

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



DEVELOPMENT ASSISTANCE PROGRAM

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ECUADOR

**DEPARTMENT
OF
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USAID to Ecuador

DEVELOPMENT ASSISTANCE PROGRAM

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A DEVELOPMENT OVERVIEW OF ECUADOR

A. Recent Economic and Social Development Trends

The discovery of large petroleum reserves in the Amazon basin of Ecuador in 1967 and the beginning of sizeable exports in mid 1972 has substantially changed the statistical picture of Ecuador's growth. GDF was estimated to be growing at an average rate in real terms of 5.2% in the 1960's. On a per capita basis this rate barely constituted forward motion and was well below Alliance norms. The growth rate in 1972 was estimated in real terms at 10%, and 12% is projected for 1973, much more acceptable progress and in excess of hemisphere goals.

The balance of payments picture has also brightened considerably. Foreign exchange reserves four years ago were only sufficient to finance two to three months imports. They are now sufficient for seven or eight months. Domestic revenues from petroleum will constitute almost a quarter of central government revenues in 1973. This has enabled the GOE to stop relying on Central Bank financing and, in fact, the government has reduced its indebtedness to the Central Bank.

This apparent arrival of good or at least better times tends to mask the fact that other sectors of the economy, involving the vast bulk of population, are not developing at such a rapid rate and the process of incorporating into the society that substantial element of the population, perhaps over 50%, who live in need, want, and ignorance and without the basic means to help themselves, remains exceeding difficult and slow moving.

The economy remains basically rural. Despite recent migration patterns most people still live on the land, even if they are not fully or productively employed. This situation makes more serious the fact that the rate of growth in the agricultural sector appears to have slowed down since the 60's. Per capita production may have, in fact, declined. Higher costs induced by inflation, uncertainties in both domestic and external marketing as evidenced by wide variations in prices for domestic staple crops as well as doubts regarding land reform legislation has tended to limit investments in agriculture. The export crops banana, coffee, cacao and sugar, have fared better as the world demand for food remains high. The production and sale of products for domestic consumption such as potatoes, corn, wheat and rice have shown less regular growth.

Growth in the other productive sectors of the economy, such as manufacturing and construction, has maintained a more dynamic rate and is currently estimated at 10% for 1972 as compared with an average of 8.5% in the 1960's. This growth, however, has not been nearly sufficient to meet employment needs and under employment remains high, estimated as much as 40%. This under utilization of manpower is probably growing in both urban and rural areas with the urban problem exacerbated by rural-urban migration.

The annual rate of population growth of 3.4% makes solution of this problem of lack of productive jobs exceedingly difficult as an ever increasing number of jobs must be created for new entrants into

the labor force. In addition the society is faced with the progressively mounting costs of providing the education, health care and other services and infrastructure which will enable the expanding population to undertake productive employment. Further, high population growth rate causes a slow decline in the average age. As the average age declines the proportion of the population that is potentially in the labor force declines and the proportion of non-producers requiring support and its attendant costs is increased.

The favorable turn in the balance of payment position while to be welcomed is obviously relative not absolute. If the amount of capital investment and other goods needed for significant increases in the growth rate were in fact imported, then the increased foreign exchange earnings would be far from sufficient. In fact it can be anticipated that apart from development efforts, imports will increase in response to internal inflationary pressures generated by oil activities and balance of payments pressures will again arise in a few years. Hopefully, a substantial portion of the pressure will arise because of development expenditures rather than enhanced consumption patterns of relatively small higher income monetized sector of the economy.

An analogous situation exists as regards the government budget. The increase in revenues has been suddenly quite large in comparison to previous levels but previously the budget was in fact, woefully inadequate, containing very little provision for capital expenditures or even maintenance. Failure to meet payrolls was a common occurrence

usually resolved by resorting to Central Bank borrowing. The budget even at the new higher levels still can be categorized as impoverished. Again the question arises: Can a significant portion of the new found funds be used to do the sorts of things which will more satisfactorily contribute to development for the marginados than has been the case heretofore?

Oil revenues accruing to the GOE are estimated to rise from \$120 million in 1973 to \$257 million in 1977 resulting in perhaps a total of \$2 billion through 1980. Obviously not all of this will be used for economic and social development purposes but hopefully and according to GOE plans a major portion will be. The amounts available for development should be substantial but seemingly less so when compared to basic development needs. For example, just meeting the employment gap existing at the moment could cost \$2 billion alone, if one estimates a \$3,000 investment as required to create a new job. In addition to the problem of creating jobs to fill the presently existing gap there are a net 80,000 of new jobs required every year to keep up with population increases. If new primary classrooms for 50 students each, could be built for \$2,000 per classroom (they currently cost closer to \$4,000) meeting the existing deficit would cost \$24 million and the annual increase to account for school population growth would be close to one million. Perhaps 35% of the population has access to minimum health standards and adequate care, to provide such services to the entire population would also cost many millions of dollars. Only 7% of the rural popu-

lation and 50% of the urban have potable water supplies. At least a quarter of the population, if not more, suffer nutritional deficiencies. When all the other economic and social development needs plus the supporting infrastructure requirements are totalled for a rapidly expanding population such as Ecuador, the results are astronomical. Obviously the discovery of new oil resources is not the panacea. It does not even remove Ecuador from the ranks of the relatively more needy in the hemisphere and it certainly by itself and without complementing actions, is no guarantee that the campesino in the Sierra nor the slum dweller in Guayaquil will have a better life.

The availability of oil resources does provide additional opportunity for international cooperation efforts, both bilateral and multilateral, to be more successful in their attempt to develop programs designed to make a start in breaking the vicious circle of poverty, low productivity, inadequate education and health and poor organization and low motivation for self improvement. It makes more counterpart available not only to finance joint efforts but to give the GOE a greater stake in their success.

B. Past and Present Development Priorities of the GOE

Specific and definitive priorities in the sense of an overall plan to date generally have not been clearly set in Ecuador. There is recognition of the multiplicity of unmet essential and interrelated needs- education, health, urban employment opportunities, housing, improved land tenure and production resources for small farms as well as infra-

structure requirements such as roads, water supplies, irrigation structures and electric power. There are also goals in terms of export level, equitable tax systems, etc. The rhetoric is impressive but the details of the action plans lack precision. Indication of de facto past priorities, however, can be observed by noting just what areas have received attention. It should be noted though that attention in terms of investment outside of petroleum, has been in large part a function of the willingness of external lenders to make loan funds available. Percentagewise, IDB, AID, and IBRD loans have gone to the following fields:

	1961 - 72	
	Amount (millions \$)	%
Agriculture	61.9	19.3
Transportation and Communication	57.0	17.8
Health (incl. water and sewerage)	55.3	17.3
Industry	40.4	12.7
Power	36.7	11.5
Housing and Urban Development	15.6	4.9
Education	15.5	4.8
Pre-investment	13.5	3.9
Other (incl. budget support)	25.1	7.8
TOTAL	320.2	100.0

Another indication of priority has been the creation of agencies to devote special attention to certain priority areas and issues, such as land reform, the development of water resources, foreign commerce and Andean integration and nutrition.

The Government has recently come out with the first phase of the 1973-1977 Five Year Plan. Thus far it provides few program details but it does provide global growth rate totals and investment amounts for various sectors. A goal of per capita annual growth of 6.3% (market prices) is set forth. The goal for growth in agriculture sector at 5.3% is more modest.

Manufacturing, construction and electricity growth goals are more substantial, 10-12% with petroleum projected at 41.3% per annum.

The lower growth rate goal for agriculture is primarily due to a more realistic assumption that it is harder to induce increased agricultural growth in a traditional society than to stimulate other areas of the economy. Considerable discussion is given to land reform* and the general problem of poverty, inadequate resources and low productivity in the rural areas. Attention is also given to the need for rational colonization programs though there is probably a very considerable overestimate of the capacity of the jungle Amazon basin areas to effectively absorb colonists and to produce crops. The coastal zone probably remains by far the best possibility to absorb the rural unemployed from the Sierra.

* A new law has just been promulgated and will be analyzed in the near future.

The Plan discussion also gives heavy emphasis to employment generation and projects higher growth rates for the non-agricultural sector. Investment in labor intensive industries is an essential feature of the discussion. An annual growth rate of 9.1% in new productive jobs is projected which coupled with anticipated productivity increases will produce an annual growth rate of 10.1% in the manufacturing sector.

The Plan also provides global figures as regards financing. The total amount required to finance the gross investment contemplated over the five year period is set at \$3.2 billion. National savings, estimated to rise from the 15% observed in the 1960's to an ambitious 23% during the Plan period, will finance 84.3% of the total gross investment contemplated in the Plan. The public sector will account for 40.2%, the private sector the balance. Revenues attributable to oil over the period of the Plan were projected in June, 1973 at \$1.1 billion, (which will change with price changes), in line with the \$1.3 billion designated for public sector financing. Despite the projected increase in the rate of private savings (from 8 to 12%) over the five year period, a net inflow of foreign loans (\$350 million) and investments of \$150 million will be required to maintain the rhythm of the Plan and balance of payments equilibrium. These figures are not out of line with projected IDB and IBRD plans for Ecuador, though the amount required will have to be increased by \$75 million to account for foreign loan amortization obligations. When profits and capital remissions are

direct investment are added to debt service nearly one-third of all exports are compromised, a figure not high by LA standards.

In general, the priorities set forth in the Plan relate to basic needs of the people. The Plan emphasizes the need to reach the "marginados", in stronger terms than similar documents heretofore, though without much detail as to how this will be achieved. In some cases growth rates are assumed that will make the Plan a success rather than the indication of a program to achieve them. The population growth rate problem is not squarely faced, in fact, it is hardly directly mentioned, and family planning is not discussed at all. Presumably this is so both because the GOE has no stated public policy on this issue despite public sector programs in at least four ministries, and because there are still elements in the Government who oppose such activities on nationalistic grounds or fear they could be criticized on this basis.

C. On-Going and Planned Government Programs and Financing and Strengths and Weaknesses

The GOE has programs of some dimension in practically all areas required for development. The degree to which they are adequately financed and the efficiency with which they are carried out varies.

Most all have operational shortcomings and even if successfully managed would not reach a large enough segment of the population to significantly affect the total population except as a guide to future action. Almost without exception every development program depends in

part and to varying degrees on foreign technical assistance. For far too many of the programs, lack of GOE counterpart has been, and still continues to be, a major shortcoming. As noted, the availability of oil revenues should ameliorate this problem.

The "Nationalistic Revolutionary" military government has been in office for over a year now. There seems to be increased emphasis on and greater concern for the lower income groups. Practical programs to do so, however, have not been developed to any notable extent, with the possible exception of the National Development Bank which has been given more funds to lend to smaller farmers and small businesses. In receiving these additional resources the Bank has shaken off some of the lethargy which formerly characterized its operations. The Bank is to be given a major role in the operation of the plan. The Government's public concern with land reform, even though the uncertainties generated may have reduced investment in agriculture, is another indication of a genuine desire for social improvement. Unlike the Military Governments of Peru and Brazil, what is lacking in Ecuador is a definition of development ideology and more specific guidelines for action.

The general desire to be more efficient, more honest and more socially minded than the Velasco government while resulting in some improvement is not enough to make an impact in the established ways of doing things as one finds in a traditional society like Ecuador.

Despite the existence of the National Planning Board since 1955 and their current planning efforts, present total development efforts are

little more than the sum total of the activities of the various ministries and agencies. Even coordination between existing related or potentially over-lapping activities in different ministries to date is not effectively carried on by the Planning Board. Whether or not the new plan can be made operative will be a real test for the military government.

The GOE development programs and institutions in the three sectors of USAID concentration are more fully discussed in the sectoral discussions that follow. In other sectors, the GOE's investments are emphasizing roads, both highways and feeder roads, power, industry, and housing and urban development.

Selection of new road construction and betterment programs are being rationalized through the completion of a Master Road Plan in which a U.S. consulting firm financed by IBRD participated. The Master Road Plan identifies the internal rates of return for some 6,350 kilometers of roads which would require an investment of U.S. \$390 million. This, of course, extends far beyond the five year plan goals, but provides a basis for selection of new road construction on an economic priority basis rather than through political influence as in the past. The Master Plan also ranks the economic viability of construction of feeder or penetration roads in different areas of the country. At the same time, the Ministry of Public Works has doubled its expenditures for road maintenance and a national vehicle weight control program is being implemented. An \$18 million IDB loan involving 343 kilometers divided among seven projects is currently being implemented and the GOE will

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seek additional external financing. IBRD has expressed interest in financing feeder roads and the paving of roads in the southern part of the highlands near Cuenca, Ecuador's third largest city. AID has received a request for \$15 million to finance maintenance equipment. We have indicated that such a loan is not within our areas of concentration but have suggested EX-IM Bank lending for appropriate elements of the request.

INECEL, the National Electric Institute, has been granted a substantial share of National oil revenues to carry out an expanded program of national electrification. During the five year National Development Plan it is estimated that INECEL's share of government oil revenues will be about \$115 million. INECEL's long range goal is to have a national power grid interconnecting all the major population centers as well as lesser ones to the extent finances permit. The National Development Plan contemplates the speeding up of construction of major hydroelectric projects proven technically and economically feasible and intensifying final studies and designs for nationwide or regional projects. It is also part of the Plan's goals to extend electric service to rural areas. Importantly, the Plan recognizes the need to revise the basis for computing electric service rates and establishing a national rate schedule that, while covering all costs, be as fair and as low as possible. The power sector is receiving substantial external financing from sources such as IBRD, IDB, the United Kingdom and A.I.E. A.I.D.'s collaboration is in a rural electrification project with emphasis on cooperatives and a feasibility study of a hydroelectric project.

The National Development Plan looks to the industrial sector to be "the most dynamic area of the economy" in order to achieve increases in employment and per capita income. It contemplates across the board programs in industries for import substitution, export promotion, agriculture products, construction materials, intermediate and capital goods, selected consumer goods, tourism, handicraft, and pharmaceuticals. In order to achieve a net new private investment in industry of US\$120 million per year, the GCE plans to strengthen institutions which directly or indirectly produce or encourage such investment. In this regard a new Ministry of Industry, Commerce and Integration was created in early 1973, and a \$1.5 million UNDP technical program has recently been initiated to advise the GCE on industrial policy matters and to assist in the transfer of technical knowledge to industries. However, it is still too early to judge the effectiveness of the GCE's efforts to achieve the Plan's objectives. Development credit for medium and large scale industry is available through the National Finance Corporation (CV-CFN) and a private financiers for which the IBRD has recently authorized a new \$20 million loan. An A.I.D. loan of \$5.1 is currently being implemented to provide credit and technical assistance to small scale industry. Continued USAID financed technical cooperation is being considered in export promotion. An industrial standards project is being brought to a successful conclusion with remaining balances from FY 1973 funds.

The housing sector is an example of the National Development Plan providing more rhetoric than a constructive basis for new programs.

Although significant plans have been announced, very little has yet been accomplished with respect to overcoming the large housing deficit, particularly for low income group members. The GOE, however, recognizes the need to make administrative and organizational improvements in its institutional structure for housing before channeling substantial new investments through it. A National Housing Board has recently been formed to determine policy and coordinate programs. Improvements are being made in the National Housing Bank (BEV) in such things as delinquency rates and financial management. In early 1973 BEV received 20 million sucres of new capital and another 50 million sucres are promised for 1974. The general bidding law has been revised so that construction contractors on any GOE project have to make deposits in BEV in lieu of providing performance bonds. In addition, bond issues of 225 million sucres for sale to banks and insurance companies have been authorized. A general policy announcement has been made that public investment housing will be aimed primarily at serving low income group members. However, the exact definition of the nature and size of low income housing projects has not yet been published. Meanwhile, several private savings and loan associations have encouragingly announced plans to promote projects including homes as low as \$4,000. The only externally financed program currently being implemented is an A.I.D. HIG activity through the BEV for the savings and loan associations. IBRD has expressed interest in BEV's inquiry about a large sites and services program principally in Quito. BEV has also indicated its intention to request additional HIG funds.

The five year National Development Plan recognizes the responsibility of the national government to assist the development of all urban centers, from the smallest to the largest, and focuses on the need to: (a) generate sources of urban employment; (b) channel migration to secondary cities; and (c) undertake urban reform designed to achieve a more national use of land through planning, taxation, expropriation, and legislative controls. The plan sets forth a specific objective of assisting 14 cities in formulating and implementing urban development plans, including fiscal reform measures. To date, only Quito has progressed to the implementation stage of a significant urban development program. The IDB in August 1973 signed a U.S.\$14.3 million loan to assist the Quito municipality with the portion of its plan concerning the construction of sewers, streets, and markets. A.I.D. is currently phasing out its small program of technical assistance to Quito. The municipality of Guayaquil is presently seeking external financial assistance from IBRD to help carry out its investment program of some US\$40 million.

Total public annual investment development programs excluding petroleum perhaps now total approximately \$70 million of which about 20% comes from external sources, primarily IDB, AID, and IBRD and 80% from domestic sources. The GOE is attempting to channel more private domestic revenues into development areas by requiring the private banks to either invest directly a portion of their portfolio in development activities or to purchase bonds whose proceeds will be used by the GOE for these purposes.

The GOE's contribution from its regular budget for capital expenditures budget is only \$80 million. Its debt service payments, however of \$74 million make possible the use of external resources. PL 480 Title I proceeds are used for development purposes though not entirely for capital expenditures.

As can be seen from the above, in conjunction with the description and analysis of the USAID activities contained in the sections that follow, the USAID program is increasingly selective in its areas of concentration. Despite a declining TC level, a reduced staff and no immediate prospects for new loans, it is anticipated that the USAID program will continue to occupy a crucial role in key areas with the potential for channeling additional resources well in excess of the USAID input into development areas. This is particularly true where the creation of new or the strengthening of existing institutions is essential if progress is to be made toward reaching a portion of those elements of the population so far left out of the society. USAID has demonstrated a unique ability in Ecuador to assist in the building of institutions with potential for channelling resources into development needs. The multinational lenders have been less involved in institution building but have used institutions started with AID loans and technical assistance as channel for subsequent lending. The two sources of international resource and technical transfer are highly complementary. Neither replaces the other.

As discussed below, PL 480 Title I and Title II availabilities can make a significant contribution to Ecuador's development and to USAID's effectiveness. Title I loans release oil revenues and other GOE foreign exchange for the importation of investment development needs as opposed to current consumption. The Title I proceeds can provide additional counterpart for projects in which USAID participates as well as other development activities. In recent years the Title II program has been much more closely related to nutritional priorities and this process will continue.

AGRICULTURAL SECTORAL DISCUSSION

Historical Trends in the Sector

Over the past decade Ecuadorean agriculture has been dominated by the traditional tropical export crops--bananas, cacao, coffee, and sugar cane.

Ecuador is the largest exporter of bananas in the world reaching \$90 million in value in 1960 and increasing to \$124 million in 1971.

The technology of banana production was improved during the 60's with such advances as widespread aerial spraying for control of banana diseases. The technology also included the introduction of a banana variety resistant to Panama disease. Cacao and coffee production were improved with imported planting materials. Production of sugar was increased and a new crop, African oil palm, has been established to provide an important substitute. To a lesser extent, other new crops have been established, among which are cotton, abacá, tea and mushrooms. During the 60's with an assist from IBRD beef cattle production caught on in the coastal area with the commercial use of Brahma breeding, gradually improving price incentive for beef, today the production meets current domestic demand. Some limited beef production has been developed in the Upano Valley in the Oriente. In the recent history of Ecuadorean agriculture, it is clear that the most notable development have taken place with tropical crops in the coastal area. Meanwhile the traditional agriculture for domestic consumption has suffered a form of stagnation, with food production per capita declining slightly. (The per capita

food production index dropping to 95 in 1971 from 100 in 1960). The agriculture of the Sierra falls particularly into this category. Although total agricultural production shows an increase over recent years, the increase comes about more from increased acreage than from increased yields, except in the case of the export crops to which improved technology is more readily applied.

In spite of the dynamics of export agriculture, the growth in productivity of the agricultural sector has been inhibited by skewed land distribution, lack of technology, marketing defects, and insufficient credit. The sector, therefore, shows up very poorly in comparison with manufacturing and commerce. In absolute values and using an average of 1960-1968, commerce had a productivity three times greater than agriculture and manufacturing two times. The contribution of agriculture, including fisheries and forestry, to the national GDP declined from 37.1% in the period 1959-62 to 31.8% in the period 1967-69. The sector GDP increased at an annual rate of 2.8% in 1960-1970. Yet, through 1972, the chief source of export earnings was the agriculture sector, which supplied about 65% of the total exports. The new petroleum industry will provide the principal export in 1973.

Past, Present, And Likely Future Government Policies, Priorities, and Programs in the Sector

Ecuadorean agriculture is still very much in an evolutionary stage, passing from the latifundio-minifundio inherited from the colonial epoch.

Even at the present time there is still an enormous campesino population (around 60% of the total population of the country) existing in unproductive conditions, characterized by a minifundio and extremely low-paid farm labor. This situation is particularly critical in the Sierra region where the large indigent population has multiplied faster than the land resources available to it. The coastal agriculture, due to its export possibilities, developed large plantations of cacao and coffee first, and later, bananas. Government priorities historically favored the development and promotion of the export crops because of their contribution to a favorable trade balance and as a source of revenue. In the 1950's agrarian reform was being mentioned and by 1960 all candidates for President of the Republic were making promises for agrarian reform. By 1964 an Agrarian Reform law was enacted. From a very weak beginning, agrarian reform is achieving more priority in GOE's planning.

The most recent 5-year plan gives agrarian reform one of the highest priorities for public investment. Irrigation and drainage also come in for a large share of the five-year plan investments. A new land reform decree has just been passed. Apparently the Government will follow a policy of expropriation and transfer of title of large under-utilized holding to cooperatives of campesinos. At the same time the new law proposes to guard against the creation of farm units too small to be economical. There are good indications that land reform will receive ever increasing emphasis in the future.

GOE is under considerable political pressure to maintain adequate food supplies at reasonable prices; hence one of its priorities will be to increase production of food. New programs for increasing the production of grains, meat, fruits and vegetables are now being developed.

To finance several of its programs, GOE has given a rather high priority to obtaining substantial increases in external credit for agriculture. The following totals of loans obtained from international agencies shows their success in recent years:

<u>Fiscal Year</u>	<u>Total Amount</u>
1962-66	\$ 8,798,000
1967-71	47,280,000
1972-73	5,000,000

The Central Bank of Ecuador created in 1971 a special unit to administer three AID loans and two World Bank loans, totalling \$33.9 million, in a trust fund arrangement patterned somewhat after systems in use in Mexico and Colombia. The concept involves the channeling of resources through the private banking system for development credit in agriculture and industry. Various modifications have been made in the mechanism in order to integrate the operation more closely with the corresponding ministries. This mechanism will also administer the use of internal resources for selected credit purposes. In addition, private banks have been required by a recent law to hold a portion of their

portfolio in development credits in agriculture and industry, or to purchase Central Bank bonds in the same amounts.

Economic Factors Affecting the Development of the Sector, including employment and income distribution

The most serious problem for economic and social development in the agricultural sector, and one that practically dwarfs all others, is the great proportion of people in agriculture who are unable to enjoy a standard of living consisting of the minimum necessities. About 80 per cent of the rural population receives only about one third of the sector income. Increasing the growth rate of the agricultural sector would have little meaning for these people who are simply not in a position to participate in its benefits.

Underemployment is particularly acute in the Sierra where it is considered that it would easily be possible to achieve the same production with half the present population. The extreme of minifundio is found in the southern provinces of Azuay and Loja where the average size holding is .35 and .70 hectares respectively. Unfortunately, little has been done to develop additional saleable crops that can be grown in the high lands. Those that are grown in the Sierra are done so at very high costs (low yields). On the other hand, the coastal area is not being fully utilized. The GOE is concentrating its efforts in agriculture in the coastal areas (Guayas Basin) because it offers the most immediate impact for increasing agricultural production. Additionally they are trying to attract through a land reform program people down from the Sierra.

In support of GOE policy, USAID is concentrating a major portion of its limited resources in Guayas Basin. Other donors have also increased their activities in the coastal area. The UNDP has a project to improve the extension services, the IDB has a loan for the Boliche agricultural experimental station and the IBRD livestock program. USAID has not totally abandoned the Sierra since there are continuing programs of cooperatives development as a vehicle for improving the income of the marginal farmer.

Institutional Strengths and Weaknesses

Of the Ecuadorean institutions serving agriculture, probably the best organized and administered one is the Agricultural Research Institute (INIAP). It renders an important and vital service to the national agriculture. The National Institute of Water Resources (INERHI), which has jurisdiction over irrigation and drainage programs, along with INIAP could be classed as a mature technical institution.

The National Development Bank is becoming a stronger positive influence in agricultural finance. Capitalization of the bank increased from Sucres 50 millions in 1968 to Sucres 250 millions in 1973. The institution is improving and increasing its service to small farmers and cooperatives and will apparently be a major force in agricultural development in the future.

The Agrarian Reform Institute (IERAC), since its beginning in 1964, has been regarded as an institutional "weakling". It is gradually

being given a more precise role in its participation in the implementation of the new land reform decree although, as a dependency of the Ministry of Agriculture, its relative importance in the policy area remains unclear. Given constructive direction of political will, IERAC could make a significant contribution reforming the traditional distorted land ownership pattern.

The Ministry of Agriculture has been in a state of reorganization for at least the last three years. For this reason, it has been handicapped in setting up strong programs and carrying them through. In recent months, it has increased its influence in national planning, and its planning section is now becoming more involved in the implementation of an agricultural sector analysis with USAID assistance.

The GOE has set a high priority for an agricultural census for 1974. The organization to carry out this census is being set up, FAO is providing technical assistance, and the census is to be funded in part by a PL 480 Title I allocation. The FAO technician has designed a 5-year program for obtaining agricultural statistics. These activities therefore suggest that the weakness in good, reliable data for planning in the sector may be on its way to correction.

Unquestionably, the Ministry of Agriculture has extreme weaknesses in its agricultural extension activities despite UN technical assistance. Agricultural extension has actually been downgraded in the Ministry hierarchy and the contribution of the extension agency is diminishing. However, extension personnel are being transferred to specific programs financed by GOE funds and external loans. The Ministry is taking a much

more aggressive role in agricultural credit programs. There is a significant effort to couple extension to credit programs, following the prototypes from two AID loans, with a brighter outlook for the use of existing extension resources. In the Equadorean environment this is probably the best use of extension personnel. There is now some consideration being given to the contracting of extension-type services from the private sector to support some of the agricultural credit activity, following a system which is much more developed in neighboring Colombia.

In the private sector, the agricultural cooperatives and their various federations exist, but they are still weak and struggling. GOE stated policy is to support the cooperative movement, but apart from what assistance USAID has been able to supply, the cooperative movement has not attracted a great amount of public assistance, though there is talk of making various changes that could provide more support for cooperatives. The revised GOE land reform mechanism will increase its use of cooperatives of small farmers in its land reform program, creating thereby the need for a massive amount of technical assistance and credit to the land-holding cooperatives. The GOE responsibility for cooperatives has been transferred from the Ministry of Social Welfare to Agriculture under the new decree.

Relevant Legislative, Budgetary Considerations

Two recent pieces of legislation, already mentioned above, are the new land reform decree, and the decree which will involve the private banks more deeply in agricultural credit. It is too early to predict

the effects of the new land reform decree on production. It has been rumored that the suspense has disturbed the farmer producers, who have neglected making investment in improvements and have allowed production to decline because of uncertainty as to their status vis a vis the new decree. It might be anticipated that if this new decree once analyzed tends to reassure those landholders with capacity for production, production might improve. Reassurance to them could be reflected in greater investments on their part in irrigation, drainage, machinery, equipment, seed, fertilizer etc. for which additional financing would be more readily available from new sources of agricultural credit, i.e. the private banking system and/or the agricultural credit fund of the Central Bank, and external sources as well.

GOE public investment contemplated in the 5-year plan has already been presented elsewhere. Its support to its agricultural institutions is relatively strong, as shown by the following figures which exclude credit from various loan sources taken from the 1972 GOE budget:

Ministry of Agriculture (Agriculture Programs)	\$ 5,279,000
National Institute of Agricultural Research (INIAP)	2,555,200
Agrarian Reform Institute (IERA)	19,919,800
National Institute of Water Resources (INERHI)	<u>5,304,000</u>
TOTAL	\$ 33,058,000

Besides the above major institutions, there are some smaller GOE financed programs. All together, the GOE appeared to be allocating about 12% of its 1972 budget (\$276,894,000 not including internal and external debt payments) to agricultural institutions and their programs.

Above there is comment on the GOE's effort to channel more internal and external resources through the banking system. These commendable efforts are still in the beginning stages and thus they are subject to the proof of time.

Existing and Anticipated Programs of Other Donors and AID

Ecuador is receiving assistance in the agricultural sector from the principal multilateral agencies--the World Bank, the Interamerican Development Bank, the UNDP and the Interamerican Institute of Agricultural Science of the OAS. The UNDP has the heaviest input of grant technical assistance, being active in agricultural extension and forestry programs. In addition FAO provides other technical assistance, such as an advisor for the agricultural census. The World Bank recently signed an agreement with Ecuador for a \$5.5 million loan for Milagro irrigation project to be administered through the National Institute of Water Resources (INERHI). The IDS has been negotiating with the GOE for some time on a \$16.6 million loan for irrigation and allied developments on 11,000 hectares in the Babahoyo region of the Guayas Basin. An irrigation system and a potable water system for the province of Manabí is being financed with a 1971 loan of \$4.2 million from West Germany.

USAID with a mix of existing loan and grant activities will continue assisting in the development of 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. Producers receiving assistance include farmers both in and outside of the co-op framework, and those in co-ops include campesinos in the Sierra and possibly the Oriente who produce other crops.

USAID inputs involve a mix of grant activities and three loans for a total of \$ 12.0 million, which are now disbursing:

1) The Cooperative Bank Loan for \$1,200,000 is to provide financing for farm and irrigation equipment and other agricultural inputs so as to increase the production of agricultural cooperative and credit union members. In this case the loan is directed toward a basic GOE objective of increasing production for internal consumption and export. Approximately \$238,000 have been disbursed as of June 30, 1973.

2) 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 by assisting new land owning cooperatives make a success of their enterprises and thus contribute to the national production as well. The project is directed to cooperatives of small farmers (primarily rice growers) in the Guayas Basin, which has been identified as one of the priority areas for development. The loan project

provides production and land improvement credit, and technical assistance to make the cooperative capable of repaying its debt. As of June 30, 1973 \$742,000 has been disbursed on this loan.

3) The Agriculture Development and Diversification loan for 27.2 million provides credit and technical assistance to individual farmers for the production of edible oil seed (import substitute), cacao (export), and related marketing. Hence the loan supports the basic objectives of the GOE to reduce input and increase export of agricultural products. The activity of this loan is confined to small and medium farmers of the Guayas Basin. Up to June 30, 1973 the loan had disbursed \$300,000 to the GOE.

The grant projects provide backstopping for the loans and also finance other important sector activities. The Agricultural Cooperatives project provides a small amount of technical assistance to the Cooperative Bank loan, but by far its greater effort is directed toward the development of marketing and supply service components in the operations of a major agricultural cooperative federation and a directed agricultural credit program which is being managed by the National Federation of Credit Unions. All coops activities are directed toward small farmers who can benefit from group purchasing, group selling and group credit, and technical assistance.

The AID agriculture loans in the Guayas Basin will be supported and complemented by the Agricultural Production project which was designed to serve as a vehicle for planning, monitoring, assisting in the

implementation, and evaluation of the loans. The grant project supports activities that tend to eliminate "bottlenecks" in implementation.

In a broader sense, the Agricultural Production project seeks to identify activities suitable for external loan and/or grant financing. An important approach to this is to obtain needed information and data through the agricultural sector analysis being implemented jointly by the GOE and USAID, with GOE contributing personnel, office space and equipment. Headquarters for the study have already been set up in the Ministry of Agriculture Planning Department, and GOE counterparts have been assigned. In addition, AID/W has committed an important and essential input of technical assistance and guidance to the analysis. AID/W and USAID assistance will terminate during FY 1976 leaving the GOE analysis staff in place and the program internalized for future and continuing efforts.

The sector analysis will provide a systematic approach to identifying programs and projects with the most potential payoff. It will provide quantitative estimates of trade-offs in the comparisons of various proposals and thus aid in the formulation of sound development policies. It will identify restraints in the economy and suggest ways in which they might be removed or reduced in their effects. The data from the analysis will be of vital importance to the Agricultural Project Development Unit in the Planning Department of the Ministry of Agriculture, to the National Planning Board, and to all international agencies engaged in or contemplating programs in Ecuador.

Although conclusive data will not become available from the analysis until early FY 1976, sufficient preliminary information will have been developed by mid FY 1975 to identify and justify major policy directions and corresponding investment requirements.

To the extent that the GOE has identified policy and program needs for which external funding requirements are not covered by the programs of other IFI's, an AID sector loan would be appropriate to assure that major efforts are directed to the needs of the poorer elements of the population. Such a loan could only be made following the results of the sector study and in the event the political situation was appropriate.

An immediate need to increase agro-industry investment in order to provide employment opportunities in the rural area has already been identified, for which a project loan could be considered.

The USAID agricultural program has been able to utilize TAB and LA regional projects to some extent. Soil fertility testing, seed technology and weed control are the three principal areas where assistance has been of value.

PL 480 Title I funds in the amount of \$1,000,000 have been allocated by the GOE to the financing of an agricultural census in 1974, with FAO providing the technical assistance. Reliable agricultural census data will be of great value to all future analytical and planning efforts in the agricultural sector. The National Institute of Hydraulic Resources is administering a program of irrigation projects with \$721,000 of PL 480 Title I funds. The Ministry of Agriculture has allocated about \$1,013,000 of such funds to several projects in its development plan.

HEALTH AND POPULATION SECTORAL DISCUSSION

Historical Trends in the Sector

The administration of health services in Ecuador historically has been fragmented and poorly financed, with the rural areas practically lacking a health services infra-structure. There has been some improvement over time but as recently as the past decade at least 19 autonomous, or semi-autonomous, health agencies, public and private functioned without central direction or norms. In 1967, a separate Ministry of Public Health was created from a combined Ministry of Social Welfare and Health and various elements of the Point IV Servicio. The consolidation took time. Between 1967 and 1972, the now Health Ministry had no real directive powers over a separate National Direction of Health on the coast, centered in Guayaquil, while public hospitals were administered by the Ministry of Social Welfare, the Social Security Administration, and the military. In April 1972, the National Revolutionary Government decreed a centralization of health authority in the Ministry of Health. The main effects of this action to date have been to subordinate the National Direction of Health to the Ministry, to switch control to it of hospitals formerly under the Ministry of Social Welfare, and to establish the Ministry of Health as coordinator and determiner of norms for all health service programs, public or private.

The past conditions of administrative disarray in the health field existed in the face of one of the poorest national health situations in Latin America. The Population growth rate has been running at 3.4%, the highest in Latin America, and one of the highest in the world;

life expectancy is only 52 years (U.S.: 70); infant mortality in the rural area is high, an estimated 250 per 1000 live births (U.S.: 120). Only 20% of births are estimated to receive professional attention. 34% of all children under the age of five suffer first, second or third degree malnutrition. 57% of deaths from all causes could be avoided by adequate prevention programs because only 35% of the population has access to minimum health standards and care. Only four of the 104 counties (cantones) have a complete range of health services. Twenty-four counties have hospitals (most of which are in deplorable condition) and 76 offer only limited dispensary services or nothing at all. 7% of the rural population and 50% of the urban population have access to potable water.

Government Policies and Priorities

In the past, attacks on serious health problems such as malaria, infectious childhood diseases, malnutrition and tuberculosis had been mounted on an opportunistic or urgent basis, heavily dependent on outsiders for funds, technical guidance and even motivation.

Today an attempt is being made to approach health problems of the country in a more rational manner. Within the last 3 years the Ministry has prepared a 5 year health plan for execution during 1973-77. Its priorities are: environmental sanitation, maternal-child health (including nutrition) and the elimination of certain infectious diseases such as polio and measles, through vaccination campaigns.

Family planning is not singled out as a separate priority but is included as part of integrated health services, with norms established

by the Ministry for both public and private family planning programs. Although there seems to be increasing tolerance of privately sponsored mass media presentation that promote family planning, the government is not yet prepared to promote educational or motivational programs and materials. Nevertheless, a defacto priority exists for family planning because it is well funded and because of the increasing recognition by the health profession of its importance.

Within the 5 year plan is a sub-sector rural health plan. Its priorities include: (1) obligatory 1 year rural service for young medical graduates; (2) the construction of up to 32 country hospitals; (3) the development of up to 300 sub-health centers at the township level staffed with medical graduates; and (4) the establishment of up to 400 health posts with aide nurses at the community level.

Present policy and priorities are likely to continue for the next few years, with increasing official recognition and of the need for family planning, not only based on conventional medical grounds, but also for demographic and related national-development reasons.

Economic Factors that Affect the Sector

The rural and urban poverty of Ecuador, and the ignorance of great masses of its rural peoples, contribute negatively and heavily to the sorry health picture of the nation. Poor health and heavy population growth, in turn, contribute increasingly to economic and social problems and hence a vicious circle is perpetuated.

The new, un-needed mouths that must be fed sop-up any gains made in GNP. This is felt in terms of additional medical, health, education and employment and other social services that must be provided. Presently about 50% of all Ecuadoreans are 15 years of age or younger and therefore economically unproductive. The high fertility rate is expected to increase the rate of dependent children to the labor force from 1.46, (1970) to 1.51 (1980) yet the unemployment rate estimated 40% of a labor force which is projected to grow from 1.9 million in 1971 to 2.7 million in 1980. There is little hope that the increase can be absorbed in agriculture as has occurred historically, nor by industry which is not expanding with sufficient rapidity. Moreover, people are not responding to population pressures on the land by moving to areas of more agricultural potential but rather are migrating in great numbers to the large cities where they add to the already overburdened social services. As an example, there are 506 (410 in 1966) persons per hospital bed in Ecuador versus 120 in the U.S.

Moreover, the income distribution of the country -- 33% of all income is earned by the 2.4% of the populace at the top of the social pyramid --, the regressive tax system, and other social inequities cannot be seen, in the short run, as benefitting the health of that 50% of the population which is outside the money economy and generally illiterate.

Apart from the birth-rate pressure, the high rates of sickness and death take their economic toll on productivity and constitute a

serious drain on the income and resources of the country. Only when births, deaths (especially of children) and sickness rates decline, will Ecuador be able to achieve efficient development and high productivity.

Institutional Strengths and Weaknesses

The Ministry of Health is little more than 6 years old, but it has been blessed with two stable regimes under two motivated Ministers, the first of whom was personally committed to the development of an aggressive family planning program and policy on the part of the Government and the second of whom has (but with less enthusiasm) consistently consolidated that program. Both gave heavy support to the development of a rural infra-structure of health, and the latter has afforded high priority to preventive programs, especially environmental sanitation. Generally speaking, the Ministry and its dependencies--such as the National Malaria Eradication Service--are highly motivated and are by and large professionally staffed. However the continuation of part-time private practice by public health physicians to supplement their low salaries reduces the effectiveness of the Ministry. Further there are few trained public health or hospital administrators in Ecuador, and almost all administrative positions are now in the hands of physicians who have little skill, training or disposition for management.

Additionally, the hospitals of the country are antiquated. Quito's leading paper El Comercio calls them "a tragedy". The Ministry of Health

has recognized this problem by contracting to plan three modern general hospitals (in Quito, Machala and Bahía de Caráquez). The plans will be drawn-up by specialists instead of inexperienced Contractors who, in the past, have constructed "white elephants", such as the new long incomplete military hospital, which are not suitable as hospital buildings.

Finally in the face of regional and vested interests, the Ministry is rapidly consolidating its role as the center of authority, creating nation-wide health organizations functioning under common procedural standards and regulations.

On the private side, Ecuador has one doctor for every 2,700 inhabitants (1970). Worse off in this aspect than most Latin countries. Ecuador, like the others, finds its doctors clustering within the larger cities.

The only off-setting trend is the obligatory one year rural service required from medical graduates before receiving their cachaet. Apart from individual doctors and group practice through private urban clinics, there is little health care provided from the private sector by philanthropic voluntary organizations. Far too many people treat themselves on the advice of medically untrained, profit motivated pharmacists in the population centers or unschooled empiricists in the country.

Relevant Legislative and Budgetary Consideration

For about three years now, the GOE has been ruled by Presidential and Ministerial decrees, a number of which have legalized the policy

and operational changes discussed above. Public health service is faring well under the present administration. The Ministry planned budget for 1974 shows an increase from \$13,073,279 in 1973 to \$16,554,656 in 1974. The 1974 figure represents 4.7% of the national budget compared to 3.7% in 1973. However, health is still low viewed in relation to other sectors which, in 1974, for example, allotted 27.9% for education, 15% for public works and 14.3% for defense. While the current budget is far too small the increase for 1974 hopefully will establish a trend towards a bigger slice of the national budget for health. The expectation of increase is exemplified by the Government's commitment to its rural health effort as demonstrated by special tax recently levied on urban properties valued at more than \$8,000 to help finance the program.

Existing & Anticipated Programs of Other Donors and AID

Other donor activity in the health and population field is extensive, not all of which is listed here. The primary technical assistance to the Ministry of Health is provided by 18 resident and approximately 20 regional PAHO/WHO advisors, who work across the entire front of the Ministry's technical and administrative operations, and who help administer projects in rural health, environmental sanitation, epidemiology, nutrition, malaria eradication, maternal-child health, public health, and hospital administration, etc.

In Family Planning, participation of other donors, thus far limited, is steadily increasing as their interest and Ecuador's receptivity grow. IPPF's local affiliate, APROFE, operates local clinics and is active in

motivational and educational activities. Pathfinder provides contraceptives to all public family planning programs. The Planned Parenthood Federation of America will now take over the financing of a program with the Women's Medical Society. Meanwhile the UNFPA will assume in January the financing of a very effective clinical program within the Ministry of Defense now being funded by USAID. UNFPA is also considering the funding of a proposed National Five Year Plan for Family Planning, drawn up by the Ministry of Health last December, and now under review by the National Planning Board. One other private organization, World Education, is working in Ecuador, supporting an educational methodology seminar for family planning workers.

The USAID is particularly desirous of reducing its predominant role in family planning efforts in Ecuador. Strenuous efforts are continuing to be made to induce other donors -- private institutions, other governments and international agencies with a genuine interest in family planning -- to assume a larger role. The USAID proposed use of Title X resources for FY 1975 is based on a realistic estimate of what seems probable in this regard. To the extent that other institutions can mount effective programs that would replace USAID financing this would be most welcome. AID/W assistance is encouraged and solicited in this regard, and the Mission will later make specific recommendations for AID/W action. It should be noted, however, that the channeling of Title X funds through other agencies than USAID, while it offers advantages, only partially reduces the AID profile and may run the risk that these Title X funds will not be used for family planning programs to the extent anticipated or desired.

In Nutrition, UNICEF, FAO and PAHO, have sent recent special missions to Ecuador to help develop national nutrition policies and programs. All of their activities have been carried out in full coordination with the USAID supported GOE effort to restructure the National Nutrition Institute (INNE). PAHO has provided a full-time nutrition advisor to the Ministry of Health, while FAO and UNICEF have concentrated their efforts on developing an inter-ministerial nutrition coordinating body within the National Planning Board. The INNE will provide professional staff assistance to the inter-ministerial group in developing an official nutrition policy and plan, neglected in earlier development planning by the GOE.

UNICEF is funding a three-province, rural development pilot program which includes important nutrition and maternal-child health services. CARE and CRS have also built special, innovative nutrition programs for the vulnerable groups-mothers and pre-school children-based primarily on their distribution of Title II food in close collaboration with the Ministry of Health and USAID.

As noted earlier, the IDB has a substantial loan out to the GOE for development of potable water and sewage systems in larger cities.

The rationale for U.S. aid is that we cannot ignore the clinical, psychological, financial and political relationships between family planning and other sub-sectors of health which could be both counter-productive and strategically dangerous. Concern for the small, planned family must be matched, in some degree, by demonstrated concern for the survival, health and productivity of family members. This concern

is based 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 family members are pre-requisites for personal and national development; c) and as in many other Latin countries, an exclusive interest on our part in family planning could easily provoke Ecuadorians to psychological and political resistance to the program.

Therefore, USAID activities accord priority to the establishment of an adequate family planning program, while supporting carefully selected, complementary activities in priority health development activities, such as nutrition, environmental sanitation, and the development of an integrated health delivery system for rural areas.

In Nutrition, we will continue our cooperation to strengthen and restructure the National Nutrition Institute (INNE), creating research, pilot project and advisory capacities on which to base national food and nutrition policy and plans. One of INNE's pilot activities will be a mass media nutrition education effort funded under a regional project.

The Malaria Eradication project, formerly carried out with AID loan support and now receiving some PL 480 Title I proceeds, should be successfully completed by FY 1975. The Government's technical competence and financing should be sufficient to keep the disease under control, if not to eradicate it, by that time.

Because of its relationship to the nutritional project in which we are cooperating, we are considering a response to a request for assistance in the financing of potable water and sewage systems for communities of less than 5000 population, nearly all of which lack such systems. (An IDB loan currently finances programs for larger Ecuadorean cities). The Mission plans to explore with IDB the possibility of extending its program to small communities.

Meanwhile, the Ministry proposes to use its own funds, together with available PL 480 Title I funds from prior years, to set up a revolving fund for water and sewage loans to be made to communities which would contribute labor in carrying out well engineered plans.

One of the most serious problems in delivering family planning services in Ecuador has been the lack of adequate health delivery system in rural areas. Only about 4% of the 60% of Ecuador's population which is located in rural areas receives a fairly complete range of curative medical services. Even that small percentage of people does not receive much health education, preventive and family planning services.

To correct these deficiencies, USAID in support of the GOE made a successful bid to obtain the regional DEIDS Project (Development and Evaluation of Integrated Health Delivery Systems) for Ecuador. Now in its planning phase in the southern region of the country, the project will be implemented first in a predominantly rural pilot area of up to 500,000 people. Its objective is to design a practical, low cost health

delivery system to assure that up to 66% of the women in child-bearing age, and their children receive adequate health care services, with emphasis placed on family planning, nutrition and maternal-child health, within a time frame of 5 to 8 years. The American Public Health Association and its sub-contractor, the University of California, are implementing this AID project in collaboration with the GOE. If successful, it is hoped that the Ministry of Health will incorporate it on a national scale into its program where it would serve as a model for other countries in Latin America.

All of the USAID activities described above are designed to be complementary to our effort in family planning with the GOE. Even the Malaria Service is now involved in a pilot family planning referral program. The family planning program, which began in FY 1968, now involves eight separate subprojects with four different ministries (Health, Social Welfare, Agriculture and Defense) and the National Planning Board. A ninth subproject with the Ministry of Education is being developed. These subprojects are rapidly establishing the infra-structure of program administration, clinical services, educational activities and demographic data gathering.

EDUCATIONAL SECTORAL DISCUSSION

Historical Trends in the Sector

Ecuador's effort to provide schooling for an ever increasing school-age enrollment has been gaining on the population during the last ten years. Primary school enrollment increased at four times the national population growth rate, from 596,000 in 1960 to 2,020,000 in 1970.

Secondary school enrollment tripled from 67,000 to 210,000. To accommodate the rise in school population, classroom construction has received considerable attention, particularly in the primary area. By the close of FY 1971 there were 26,003 primary classrooms. However, there still remains a deficit of primary classrooms estimated at 12,000. In the secondary area, by the end of FY 1971, there were 6,693 classrooms. If 100% of the secondary school age population attended school, the secondary classroom deficit would be 19,237.

Percentage of primary school age population actually enrolled went from 51% to 61% in the decade from 1961 to 1971. Percent of secondary school age population enrolled moved from 9.5% to 19.4% in the same decade, and higher education enrollment quadrupled from ten to forty thousand, although 93% drop out in the first three years. Available estimates reveal a slowing reduction in the percentage of illiterates from 44% in 1950 to 32% in 1962 to 29% in 1973.

Teacher population during the 60's rose from 15,300 to 28,000 in the primary area and from 6,000 to 21,000 in the secondary area. In this

era, the quality of teachers was not very high, one third of the primary teachers had only empirical training and the balance were normal school graduates. Secondary school teachers were even less prepared with about 90% untrained in methodology. In FY 1965 the Ministry of Education began a program of up-grading teachers through in-service training. From 1965 to 1971 14,199 primary teachers and 2,176 secondary teachers received in-service training. This program continues and is one of the MDE's current principal programs.

Fast-Present, and Likely Future Government Policies, Priorities and Programs

The Ministry 5-year education development plan (1973-1977) calls for "social justice through educational development." The goals are universal primary education, extended rural education, reduced illiteracy through nonformal means, and improved quality of teaching and holding power of schools.

In addition, the plan includes extending primary school facilities to include grades 7 to 9; encouraging special education for retarded and handicapped; making studies on human resources requirements; and providing adequate equipment, classrooms, laboratories, and workshops.

As one can see the planning document is broad, all encompassing, but lacks specific details. This is recognized within the MDE because since June 1972 the Ministry Planning Office has been carrying on a sector analysis in the primary area. The analysis to be terminated in

June 1974 will identify specific goals and projects designed to realize these goals. (Further, the results of the analysis hopefully will convince the Ministry to undertake a similar one in the secondary level.) The appointment of the previous chief of the sector analysis working group as head of the Ministry Planning Division in August of 1973 should facilitate implementation of recommendations drawn from the sector analysis. In addition, seven working groups have been created to facilitate a thorough assessment of the Ministry in areas of school construction, supervisory system, in and pre-service teacher training, nonformal education, educational technology, and ministry organization.

Illiteracy continues to be a real problem. Literacy education is important for it not only improves a person's self image and self respect but also increases his ability to learn salable skills. Furthermore, under Ecuador's Constitution only those who can read and write are eligible to vote. From July, 1967, through July, 1972, the Government cooperated with UNESCO in a \$3 million pilot functional literacy program which attempted to combine literacy training with economic and social development in three test areas. Specific vocational skills and community development techniques were taught to some 17,410 students who represented 44% of the illiterates in the three demonstration areas. The former Director of the UNESCO project is now director of Adult Education and in position to change the rigid curriculum of the some 3,800 education centers which reach some 44,000 adults annually throughout the country. There are approximately 5,000 full and part-time teachers (all normal

school graduates) supported by a budget of approximately five million sucres (\$200,000).

The Ministry Adult Education Section is developing a nonformal education materials development experiment. Some 361 centers in eight provinces are testing the effectiveness of nonformal materials and methodologies in combination with a newly devised literacy training method developed partly on the UNESCO findings and Paulo Freire's philosophy. A five-year budget for a plan to bring literacy to 718,000 adults has been proposed, based on oil revenues, increasing from \$890,000 to \$3.5 million annually.

Building on the existing in-service teacher training program a new innovative approach to teacher training was started in the spring of 1972, with a preselection workshop and a ten-week seminar involving 24 teacher trainers divided into teams of three each to direct workshops in different parts of the country. This approach and a follow-up of tryouts and evaluation have helped to keep the program practical. Twenty eight "teacher-trainers" developed in this manner have been appointed by the Ministry to train and retrain teachers nation wide in use of the improved first grade materials. By the end of 1973, 13,000 teachers will have received training under this program and 3,000 will have received follow-up.

Coordinating with this activity is a retraining and redirection program for supervisors to change supervision from an administrative and inspectoral role to that of instructional leadership and practical teacher support.

There are three ongoing programs designed to give educational service to secondary and university students. The University Bookstore Program provides modern textbooks and reference works at cost for university students and professors. The National Bookstore Service provides a similar service for the secondary level. The National Educational Credit Institute provides long-term low-interest loans to needy individuals who wish to specialize in areas where a manpower deficit is projected.

Economic Factors which Affect Development of the Sector Including
Employment and Income Distribution

The National Planning Board has indicated that fifty-three percent of the total population of Ecuador earn less than the equivalent of eighty dollars a year. The low level of education is a major inhibitor to increasing income for these marginal people. Growth in the industrial sector requires at least functional literacy in the labor force, placing ever-increasing demands on the education system. In order to benefit the poorer people, the formal education system must improve access, relevancy, and quality, at both primary and secondary levels. Because 90% of the people do not continue beyond the sixth grade, major efforts should continue to focus on the primary school level, and on programs affecting illiterate adults in a practical or nonformal way.

Two factors affecting access are the shortage of schools, especially in rural areas, and the need to gear initial instruction to the language

of fluency. Directing some of the new revenues toward building schools would facilitate putting more children in schools. Whereas about \$1,050,000 a year would allow primary school construction to keep up with increasing population, \$30.0 million would be needed to make up the present classroom shortage. The quantitative output of the normal schools, now sufficient to provide teaching staffs at the present rate of construction, could be increased accordingly.

The existing system cannot successfully handle a significant but unknown number of Ecuadorean children who are not attending primary schools because instruction is in Spanish while they speak only an Indian Language. Many do not start school, while others do start, meet complete frustration, and drop out.

The quality of education and to a certain extent the relevancy of the schooling are coming gradually under the influence of the new teacher trainers. Modern techniques of instruction are being learned through pre-service primary teacher education and in-service training programs.

Relevant Legislative, Budgetary, Manpower, Attitudinal, and Technological Considerations

The increase from 14% in 1969 to 25% in 1973 of the national budget assigned to education reflects the socio-economic importance given to this sector by the Government. This budget has been increased even more by the assignment of \$0.003 per barrel of oil to the newly established student loan fund, which by 1977 will total \$1,048,000 annually. Almost all of

the teaching methods and curriculum suit another era and purpose and not that of a dynamic developing economy. Therefore, USAID, UN & OAS grant projects are working with present educational contents and methodology in order to up-grade specific needs in technology and administration and to increase educational cost-benefit return. A desire to change from "classical" to "developing economy" concepts is becoming evident.

The Government has not decided whether it will provide the new textbooks without charge to all primary students, or sell them at cost. Free distribution, which will cost upward of \$1.2 million annually, demonstrates to the populace that in fact the government is providing the promised universal education, although at the expense of other budget items. Selling the books, on the other hand, would assure annual reprinting and periodic updating.

Existing and Anticipated Programs of Other Donors and AID

An integrated approach to educational assistance is in operation in Ecuador, i.e., USAID cooperates with the GOE on priorities at the primary level and in nonformal education, IBRD at the secondary level, and IDB is involved with higher education. The OAS technical assistance project (\$70,000) evaluating the educational reform plan of 1964 at the primary and secondary level will be completed in November, 1973. The German Government is providing four technicians to work in a teacher-training program, at the technical level.

Substantial input is being made by Washington and regional offices, particularly from the Regional Technical Aids Center in Mexico City

and Sector Analysis Division (LA/DR). 65,000 publications of PTAC have been distributed in Ecuador, 10,000 through the National Bookstore Service and 30,000 through the University Bookstore Program. Sector Analysis will identify deficiencies and opportunities for change within the Ministry that can be carried out with existing resources, including PL 480 funds, and in conjunction with other international technical and financial agencies. It should help to assure the coordination and evaluation of educational activities funded by all sources. The primary education sector analysis receives technical support from Sector Analysis Division of LA/DR as well as from the USAID.

At the Primary Level. A bilingual bicultural project could help overcome much of the educational disadvantage of the non-Spanish speaking population by teaching these children to read and write first in the language in which they are fluent, introducing Spanish as a second language. By the end of about three years the student has become truly bilingual, receiving instruction entirely in Spanish from then on. Pioneer work is being done in this field, and there are now over 60 bilingual teachers. It would take five years to get the program moving soundly into all parts of the country. In each indigenous language exact data need to be developed on: number of children affected, status of linguistics, customs and mores, actual textbook needs, etc. To accomplish basic linguistic work, writing new and revised texts and printing pilot runs may cost upward of \$100,000. Final printing of textbooks might be handled by a loan or grant program of twice that amount.

In recent years USAID's cooperation has been centered on the primary level with the mix varying as appropriate, grant funds, loan funds, and PL 480 Title I proceeds being utilized to assist the Ministry establish a textbook production center. Writers and illustrators have been trained, and so far 1,350,000 books have been printed for first grade in the fields of science, reading and mathematics. For second grade 330,000 have been printed with 270,000 currently being printed. At the third grade level 33,000 have been produced with 567,000 already under printing contract.

Under an AID Loan the School Construction Section of the Ministry constructed 936 primary classrooms between 1969 and 1973, representing one-third of all primary classrooms built during that time. Classrooms built under this loan program have been constructed according to such high standards that they will be a permanent asset to Ecuador with any reasonable maintenance.

Nonformal Education. The beginnings of nonformal education can be traced to the work of the Misión Andina, once Ecuador's largest and most active community development project. Started in 1962 with technical assistance from the UNDP and a Loan from IDB, one of its objectives was to bring literacy to the rural indians in the Sierra.

Currently, USAID and the Ministry's Adult Education Division are collaborating on a nonformal education experimental project which began in January, 1972. It emphasizes the development and testing of new methods and materials to provide relevant nonformal education to those

who did not attend or who dropped out of schools. An innovative project utilizing such methodologies as educational games, group discussion, and community drama, it will continue to create and test more complex materials based on those developed during the initial phases. TAB is planning to provide for a thorough evaluation of these materials and methodologies. This project is not only developing new literacy materials but also experimenting in the general field of "consciousness-raising" and social development as practical corollary to literacy skills development. Experiments in both print and audio mass media will attempt to support the other methods and materials. Various kinds of radio programs are being produced and field-tested to ascertain their learning and support effectiveness. It is hoped that the techniques developed in the IA regional project, Basic Village Education, will prove applicable in Ecuador.

Other organizations related to nonformal education include SEV, the domestic Peace Corps type volunteer service which has some 54 volunteers working in various parts of the country who are also involved in literacy training and other types of nonformal education endeavor. Radio schools, sponsored by the Catholic church, reach some 1000 students organized into "listening schools" in the Tabacundo and Riobamba areas.

An independent non-profit institution, CEMA (Centro de Motivación y Asesoría) is a small but innovative force in the nonformal field. CEMA trainers pioneered the facilitator or community teacher model for nonformal education. They were trained, and their first experiment two years ago was funded, by USAID. They have received two grants totaling \$15,000

from World Neighbors to continue experiments. CEMA emphasizes social development of the whole community as a part of the educational effort, utilizing group dynamics and organizational development techniques.

At the Secondary Level. Thirty nine percent of the high schools go only through grade 9 (Ciclo Básico) with a standard curriculum for all. The other high schools include grades 7 to 12. Of the total number of high schools, thirty-five percent focus on the humanities, twenty-two percent are technical schools and four percent are normal schools training primary teachers.

The World Bank is providing a \$10,200,000 loan for the construction and equipment of 28 high schools. The loan includes a teacher training program as well. The GOE is presently negotiating an additional loan of \$20,000,000 which would finance 40 or 50 more high schools. The two loans would benefit approximately 70,000 students.

The UN is developing two technical assistance projects to improve the curricula in vocational education, literacy training and agriculture. The OAS plans to finance (\$40,000) an evaluation of the existing vocational education curriculum. The West German Government has financed the construction, equipment, teaching personnel, and scholarships of a high quality vocational school (ITEA) in Quito for some 200 students.

At the University and Technical School Levels. External assistance to Universities is growing; since 1963, IDB has channelled \$5.1 million, generating an additional \$3.1 million from local sources, to the Central

University in Quito (\$400,000), the University of Guayaquil (\$600,000); in 1969 a loan of \$1.5 million to the National Polytechnic of Quito, and in 1971 a loan of \$2.6 million to the Politécnica del Litoral in Guayaquil. These funds have been used for constructing new and remodeling old buildings, the acquisition of teaching aids and laboratory equipment, the creation of new faculties, advanced training of professors, creation of special laboratories for scientific investigation and the reorganization of university administrative structures. The National Polytechnic is negotiating a UN project of \$525,000 to develop a graduate level program of research in technical fields (civic, chemical, industrial and petroleum engineering) and is carrying out feasibility studies to justify a UN project of \$1,132,000 to develop a Faculty of Agriculture Engineering. Another UN project of \$570,000 under negotiation with the University of Guayaquil will develop the Faculty of Agronomy and Veterinary Science. Using PL 430 money the Ministry is completing construction of the School of Agronomy at the Central University at a cost of \$750,000. The Catholic University of Quito is presently carrying out a feasibility study (with a \$20,000 OAS grant) to justify a future IDB loan establishing a Faculty of Business Administration. The OAS is considering a \$20,000 project to provide training and equipment for the Ministry's statistical section.

LASPAU has helped Ecuador primarily in the Polytechnic School in Guayaquil. Over thirty scholarships have been given to its staff members and ten have already returned to strengthen and upgrade the school.

Each year many scholarships are available at post-graduate level through the UN, the OAS, and an estimated 30 individual countries, many of which are being administered by the Education Credit Institute.

At the Skills training level. The Ecuadorean Professional Training Service (SECAP), initiated with AID funds and technical cooperation in 1966, provides technical training at a practical level for electricians, mechanics, and for industry and agricultural workers. SECAP is financed by a 2% tax upon industry. The ILO is furnishing \$500,000 for training of instructors to increase the number of courses available, equipping various SECAP workshops (metal work, electricity, electronics, building and furniture construction), and providing consultative services to industry. SECAP plans a new 200 pupil training center for Guayaquil, to be partially financed by the German and other governments, which will include a hotel management training school. The OAS is adding \$24,000 to extend a \$30,000 study of labor force requirements at the workers level begun in 1969. The Swiss government has indicated its support (\$500,000) to finance agricultural farm equipment, technical assistance and scholarship funds in support of SECAP. England is providing \$10,000 to upgrade training in electricity.

LIKELY U.S. ASSISTANCE REQUIREMENTS OVER THE NEXT SEVERAL YEARS

Technical Assistance

Over the last several years the annual level of USAID technical assistance to Ecuador averaged \$4.7 million. The sectors in which we collaborated were, agriculture, education, family health including nutrition, and industrial development. The public safety and labor programs are non-sectoral.

Following AID policy of concentration, our efforts focused into three sectors: agriculture (\$172,000 in FY 74), education (\$1,037,000) and family health (\$1,082,000). Outside these three sectors of concentration we will continue to carry on activities in public safety and narcotics control, labor development (AIFLD) and special development activities (\$2,011,000 excluding labor which is funded regionally). Projects in the industrial development sector are scheduled to phase out by FY 1975. Funding, except for a small amount for monitoring costs under Technical support, is terminated earlier. The overall level of technical assistance will be declining from approximately \$5.0 million in FY 1973 to approximately \$. million in FY 1975.

Agriculture

We will continue the Agricultural Production and Agricultural Cooperative grant projects because agriculture is Ecuador's weakest and least dynamic sector. In fact, the rate of growth particularly of domestic food production appears to have slowed down in the 60's and early 70's. Therefore, we will provide technical assistance in support of the Agricultural Development and Diversification Loan to help in the

diversification of export crops, cacao, and oil seeds which have an important substitution potential. The Land Sale Guaranty Loan will provide more technical assistance to new cooperative land owners, and less to the guarantee mechanism because IERAC has assumed more responsibility in this area. We will still, however, look for ways to assist the lower income campesinos not now able to obtain land due to low credit standing. One of the new responsibilities of the grant project is the overseeing of an agriculture sector analysis now underway. USAID's future goals will be guided and more refined by the findings of this analysis. It is anticipated that the sector study should also provide insights in ways of attacking the problem of unemployment and under-employment in rural areas, particularly in the Sierra.

The Agricultural Cooperatives project will emphasize more collaboration with the cooperatives in providing services and making profits rather than pursuing organizational and membership goals. Recent evaluations have shown that cooperative federations such as FECOPAM and FENACOPARR need more guidance, especially in management and administration continuity, if they are to maintain an acceptable momentum and be able to attract the necessary outside financial and technical assistance after USAID withdraws. This project coordinates with the disbursement of the second Cooperative Bank Loan (\$2.0 million), which makes sub-loans to member cooperatives for the procurement of agricultural goods and services.

4 USDH

1 PASA for Sector Study

3 contractors

Education

The major emphasis in the next four years will further our present efforts in primary education, non-formal education across all sectors, and the development of a primary education sector analysis. It will identify deficiencies and opportunities for change within the Ministry which can be carried out with existing resources, including PL 480 Title I funds, and support from other donors. The analysis is looking at curriculum revision, construction, manpower and physical plant needs, student levels, etc. Depending upon the experience gained and the results obtained, we may propose assistance in a secondary and vocational education sector study. We also plan to launch a manpower training project to bolster a poor human resources development base.

The Primary Education project focuses on training teachers and teacher supervisors to make them more productive and in providing relevant education for the needs of today. Related directly to this effort, over 1,350,000 primary grade textbooks have been distributed to primary school students for the first time. A Textbook Production Center is now an integral part of the Ministry of Education. It is developing textbooks for students through the sixth grade. A major element in the teacher training segment is that both the pre-service and in-service training show the teachers how to get the maximum use of the textbooks in the classrooms by using especially prepared guide books. The non-formal education project emphasizes the development and testing of new methods to provide relevant non-formal education to those who have not attended or who have dropped out of the school system. Methods such as education-

al games, group discussion, and community drama are being utilized in an imaginative manner by the contractor, the University of Massachusetts. The ultimate goal of the project is learning not only in the education sense but also in the experiential sense to give Equadoreans the wherewithall to participate more fully in life. Thus, the project is looking into the field of "consciousness raising" and social development to enable the individual to gain some perspective, so far denied him, from which he may advance economically and socially. Nonformal education is largely an uncharted area and hence our need to continue experimenting. The initial phase of developing new methods is showing considerable promise. The program is now about to enter perhaps the difficult stage of attempting to put in practice on a larger scale the seemingly positive results of the experimental and development work.

A human resources project starting in FY 74, and continuing at least through FY 76 will be designed to train individuals in key offices in improved management and organizational practices in order to eliminate administrative and managerial bottlenecks in development agencies, public and private. A Stanford Research Institute study has shown that the majority of managers in Ecuador are trained in the law but have had little or no management and executive training. Thus their approach to management is legalistic and protective rather than expansive and dynamic.

If political considerations should permit loan activity to be resumed in FY 74 the Educational Credit Loan will extend into 1975 and 1976. The loan contemplates making education credits to deserving but

impecunious students at the post graduate, university, technical and secondary levels to study in disciplines required by the country for economic development.

3 USDH

5 US Contractors

1 PSC

Health and Population

The health program gives priority through FY 76 to the establishment of an adequate family planning infrastructure while supporting carefully selected, complementary activities in priority health development, such as nutrition, environmental sanitation and the development of a low cost integrated health delivery system for the majority of the population.

Our major emphasis in family planning is the support of the Ministry of Health Population Department (none existed prior to our program) which supervises family planning services delivered through health centers. The number of these centers will increase from 44 to 73 in the urban areas, and from 20 to 110 in the rural areas by FY 75. In FY 73 over 400 medical and para-medical personnel and approximately 500 promotional personnel (social workers, volunteers) have received in-country training given by the Population Department. An audio-visual unit and an evaluation unit are functioning. Four cancer detection centers are operating, and sex education courses have been given at primary and secondary teacher levels for parents, teachers, and some secondary students. As indicated above continuing efforts will be made in Ecuador and encouraged elsewhere to induce more private agencies, other governments and multilateral

institutions to assume a larger role in providing assistance in this area.

The nutrition projects seeks to identify and ameliorate nutrition deficiency through innovative approaches using mass media and coordinating the use of PL 480 Title II food. The CHDS Health Delivery System program is regionally funded but is being made an integral part of the USAID family health program.

2 USDH

2 US FSC

1 TCN PSC

Non-concentration Activities

Activity in the Industrial/Urban Development sector is phasing out in FY 1974. No project Agreements are planned in Urban Development or in Industrial Development in FY 1975; only \$12.0 will be obligated under Technical Support to fund one local direct hire (and secretary) who are required to manage the Small Enterprise Loan and to handle the grant residual activities.

The activities in Public Safety and Narcotics control, which are increasingly becoming more integrated, continue at least through FY 76. We are collaborating in improving police administration (budget, property control, and central records management), in strengthening the criminal investigation capability, in training - particularly of non-officer personnel - to raise proficiency and slow the rate of personnel turnover. USAID assistance in telecommunications terminates by the end of FY 75. In narcotics, training, and putting in use the

required commodities - vehicles, boats, lab and communications equipment - are the targets for the National Civil Police and the Customs Police projects. Total narcotics funding planned for FY 78 is \$483,000 including final costs for the health project which focuses on the rehabilitation aspects of the narcotics problem. This planned amount will be carefully scrutinized as the program progresses to assure that commodities are not provided in excess of the capacity to absorb and to utilize them. One Public Safety narcotics advisor and one Public Safety customs advisor will be on board through FY 78.

The Public Safety and the narcotics programs dovetail in many respects since the narcotics program deals with limited objectives which must be supported and backed up by the entire National Civil Police. In the case of administration, for instance, the development of a narcotics case reporting system must be developed as part of a national police system. Similarly, criminal investigation cases in narcotics will depend to a great extent on the investigative capabilities, and the communications system, established at the national level. The regular police training being given by the Public Safety Training Advisor now includes narcotics control techniques. The intent is to supplement the manpower that can be deployed against the spread of narcotics. Not all the initial contacts in narcotics cases can be, or, will be made by specially trained narcotics agents. The regular police must be prepared to act knowledgeably as situations arise.

A project entitled Improvement of Development Finance and Administration which is proposed to start in FY 74, and continues in FY 75, provides technical assistance to the Central Bank's mechanism (Fondos Fiduciarios) established for channeling development credits through the banking system. The technical assistance will help the Central Bank encourage more active participation in the mechanism by the private banks.

3 USDH/PS	2 US/PSC	1 PSC
1 USDH/Narcotics	1 USDH/PASA Customs	2 USDH/Tech Support

Capital Assistance

Assuming that the 1973 Law of the Seas Conference or other developments will normalize the fishing dispute and ameliorate the political situation sufficiently to permit loan activity, the Mission is prepared to propose an Export Promotion Loan (\$5.0 million) for FY 75. As progress on Andean integration continues, it is increasingly important for Ecuador to accelerate its efforts to diversify and increase its production not only to stem growing demand for imports but also to compete in foreign markets. The proposed loan will assist in providing credit and technical assistance to non-traditional export industries giving emphasis to the fishing industry. There is especially good potential for those industries involved in processing primary products (cacao, coffee, wood, etc.), as well as for new industries that can take advantage of Andean Pact concessions negotiated by Ecuador. Special assistance to the fledgeling fishing industries would increase Ecuador's share of income from ocean resources, stimulate exports of processed fish to

world markets, and increase the availability of low cost protein within the country. Through advisory services and training, the loan also plans assistance to the G.E. to strengthen and broaden its new export incentive system, to remove administrative impediments to exports, and to improve and expand its export promotion activities.

Recognizing that Ecuador's economy, despite oil revenues, will continue to be based on agriculture, we would envision a \$1.5 million loan in Employment Generation in the Agro-Industries. The country's long range development prospects depend upon increasing the sales, and thus the income, of the agricultural sector by raising demand for the outputs of the sector and by making more available a supply of cheap and efficient inputs for it. The key factor of the loan will be the development of more efficient agriculture and agro-industries in the secondary cities of Ecuador. While the two major cities, Quito and Guayaquil, are struggling to keep up with choking growth and migration - the campesinos migrate to the large cities since they cannot earn a living in the country - secondary cities are characterized by a slower rate of growth and slack rather than capacity use of their resources, particularly labor. The loan would seek to establish a mechanism for channeling resources into labor intensive agro-industrial growth in the secondary cities in an effort to 1) generate employment opportunities and 2) thereby reduce excessive migration to Quito and Guayaquil.

Additionally, we plan to propose a Rural Health Loan (\$2.5 to \$3.0 million) if the IDB, which has committed \$15.3 million since 1961 to water and sewerage projects in large cities, does not move into this area. The loan would fund a combination of small town (under 5,000 population) potable water supply and health delivery system. It would follow on our efforts to obtain PI 480 funds to start the potable water activity on a pilot basis.

Under appropriate political conditions an Educational Sector Loan (\$6.0-\$8.0 million) would be proposed as a follow-on to the education sector analysis. The loan targets would be planned to focus on primary education and nonformal education, areas in which the USAID is working. An Agricultural Sector Loan is also being contemplated (\$6.0-\$8.0 million). The thrust here, as with the education loan would be to support the GOR with funding for projects emanating out of the sector analysis, assuming financing by other donors is not available.

A new Housing Investment Guarantee of \$6.0 to \$10.0 million is planned as an add-on to the \$6.0 million HIG which the National Housing Bank (BEV) is presently implementing. The \$3.0 million balance of the current HIG will be used during FY 74 for several large projects. Initial analyses indicate that there is strong demand for new, large scale projects reaching lower on the income scale. We are exploring all possibilities of utilizing the HIG

~~LIMITED OFFICIAL USE~~

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program to encourage housing activities for low income groups including the production of minimal shelter facilities.

~~LIMITED OFFICIAL USE~~

As of June 30, 1973, there are nine loans under implementation with an undisbursed value of \$23.0 million as follows:

<u>Loan N°.</u>	<u>Borrower</u>	<u>Purpose</u>	Agree- ment Amount	Com- mitted Amount	Cummi. disbursed as of 6-30-73 (000's of dollars)
518-L-022	Government of Ecuador (Min. of Public Works)	Road consortium (AID, IDB, IBRD) Highway maintenance, highway construction, engineering ser- vices and related activities	13,300	12,914	12,423
518-L-027	Government of Ecuador acting thru Min. of Education	Improvement of Primary Edu- cation System: Primary and Normal School, Teachers Lodg- ing construction, Textbook Pre- paration, Teacher Training, Pilot Pre-vocational Program	5,300	4,628	4,664
518-L-029	Government of Ecuador acting thru the Min. of Public Health	Eradication of Malaria from the territory of Ecuador	2,750	2,748	2,605
518-L-030	Government of Ecuador acting thru National Planning Board	Feasibility Studies: Irrigation, agriculture diversification, se- condary highways, airports	2,000	30	30

<u>Loan No.</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Agree- ment Amount</u>	<u>Com- mitted Amount</u>	<u>Cumm. disbursed as of 6-30-73</u>
518-L-031	Cooperative Bank	Subloans to Cooperatives for procurement of agricultural goods and services, of office and accounting equipment.	1,800	350	238
518-L-032	Government of Ecuador acting thru Min. of Finance & Central Bank of Ecuador	Land Sale Guaranty: Formation of Agricultural enterprises (land, credit, tech. assistance)	3,600	776	742
518-L-033	Government of Ecuador acting thru Min. of Finance & Central Bank of Ecuador	Agri. Development & Diversification: vegetable oil crop, cacao, marketing, administration	7,200	300	300
518-L-034	Government of Ecuador acting thru Min. of Finance & Central Bank of Ecuador	Small Enterprises Assistance: Financial and technical assistance to Small Enterprises	5,100	1,300	300
518-L-035	Government of Ecuador acting thru Min. of Finance and INTICEL	Rural Electrification: expansion and development of electric cooperatives and companies, tech. assistance	3,550	300	0
			<u>44,000</u>	<u>23,246</u>	<u>21,302</u>

PL 480 Title I

The USAID recommends a Title I Sales Agreement to be signed in 1975

[REDACTED]

lion for FY 1975 and for FY 1976. In addition to its positive commercial market development effect, Title I is an important tool in channeling funds in support of social and economic development projects.

Despite the difficulties this poses at this juncture because of wheat supplies/prices, the USAID recommends emphasis on wheat. We also recommend a small reduction of Title I sales of edible oil and tobacco. Ecuador is not climatically suited to the production of wheat given the present range of varieties. Most wheat presently grown in Ecuador is grown on larger farms which tend to be mechanized rather than labor intensive, and we fear that unavailability of concessional terms for at least a portion of the import requirement may lead the GOE to "hot-house" wheat and postpone much-needed land reform. Production of edible oils is, on the other hand, increasing and there is a much greater likelihood of future increases as African Palm plantations mature and short-cycle oil crops begin to produce. Gradual phase-out of concessional edible oil sales will help to reinforce the GOE's production resolve. Domestic tobacco cultivation could increase but it is doubtful that the local leaf will meet Equadorean smoking taste requirements. We see little threat to the U.S. leaf tobacco

A sales agreement level of \$7.5 million will probably result in \$6.75 million equivalent of net financing and of local currency available for programming. While Ecuador is presently enjoying an improved balance of payments position as a result of the beginning of large scale crude petroleum exports, by FY 75 these exports will be approaching a plateau. We expect foreign exchange reserves to stabilize at the 7-8 month's imports level through this time frame.

The GCE continues to be highly preoccupied with rising domestic prices and will continue to maintain a relatively restrictive fiscal policy given its level of foreign exchange reserves. FL 480 proceeds, as in the past, is effective in supporting projects of AID and various other donors, especially those which benefit the poor and rural inhabitants whose political potential is still nascent with respect to budget representation. FL 480 funds availability has induced the GCE to do things it would not have been able to do otherwise, such as the agriculture census and agricultural lending to cooperatives through the Cooperative Bank.

USAID plans to utilize the funds to support agricultural lending, the completion of the census of agriculture and a program of current statistics (needed for future agriculture sector analysis and planning). Support of donor lending for irrigation and electrification projects and a pilot program for small-town drinking water services are planned as well.

The relation of PL 480 to AID and other donor assistance is not only that of counterpart generations, but also complements specific agricultural commodity and other programs.

PL 480 Title II

The FY 1975 - FY 1978 objectives are: 1) reduction by 1980 of the incidence of protein-caloric malnutrition among pre-school-age children by 60% as determined by nutrition surveys and health statistics and 2) 30% reduction by 1980 in child deaths attributable to measles and gastroenteritis (indirect measure of reduced malnutrition). Achievement of this goal is expected to require increasing the number of maternal child health recipients from the present 100,000 to about 125,000 by 1975.

Objectives in school feeding are presently limited to maintenance of the present program which feeds about 450,000 children. Moreover, the program is to be coordinated with the activities of the Interministerial Nutrition Committee and the Nutrition Institute.

The total requirements projected during FY 1975-78 reflect a 50% increase in maternal child rations and a probable compensatory phasedown in school feeding. This will result in an aggregate, annual requirement by 1978 (assuming no NFDN) of 42 million pounds of food worth \$3.4 million (CC value). Requirements for FY 1975-78 are those already in the program namely:

	<u>(000) lbs/yr</u>	<u>\$ (000)/yr</u>
CSM (instant)	10,300	1,072
WSB	8,400	719
Bulgur	5,700	337
Oil	4,230	465
Rolled Oats	1,575	116
Flour	<u>13,400</u>	<u>685</u>
TOTAL	43,605	\$ 3,394