, increase production and raise his income. A second but related agricultural effort is to assist small and medium farmers to increase the production of certain export and import substitution crops. This effort will benefit the income of the farmers concerned and affect favorable the balance of payments.

~~CONFIDENTIAL~~
(Decentral: 1/28/76)

The main area of concentration in the industry/urban development area is to help create new urban jobs, mainly through the promotion of small labor intensive business. It is hoped that a number of these will be located in other than the two major cities, which now receive the greatest part of rural-to-urban immigration pressure.

Our participation in education will concentrate on two sub-activities. The first is the improvement of the poor quality of instruction in the established primary system through the preparation of basic texts and training of teachers in their utilization. The second is to make educational opportunities more accessible through improving and promoting of nonformal education to reach those outside the education system and through the creation and development of an education credit institution to provide financial resources and guidance to those who otherwise could not afford to continue their education or skill training.

Health and population activities will include cooperation in a broad program in developing the infrastructure and delivery systems for an effective family planning system. We will also participate in certain activities designed to improve the health of children that families do plan for, primarily in the field of nutrition but also in the control of certain diseases.

In the internal security sector USAID participation emphasizes certain services and facilities, but by no means all, essential to improved law and order and internal security. These are general administrative improvements and organization, certain specialized pre-service and in-service training courses, improved communications and the control of narcotics and dangerous drugs.

In responding to Ecuadorean needs, the USAID program achieves an optimum mix of loan, grant, and PL 480 I funds to assist in bringing about changes in the main problem sectors. Coordination with the UNDP, with IDB and IBRD, OAS and with other bilateral donors is almost as effective as it can be at the field level. We are currently in process to provide: 1) more thorough analysis of the key sectors in which the development problems we are addressing; 2) a more precise definition of the subsector areas we have chosen for USAID collaboration with the GOE; 3) a more explicit justification or rationale in choosing these subsector problem areas; 4) cooperation with the GOE to help delineate these problem areas and the rationale for USAID participation within the context of their overall development goals and definition of priorities; 5) enhanced coordination with the other donors to make sure that activities in the same areas are complementary and that their at-

████████████████████

tention is drawn to other areas in which the GOE needs assistance but where USAID participation is less feasible; and c) an orderly phase-out or a successful conclusion in a responsible fashion to those areas of USAID activity which are outside the areas of priority concentration.

II. PROGRAM CONCENTRATION

As indicated above we believe that our activities are in areas of concentration relating directly to Ecuador's priority development problems.

In all cases our cooperation has been officially requested, though some of the key institutions involved obtained their initial funding or significant support through AID loans or grants. These areas of USAID concentration could easily be expanded if we respond to all the initial and tentative feelers we receive from a variety of public and private sources. The GOE, as with most governments of countries at Ecuador's stage of development seldom, if ever, has come to bilateral or international donors or lenders with fully developed projects on a take-it-or-leave-it basis. Projects other than certain well delineated construction activities always require joint elaboration. Hence, the decision as to which activities a donor will support is largely at the option of the donor. The donor estimates the host country's priorities, blends them with its own plus an estimation as to which projects will be easier to implement and have greater possibility of successful completion. Host country priorities are seldom clearly defined since the "planning authorities" lack authority over the individual ministries and other operating agencies. Two- or five-year plans customarily tend to be shopping lists.

Given the political climate in Ecuador the USAID method of operation for some time has been low key and certainly has emphasized that operations in programs in which we participate are exclusively in the hands of the Ecuadoreans. Our role is that of responding to GOE desires for collaboration in technical fields and for the partial financing of jointly agreed upon programs. The advent of a new government in February, 1972 has given us the opportunity to recheck the suitability and acceptability of our efforts with the new set of Ministers and to re-emphasize our collaborative style of operation.

The five areas in which USAID plans continued collaboration with the GOE are described in greater detail as follows:

████████████████████

Agriculture Sector

In this sector, USAID is concentrating its efforts in helping to develop institutions necessary for the provision of credit to small farmers (as small as possible but still sufficiently viable to receive supervised credit) largely, though not exclusively, in the coastal area producing rice, cacao, and edible oils. Collaboration with producers of these crops is with farmers both in and outside of the co-op framework. Assistance to co-ops will include campesinos in the Sierra and possibly the Oriente who produce other crops.

The basic objectives of this sector, as enunciated by the National Planning Board, are:

- 1) Increase and redistribute income;
- 2) Supply internal and external demand for agricultural products, including import substitution;
- 3) Reorganize the "economic space" (which implies adjustment of the land/people ratio, or land reform).

Our program collaborates by concentrating on two objectives: increasing rural income and increasing production of selected crops. All elements of the program address one or both of these objectives.

1) Cooperative Bank Loan This AID loan for \$1,200,000 provides financing to agricultural cooperatives and credit unions for farm equipment, irrigation equipment and other agricultural inputs so as to increase the production of cooperative members. The loan is directed toward the basic GOE objective of increasing production for internal consumption and for export. We are also planning to negotiate for this purpose PL 480 Title I funds in the amount of \$400,000. Through providing additional seed capital for the Cooperative Bank, it directly supports the cooperative movement. Approximately \$300,000 have been disbursed as of June, 1972.

2) Agricultural Cooperatives This grant project provides technical cooperation under a contract with the Cooperative League of the USA (CLUSA). Commencing in 1965, the project involves the organization of new agricultural cooperatives, the strengthening of existing ones and the creation of regional and national organizations capable of carrying on the work of cooperative development. Currently, most of the effort is directed toward developing marketing and supply service components in the operations of the two major agricultural cooperative federations.

3) The Land Sale Guaranty Loan for \$3.6 million responds to an identified need to marshal domestic resources along with foreign capital to promote land reform. The project is limited to beneficiaries--rice farmers, generally--in the Guayas Basin. The National Planning Board had designated as its first "strategic project" the following: "Agrarian reform in the rice areas of the Guayas Basin." In the Land Sale Guaranty loan project emphasis is on the voluntary nature of the transaction between the land owner on the one hand and a cooperative of landless campesinos on the other, with the private bank in between. The loan project provides a guarantee that the seller will be paid and provides production credit and technical assistance to make the cooperative capable of paying.

4) Agricultural Marketing By means of a contract with the International Development Foundation (IDF), 20 cooperative marketing organizations with an average membership of 45 small farmers and cattle owners have been established since 1969 in two provinces near Cuenca. The cooperative marketing of wheat and cattle has demonstrated once again that the small farmer can obtain a fairer share of the market price, but it does little or nothing for his basic problem--a lack of land resources. This project concluded on schedule at the end of June, 1972. The IDB is considering a GOE request for a \$4.2 million loan to help in the development of agrarian marketing cooperatives and the German Government has indicated an interest in providing technical assistance in this field.

5) The Credit Unions project has received USAID financial assistance and technical assistance (through CUNA) for almost ten years. From virtually nothing, the National Credit Union Federation (NECCAF) has developed a solid base of 257 credit unions with 65,000 members. The credit union movement is by far the strongest single piece of the cooperative subsector in Ecuador, and it now speaks with a voice of its own. Probably it can be credited with some of the presently favorable GOE attitude toward the development of other aspects of the cooperative movement. USAID assistance is scheduled to terminate with the FY 1972 funding. As a result of a mission assisted evaluation of the Directed Agricultural Production Credit program, which pointed out the need for and utility of additional inputs in order to increase its effectiveness, we plan some limited support, perhaps through the agricultural co-op project.

6) The Agriculture Development and Diversification Loan for \$7.7 million, provides credit and technical assistance to individual farmers in edible oil seed (import substitute), cash export and castor bean

production (oil export), as well as in related marketing activities. Hence the loan assists the GOE toward its basic objective of supplying internal and external demand for agricultural products. This loan's activities will be confined mainly to the Guayas basin, which GOE has identified as a priority development area.

7) PL 480 Title I loan financed activities. The recent agreements were the one of June 30, 1969 which generated local currency in the equivalent of \$1,438,000, and the one of June 30, 1971 which will permit programming local currency in the amount of approximately \$3,000,000. Under the two agreements, the GOE agreed to invest the funds in activities to increase per capita food production, strengthen agricultural credit institutions, support improvement in the marketing and distribution system for agricultural products, encourage private sector investment in agro-industries, improve extension and research facilities, and strengthen systems of collection and analysis of statistics. A third PL 480 Title I loan which will probably generate local currency equivalent to about \$5.5 million is currently under negotiation. The Mission will continue to recommend that the GOE consider concentrating these resources on selected areas such as health, cooperatives development, education, and the agricultural census. Interest in the latter activity has led GOE to develop an application for an AID loan to finance the dollar end a portion of the local costs of the census, and a related sector analysis for agriculture which will utilize the information from the census.

8) The AID loans are supported and complemented by the Agricultural Production agrant project which was designed to serve as a vehicle for planning, implementing, monitoring and evaluating the loans. The grant project supports activities related to coordination and training, financing activities that tend to eliminate "bottlenecks" in implementation, and financing demonstration programs not feasible for loan financing.

Although we have IRR approval for a \$10 million agricultural credit loan, we have not included this in our loan planning levels for FY 73-FY 74 because of interest expressed by other lending agencies. The IDB (per AIDTO A 25) is currently considering an agricultural credit loan to the National Development Bank (BNF) as well as several related loans. The IBRD has already begun field investigation of the BNF application for an agricultural credit loan which could be as much as

\$12 million. If these projects are not sufficient after their scopes are better defined, we will be able to judge whether it might be appropriate to resume processing the proposed loan in light of actual credit needs.

Industry/Urban Sector

The priority development problem identified by the Mission and attacked, principally in this sector, is to cause to be created annually some 80,000 new urban jobs. Assistance by the Mission in this sector has its ultimate goal as job creation, increasingly, it is hoped, in the country's secondary cities.

Since AID and the other donors can not be expected to finance the capital requirements, estimated at \$300 to 400 million annually in net investment, to achieve the required job creation rate, indirect methods are necessary; thus the shape of the present AID program:

1) An important activity under the program, now being brought to a successful conclusion is our work with CENDES, a combination productivity center and investment promoting institute. Now a viable, independent entity, CENDES has an impressive record of investment promotion based on feasibility studies it has made. CENDES will continue this work, securing whatever foreign technical expertise it needs from other donors, especially the U.N. group.

2) In order to permit Ecuador to take advantage of the wider (essentially import-substitution) market available to it under the Andean Group arrangements, a national standards institute, INEN, was formed with USAID collaboration. The wider market is necessary for a healthy industrial climate. Investment has been held back by the small size, both in numbers and in purchasing power, of the present domestic market. Thus, cooperating with INEN in establishing and enforcing standards required of Andean Group commerce will make manufacturing more attractive in Ecuador and lead to more employment.

3) Another factor that has limited the expansion of manufacturing and employment is a shortage of well-trained managerial people. USAID has cooperated in the establishment and is assisting executive training institutes in Guayaquil and in Quito which offer training to upgrade managerial skills.

4) In order to improve city planning so that the country's cities can grow efficiently and absorb, with minimum disruption, the migration from rural areas, assistance is being given, through the National Plan-

ning Board, to various municipalities. Efficient growth of the country's primary and (increasingly) secondary cities is required if sufficient jobs are to be found for the rapidly growing labor force.

5) The housing guarantee program is related to the job creation problem in that it provides employment in the construction sector, much of it requiring low-skilled labor, and increases the attractiveness of urban conditions in general.

6) A \$5.1 million AID loan for small enterprise assistance was recently signed. The program was undertaken to demonstrate to the banking system and the country as a whole that it can be good business to emphasize the expansion of small, labor intensive industries, many of them in the smaller cities. Expansion of these small enterprises is one of the more promising avenues leading toward a high rate of employment generation.

7) Donors have collaborated intensively to help increase electric power in the large urban centers. The IDA loan of \$6 million for the Quito project is being augmented by a \$2.4 million credit from Japan. The IDB has lent \$27.7 million for the Pisayambo (Quito) and Paute (Guayaquil) projects, and the British Government has lent 805,000 pounds for the El Ambi project. France is financing a national electrical training center. The AID loan of \$3.55 million, signed in May, 1972, will provide power to industry located in certain smaller cities of the rural system. The Peace Corps has agreed to assign management and technical personnel to help implement this project.

The Industry/Urban program, in the near future, will continue to focus primarily on building the structure needed for creating jobs at the required high rate; specifically:

1) We will cooperate with the Ecuadorean Export and Integration authority in developing an export strategy. An AID loan will be considered that would provide seed capital for increasing non-traditional i.e. manufactured exports. The program will be oriented towards creating new markets abroad, and thus new jobs in Ecuador. Several feasibility studies financed under the AID Feasibility Studies loan may contribute to this effort.

2) A secondary cities development loan will be proposed. Its purpose will be to divert some of the rural migration from the principal cities to the secondary cities and to make these secondary cities more effective purveyors of urban services to the rural inhabitants in their

vicinity. The loan will help set up a mechanism for improving local government finance and planning, and provide seed capital for development inducing investments in the secondary cities. On-going technical and loan assistance programs will give increasing emphasis to the job-creating task in these secondary cities.

3) A low income housing program will be loan considered to demonstrate that serving the low income market can be good business, not only creating jobs but also increasing the ability of the cities to absorb migrants. The demonstration projects would be located in the major and secondary cities. The goal of the project is to get Ecuadorean financial institutions to enter this large and growing sector on a large scale level.

Education Sector

Two subsectors have been chosen for our collaboration with the Ministry of Education: primary education and nonformal education. The program will include the continuation of projects to develop basic texts for the primary level and to train teachers in their appropriate utilization. The appropriateness and ability of the USAID to participate in pre-service training will be further evaluated. The USAID will collaborate in the development and testing of new methods of providing relevant non-formal education to those who have not or cannot have the benefit of formal schooling. The secondary and university bookstore activities carried on with RTAC assistance will be carried to their successful conclusion.

Our present education development program assists the GCE in overcoming critical weaknesses which other donors are not able to address. The planned education sector analysis will help determine further the appropriateness of the efforts. Success in the development of good primary textbooks is largely due to our special capability of combining loan, grant, and PL 480 I resources to achieve an objective. Under a grant funded contract, the University of New Mexico has provided technical assistance to the Ministry of Education in creating a textbook production center. Under the Primary School Improvement Loan, textbook writers have been trained in the U.S. and production costs provided. PL 480 I generations have been made available in direct support of the Ministry Textbook Department. In addition to helping train teachers in the proper use of the new textbooks, we also cooperate in several ancillary activities, i.e. improving both the supervisory system and school administration and developing an audio-visual department and a national library service.

These activities are listed as priorities in the GOE National Education Reform Plan, and one of them, primary textbook development, is one of two projects that the GOE seeks to have centered in Ecuador within the Andean Region Pact Programs (the other being school construction). We are helping to develop a planning and managing capability in all the programs as well as a guarantee of efficacious continuity. Within the textbook project the first three primary series books in Math, Reading and Science have been completed and the Ecuadorean writers are presently receiving advanced training in order to complete the full six grade series of texts and teacher guides. Twenty one teachers have been selected to provide nationwide continuous in-service training to primary teachers and supervisors through the Ministry Teacher Training Center. A pre-service (Normal School) training program that would have a similar permanent service function, is under consideration. The MOE plans to implement shortly recommendations for the improvement of the supervisory system that will permit the assignment of a limited number of tasks to each national supervisor and in turn allow the MOE Teacher Training Center to prepare him for carrying out those tasks.

Lack of sufficient technical and administrative preparation as well as lack of continuity within the Ministry have prevented a more rapid development of planning and managing capabilities. The Mission has coordinated with private institutions working in this area, in particular the Ecuadorean motivational training center, which has provided psycho-social inputs. The USAID has been coordinating with other donors, where feasible. An IDA Loan Project of \$5.1 million serves to build, equip and train the staff of 20 high schools, some of which are normal schools; several UNESCO and one OAS expert provide TA for this project. The USAID education officers and the above advisors meet periodically and are developing collaborative activities in the areas of normal schools, audio-visuals and the national library service. As a result an integrated approach is developing in which the USAID is concentrating on GOE priorities at the primary level and the IBRD similarly at the secondary one, coordinating the use of available resources.

Three additional education development programs address the need to find new funding sources to provide adequate education service in the face of the increasing cost of education, by helping to establish self-help mechanisms.

RTAC and the USAID have assisted the GOE in establishing a National Association of University Bookstores which provides up-to-date learning aids at cost, enabling students of low means to purchase them.

The Ministry of Education bookstore provides a similar service for the secondary and primary levels. The educational credit institution, created with the help of our seed capital loan, provides long-term low-interest loans to individuals of scarce means who wish to specialize in areas of need for development where a manpower deficit is projected. Thus, the three programs aim at the strengthening of a segment of the educational system which is supported directly by its beneficiaries, at the same time improving the quality of instructional materials. Furthermore, the educational credit lending and placement office will not only help the GOE meet some of the social demand for education but also help it obtain a more equitable income distribution through access to education and opportunities. The other donor agencies have expressed great interest in the program, in particular the educational credit project. This interest should help to implement their participant training programs, as well as the preparation of other staff of the donor assisted institutions.

Health and Population Sector

The activity in which the USAID will continue to participate will be primarily to develop the infrastructure and trained personnel needed to make feasible smaller and planned families. These activities will be combined with certain facilities which will enable better care of the children for whom families do plan, particularly as regards their nutrition and relief from such debilitating diseases as polio and malaria.

To ignore the clinical, psychological, financial and political relationships between Family Planning and other sub-sectors of health would be both logically counter-productive and strategically disastrous. Our concern for the small, planned family must be matched, in some degree, by a demonstrated concern for the survival, health and productivity of its young members. Our concern is based primarily on three assumptions: a) most parents will not practice family planning until survival is assured for the children they want to have; b) the health and well being of small children are indispensable prerequisites for personal and national development; c) as in many other Latin countries, an exclusive interest on our part in Family Planning could easily provoke Ecuadoreans to psychological and political resistance to the program. In cooperation with the GOE, therefore, we plan to continue activities designed to address what we regard to be a development problem in Ecuador - the health and well being of infants and young children. Ecuador, in addition to having one of the highest rates of population growth on the continent, has high incidences of infant malnutrition, infectious disease and thus, infant mortality.

By FY 1974, we should be in the second year of a nutrition project, supported in part by the existing Food for Peace Program (Title II). We should also be in the final year of a polio eradication campaign, which in turn will have released OGE resources for a new measles vaccination campaign. Also, by FY 1974, the direct AID loan and PL 480 Title I support of the Malaria Eradication Program should be completed.

It is likely that we will cooperate in a study of the health sector during FY 1973 or 74 to determine more precisely the relationships between certain aspects of public health in Ecuador and family planning. Pilot activities now underway in the training of para-medics and in nutrition may indicate the need for greatly expanded rural health delivery systems. Such a need will require loan funds, probably of an innovative type of which AID seems to be the only source. Nutrition, health and education must progress together for maximal economic development and as an added incentive for parents to practice family planning.

Family Planning (Responsible Parenthood)

The present high rate of population growth, 3.0%, has and will continue to produce strains on the Ecuadorian economy's capacity to develop and utilize human resources while adequately meeting human needs. The current high fertility rate will increase the ratio of dependent children to labor force from 1.46 (1970) to 1.51 (1980). The present growth of the school age population, near 4% annually, can mean that, of the 2.4 million school age children projected for 1980, only 1.37 million could be accommodated by the primary schools at 1965 quality-of-education standards. The labor force is growing rapidly, from 1.9 million in 1970 to a projected 2.7 million in 1980, with but little hope that the increase can be absorbed productively in either agriculture or industry. Population pressure on the land is not moving people to jungle frontier, but has resulted in a steady flow of migrants to the large cities where the quality of life is threatened by worsening conditions in housing, health facilities and other public services.

We are helping to reduce birth rates by collaborating in introducing effective delivery systems for family planning services into the existing and developing public health infrastructure. Increasingly centered and coordinated in Ecuadorian institutions, this infrastructure is assisted not only by AID, but also by other donors such as IPPF, Pathfinder and PAZO. The Population Council, UNFPA, and others are potential contributors in the near future. Communication and promotional programs are being developed for target

groups. These activities are backed up by the development and support of administrative and coordinating bodies and the implementation of research, statistical, evaluation and training programs.

Through USAID cooperation, Family Planning services are being introduced into health clinics sponsored by the Ministries of Public Health, Defense, and Social Welfare. Other public and private services are also assisted. A Population Department, as well as Evaluation and Audio-Visual Production Units, has been formed within the Ministry of Health to administer programs. Related sex education and cancer detection programs are supported. A Family Planning Training Institute is being formed to provide high quality, low cost, in-country training. A Demographic Analysis Unit within the National Planning Board will compile and analyze data pertinent to population policies and national planning. It will also assist in taking a 5% census sample from the 1972 National Population and Housing Census. Several channels are being developed for disseminating Family Planning information, techniques and materials being developed by the Audio-Visual Production Unit. One potentially effective means may be an increasing utilization of the 500 employees and 6,000 voluntary collaborators of the National Malaria Eradication Service who might provide referral services and education to rural people in their own homes and communities. This may be made possible as the completion of the attack phase of the AID loan supported malaria eradication program reduces the need for their present services. At the minimum, 80-85,000 women will be using contraceptives by the end of the project, reducing the birth rate from 43 to 38/1,000, and an effective infrastructure will be in place to maintain the downward trend.

Nutrition

An important factor in the health and well being of infants is good nutrition. Nutrition affects and is affected by numerous facets of national life. It conditions mental and physical development during critical periods of gestation and infancy; it affects attendance and alertness in school and places upper limits on capacity to do physical labor in adult life. Malnutrition increases susceptibility to infectious diseases and is in turn made worse by infections. Critical in the development of human resources, good nutrition is a necessary condition for optimal utilization of education and training and for improved health status. The Nutrition Office/TAB has sponsored in Ecuador a nutrition (sub-sector) systems analysis through a private contractor, the American Technical Assistance Corporation (ATAC). UNICEF is also sponsoring a

[REDACTED]

multisectoral study of nutritional problems in several South American countries, including Ecuador, with the intention of assisting in the development of national food and nutrition policies. Further, AID/W is supporting a demonstration mass media campaign in Ecuador to test its efficacy in nutrition education. Conclusions which are expected shortly from these studies should indicate the most promising steps toward reducing infant malnutrition.

The Nutrition Project is to assist the GOE to help restructure, reorient and strengthen the present National Nutrition Institute. Complementary training and technical assistance inputs are made available from PAHO, UNICEF, and FAC. Swiss technical assistance is planned for a \$350,000 project for the creation of a research, control and professional training center in the field of human and animal nutrition. Significant collaboration has been achieved with the Ecuadorean Government and with interested multilateral and bilateral agencies in developing a four year project to enable it to begin in FY 1973.

Polio Eradication and Measles Vaccination

The Minister of Public Health recently has officially requested USAID to assist in eradicating polio. This would involve a three or four year cooperative program. The GOE has already committed itself in writing to undertake a new measles vaccination program, with assistance promised by PAHO, if USAID can cooperate in the eradication of polio. The elimination of these child-killing diseases will increase parental confidence in the survival of young children.

Internal Security Sector

The last area of concentration covers certain phases of public safety including preservice and in-service training and advice on overall administration of the internal security system. Collaboration in the improvement of communications and administration must be continued to the extent appropriate and acceptable. Consideration will be given to technical assistance to the customs police. Competent, responsible and humane enforcement of the law is essential to help bring about the social climate of stability and security necessary to political and economic growth. The destabilizing factors of subversive violence and terror and other efforts to force change through violence are antithetical to orderly national growth. If the Police are efficient, honest, and concerned with individual rights, the Government will tend to be judged honest, efficient, and concerned with the welfare of its citizens.

[REDACTED]

If the Police are corrupt, inefficient, frequent violators of individual rights and do not accord equal, respectful treatment to all people with whom they have contact, the Government will tend to be judged inefficient, corrupt, and unconcerned for the rights and welfare of its citizens. Crime, although not accurately measured, continues at a high level in both urban and rural areas. The inability of the police to reduce both residential and commercial theft and burglary in urban areas requires citizens to take extraordinary means to protect their property. In some cattle raising provinces, rustling is a serious economic problem to both small and large cattle raisers. The ratio of policemen to 1,000 population is slightly over 1 compared to a ratio of almost 4 to 1,000 population in some countries. The investigative capability of the NCF is limited by lack of trained personnel, transportation, communications, adequate records and information systems. In order to maintain an adequate internal security climate the National Civil Police must increase substantially its ability to deter ordinary crime and to identify, apprehend and obtain sufficient evidence to prosecute criminals and subversives. The Police receives no other foreign technical or financial assistance.

Major obstacles that the USAID is cooperating with the National Civil Police to overcome in its efforts to develop the capability of maintaining an adequate level of internal security, and to which its own current and planned programs are directed, are: 1) inefficient administration; 2) inadequate mobility; 3) inadequate communications; 4) low level of competence of personnel at all levels, but particularly at the operational level; and 5) insufficient number of police.

1) Administration. Budget requirements do not originate from where the need exists in the service and line units, but are guessed at by top levels. Since many requirements are not included in the regular budget, major equipment purchases are made from special requests for contingency funds. No manuals or written policies and procedures for operational activities exist. Personnel deployment is largely out of balance with actual requirements. Too high a percentage of personnel are assigned to secondary tasks (30-40 per cent) and they are geographically maldistributed. The method of filing crime and arrest records does not provide the data necessary for rational distribution of manpower on the basis of actual need.

2) Mobility. The National Civil Police has approximately 259 vehicles, most old and in need of overhaul or replacement. Even with the 100 U.S. sedans now on order for patrol vehicles, the fleet will

be inadequate, even if good preventive maintenance and repair were provided. The problem is compounded by rough roads. The Police has no planned vehicle replacement program and has not been able to budget funds for repair, spare parts, and replacement.

3) Communications. The existing mobile radio networks in Quito and Guayaquil and the fixed station command network, which are 10-12 years old, require a great deal of maintenance. Some of the units are obsolete. The present communications program calls for replacing the two nets for Quito and Guayaquil by the end of FY 73. Project plans for FY 1973 will include the updating of the present National Civil Police point-to-point radio system. Twenty-one new base station radios will be jointly purchased by USAID/NCP for installation at Provincial Headquarter locations. The existing radio equipment in this system will be relocated to lesser important locations or phased out, depending on condition.

4) There is a low level of competence of personnel at all levels, but particularly at the operational level. USATT will continue at least through FY 74 providing technical assistance, training aids, and textual materials for basic, refresher, and specialized in-country training at the existing NCP training institutions and at units throughout the country by means of mobile training teams utilizing former USAID participants as instructors.

5) Insufficient force. Although the NCP are attempting to add 1,000 men per year to their strength, low salaries have made it impossible to recruit 1,000 men above their annual attrition of 300-500. In 1971 they were able to obtain a net increase of 500. It is estimated that in 1972 they will obtain a net increase of 700. USAID will continue to provide technical advice on recruitary techniques.

Customs

In the last ten years USAID has made several attempts to cooperate with the GOE on improvement of Customs Administration and Customs Police. Political interference, special interests and rapid turnover of politically appointed personnel, however, have made the results less effective than believed necessary to justify continued collaboration. The GOE has promised reforms including reorganization and creation of a career personnel system, and has asked for assistance. If these reforms are in fact carried out, USAID will consider cooperation with them to help improve the collection of revenues. The only technical assistance to the Customs Service is one USA expert in customs legislation.

MULTISECTOR ACTIVITIES

Several activities do not fall precisely into specific areas of concentration, but contribute to more than one development problem. For example, we have collaborated with the GOE in establishing a new development financing mechanism, the Central Bank Trust Fund. This institution, designed to mobilize internal and external investments for development lending in several sectors, is already administering AID and IBRD loans in the agricultural and industry sectors. Also, a highway maintenance loan proposed for FY 74 would assist the GOE to strengthen public works capability to maintain the main road network essential to agricultural marketing, industrial development, and internal security. Residual activities serving several sectors, such as feasibility studies and assistance to the Ecuadorean domestic Peace Corps, will be continued to the termination of present commitments or loan disbursements. As the priority development problem phase becomes completely operational, however, we expect no new activities which are not considered necessary as integral elements of efforts toward resolution of selected problems.

III. The GOE Plan, and Planning Capability

At the time the Military ousted Velasco Ibarra in February, 1972 the National Planning Board was preparing a new 5-year development plan for the country. Development Planning had not prospered under Velasco and the previous effort of the NPB, the Five Year Plan for the period 1968-1973, was never officially accepted by the government. Very little is known about the status of the plan as of the time of the change of government. We do know, however, that it is being restructured and re-focused to put it into conformity with the philosophy of the new Military Government.

On March 10, 1972 the President of the Republic, General Rodríguez Lara, announced an extensive Philosophy and Plan of the government. The document, which is not an action plan as such, provides a good idea of where Rodríguez thinks the country should be going even if it does not make it obvious as to how he is going to get it there.

With regard to specific key sectors of the economy, the following general policies were announced:

In agriculture as a complement to the structural change in land ownership the government will take necessary actions to achieve a

rapid extension. Emphasis will be given to the diversification of crops with emphasis on eradication of malnutrition and on providing technical assistance and credit to the farmer benefited by agrarian reform and colonization.

The industrial policy of the government will be to convert the sector into the most dynamic part of the economy by taking advantage of import substitution possibilities, and export industries. Both will be created with the financial assistance of the government. Priority will be given to intermediate and capital goods industries. New poles of development will be created. The productivity of the artisan sector will be raised by the provision of technical assistance, credit, and training. Tariff and other tax protection and incentives for industries will be oriented towards lowering costs of production for the benefit of the consumer. Scientific investigation will be encouraged in the country in order to reduce dependence on foreign technology. The nation's petroleum policy will be based on rational exploitation and maintenance of reserves for the future without overlooking the need for just returns on private petroleum investments. External trade policy will concentrate on diversifying exports and the selected control of imports so as to avoid in the future the part dependence in the balance of trade on primary agricultural exports and petroleum.

In regard to social policy the government is tremendously concerned with improving the conditions of life of the great mass of Ecuadoreans outside the labor and income structure who do not receive the economic and social benefits profits that result from the nation's growth. All sector policies, therefore, are designed to achieve a significant increase in real per capita income and effective participation of the vast majority of citizens in the system of social, economic and political decision making. The utilization of human resources of the country will be improved by emphasizing in the growth policy the creation of jobs and the reduction of unemployment. Internal migration will be channeled towards priority areas in the coastal area and the oriente.

Efforts in the field of education will go to extend opportunities for primary education to the entire school age population. The superior and secondary systems will be oriented towards present and future manpower requirements. All forms of illiteracy will be eliminated in the shortest possible time. Youth with scarce resources will be given economic assistance to continue their education.

E C U A D O R

SECTOR ANALYSIS ACTION PLAN

Education

1. Rationale for selecting the education sector

The extremely low level of education is one of the major inhibitors to rapid economic and social development. Growth in the industrial sector requires at least functional literacy in the labor force, and puts increasing demands on the education system for professional and skilled workers. The half of the population living on the very margin of the economy are kept there in part by their low educational status.

In 1965, there were 1-1/4 million illiterates in Ecuador--the reported rate of 35% is probably too low. A significant percentage of adults has never had any formal education or training. 43% of the present primary age children are not receiving any education, and many more are acquiring only a minimum of education. Much of what is taught throughout the country is often not very helpful to future work and life. At the same time the nation has very limited resources which have to be divided among education and the other needs of the people.

Conditions are good for an in-depth analysis. The present new administration appears to be genuinely concerned, and expresses interest in restructuring the education system. Other donors, notably UNESCO, OAS and the Germans, have demonstrated interest in collaborating on a study, have attended exploratory meetings, and have indicated willingness to share in programs growing out of it.

An analysis of the education sector will develop the following:

- (1) Focus the attention of the Ecuadorean policy makers on the problems and potentials of the education sector.
- (2) Systematically consider the education system from the point of view of a comparison of national needs and resources available, now and in the future.
- (3) Evaluate existing education programs from a broad cost-benefit point of view, in which costs include finances and human resources while the benefit include economic improvements as well as personal learning and development, and therefore make more effective decisions regarding investment levels, allocations, policy and operational matters, including the measurement of the impact of alternative programs and resource levels with regard to their effectiveness, quality and the access to employment and greater opportunities that they promise.

- (4) Develop a comprehensive and detailed strategy, with consistent articulation between priority problem description and ranking, binding constraint identification, multi-year planning projections, policy formulations, yearly resource allocations, and operational work plans.
- (5) Determine management and reorganization needs of the Ministry of Education and other education entities, and the educational planning, data collection and management, research, evaluation, experimentation and information capability of the Government of Ecuador.
- (6) Assure the coordination and evaluation of all activities, those of international and other donors as well as of the various parts of the Government itself.

2. The reasoning behind the methodological approach

The approach will permit the identification and ranking of priority development problems, measure the impact of alternative resource levels and allocations on the key goals or targets of the sector programs. The analysis can measure the effectiveness and quality of those programs, and identify binding constraints to carry out the sector programs so that appropriate policy, organizational, personnel and funding changes can be made to overcome the constraints. The approach will also provide, to the extent possible, quantification of inputs to and expected outputs of the sector programs so that management information systems can be designed and used to follow progress, identify shortfalls and problems, and assess efficacy in a periodic and timely manner.

3. Manpower and Costs

It is estimated that 12 months will be required to complete the analysis although the need to train GOE personnel to help it develop an appropriate capability to plan, manage and implement the analysis, and meet its objectives, such as setting its own priorities and taking responsibility for planning and managing its development programs, may prolong the study another 6 to 12 months. It is expected that the MOE will need to provide 5 full-time equivalent professional level personnel, as well as more to be drawn from other GOE entities, in particular the National Planning Board.

Given the present low capability of the GOE, it is estimated that the following manpower inputs will need to be provided to it from mission direct-hire, contract or PASA staff or IAD/W TDY:

Design of sector analysis	1 mm
Coordinator	12 mm
Administration, management and organization	6 mm

Budgeting	3	HR
Educational economics	3	HR
Data management	3	HR
Teacher training	3	HR
Curriculum	3	HR
Educational technology and instructional materials	3	HR
Behavioral sciences	6	HR
School architect	3	HR

The estimated total technical assistance subcost, including living allowances and transportation is \$130,000.00.

The estimated cost of supporting services are as follows:

Secretarial help	\$ 5,000.00
Equipment and supplies	10,000.00
Local travel and per diem	5,000.00
	<hr/>
Sub-total	\$20,000.00

It is estimated therefore that the total cost to AID will be \$150,000.00.

4. Time Table

- (1) An MOE/USAID ad hoc committee of 4 MOE staff members, one from USAID has been compiling all the available and pertinent documents and data. This preliminary activity will be completed June 1, 1972.
- (2) June 2-4, an AID/W TDY will help the mission develop its strategy and refine its estimations of time, personnel and cost implications, as well as aid the GOE, together with Mission staff, develop a new draft on the objectives and methodology of the analysis, and make preliminary estimates of its time, personnel and cost implications.
- (3) In mid-June an AID/W TDY will spend 6 to 8 weeks in Ecuador to analyze available data, help determine data gaps, and train GOE staff in data gathering and management techniques; during this period the staff of the MOE/USAID ad hoc committee will compile the data found to be required.
- (4) July 1, 2 AID/W TDYs, together with mission staff, will help the GOE draft the definitive objectives and methodology of the analysis, work plan and estimates of time, personnel and cost implications. The GOE will then proceed to identify,

select and appoint its required staff, and undertake any needed partial reorganizations, such as the establishment of a research and evaluation unit. The analysis will then be carried out, the identification and selection of the coordinator completed and the remaining USAID provided staff recruited as per the implementation of the work plan.

- (5) It is estimated that the analysis will be completed by July 1, 1973 although, as explained in 3, it may take longer.

The USAID staff will carefully monitor the activity and an evaluation process will be worked into the program.

USAID/Ecuador
June 30, 1972

5/1

E C U A D O R

SECTOR ANALYSIS ACTION PLAN

Agriculture

1. Rationale for selecting the agriculture sector

The agriculture sector constitutes a highly important factor within the Ecuadorean economy. About 68 per cent of the population depends directly on the agriculture sector for its living. The sector contributes approximately 93% of the exports and it generates more than one-third of the gross internal product. About 90 per cent of the volume of products destined for the internal market, for use as food as well as raw products for industry, come from the national agriculture. Future growth in the industry sector will rely heavily on the agriculture sector to supply raw products, giving the agriculture sector a dual significance for the future of the economy.

Besides its unchallenged importance to the national economy, the agricultural sector is important in terms of people. These two basic reasons, coupled with the facts that much of the sector is stagnant, that the productivity per inhabitant is extremely low, and that 50% of the economically active population in agriculture receives hardly 14 per cent of the total agricultural income, combine to make the sector a strong contender for development resources, and would easily justify its choice as one of the sectors for priority attention.

2. The reasoning behind the methodological approach

Although there have been several studies of parts of the agriculture sector made by the UNDP, the IBRD, and the GOE, there has not yet been made a comprehensive study in depth that relates specific action plans to important development problems. USAID agrees with the Ministry of Production that the appropriate time has come to make such a study in order that the resources available, domestic, foreign, and international, can be utilized to overcome identified constraints to development. We plan to follow the sector analysis procedure, rather than the less complex procedures for survey or study, but with modifications to conform to the local scene. It is expected that subsectors will be clearly identified in which AID can concentrate in collaboration with the GOE and in harmony with other donors. Exact methodology will be decided upon as the ground work for the analytical process, with AID/W assistance, takes shape.

3. Manpower and Costs

Direct Costs	M/M	Cost
a. TDY (AID/W)	2	\$ 2,000
b. Contract (University or PASA)	<u>60</u>	<u>175,000</u>
Total Direct	62	\$ 177,000

Indirect Costs	M/M	Cost
a. USAID direct hire	12	\$ 36,000
b. GOE direct hire- professional	120	50,000
c. GOE direct hire- clerical	<u>360</u>	<u>36,000</u>
Total indirect	492	\$ 122,000
TOTAL COSTS		<u>\$ 299,000</u>

4. Time Table

January 1 to March 31, 1972:

- A. Preliminary conferences with GOE Planning Board personnel to determine interest in sector appraisal; explore possible ways of financing.

April 1 to May 31, 1972:

- A. Review of sector by Mission personnel
1. Prepare situation papers on
 - a. Production
 - b. Income distribution
 - c. Land/people resources
 - d. Rationale as to how our program now appears in relation to priority problems
 2. Prepare bibliography of publications on agriculture sector
 3. Select and inventory of tables of data on the sector
 4. Prepare tentative scope of work for sector analysis; scope to include Mission views as to contents and procedures
 5. Send selected documents to AID/W for review by TDY personnel prior to visiting the Mission.

July 1 to July 31, 1972:

- A. TDY Assistance, AID/W

- 3 -

1. Determine type of sectoral assessment appropriate to GOE needs. (Our present assumption is that it will be a full analysis, but this is subject to review).
2. Proceed as far as possible with conceptualization of analysis and develop revised scope of work.
3. Revise manpower analysis and cost estimated.

August 1 to August 31, 1972:

1. Review scope of study with GOE and revise in light of GOE interests, as necessary.
2. Inventory of GOE personnel who could probably be made available for the study.
3. Determine degree of interest and probable input of other donors (IDB, IBRD, FAO, et al.)

September 1 to December 31, 1972:

1. Obtain sector study coordinating committee of GOE and other donor personnel.
2. Revise and obtain final agreement on scope of work for analysis.
3. Decide type of financing required (grant, loan, PL 480 or combinations thereof) in conjunction with other donors.
4. Obtain additional TDY assistance from AID/W if necessary.
5. Prepare necessary AID program documentation for financing sector analysis.

January 1 to April 30, 1973:

1. Contracting period and mobilization of personnel.

May 1 to October 31, 1973:

1. Collection and processing of data.
2. Organize and carry out training courses for GOE personnel.

November 1, 1973 to June 30, 1974:

1. Complete analysis according to scope of work.
2. Complete training courses for GOF personnel.

USAID/Ecuador
June 30, 1972