

MEMORANDUM

November 4, 1980

TO: See Distribution

FROM: LAC/DP, Jack Francis

SUBJECT: Ecuador Title II, 206 Proposal Issues Paper

I. On August 5, 1980, the Ecuador Mission submitted a preliminary proposal (Attachment A) for a Title II, 206 program and asked if FY 80 funding would be available. On September 16 the Food for Peace Office replied to the Mission's request (Attachment B), indicating that the proposal could not be considered this fiscal year. The Mission appealed this decision (Attachment C), asking that the proposal be reconsidered for implementation beginning FY 81.

In response to this request, we will meet on Friday, November 7, at 10:00 A.M. in Room 2248 to discuss the USAID's proposal and determine the appropriate reply to the Mission.

II. The following issues, while not meant to be all-inclusive, reflect the concerns expressed by various persons in this Bureau and in the Office of Food for Peace.

- A. Strategy - How important is the 206 Program to Ecuador's IRD strategy and to AID's role in helping the GOE carry out its programs? Is this simply a non-essential add-on to our program (because we received a request from the GOE) or an integral element of our nutrition strategy?
- B. GOE Support - Why can't the GOE pay for this? Aren't the food-stuffs available locally? What other sources of local currency could be tapped to finance this program?
- C. Mission Management - The recent Title II audit calls into question the Mission's ability to manage their current Title II activity. Is this an important factor in reviewing the 206 proposal? Is there any relationship between the current Title II project in Ecuador and the 206 proposal, particularly with regard to managing the program?
- D. PL 480 Budget - Is it likely that FY 81 or FY 82 funds will be available to finance this proposed program? Will OMB's views regarding 206 programs adversely affect consideration of this proposal?

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ACTION OFFICE FFP-03
INFO LASA-03 LACO-02 LADP-03 LADR-03 PPCE-01 PDPR-01 PPPB-02
GC-01 PPEA-01 GCLA-01 GCFL-01 STA-10 PDC-02 AADS-01
CMGT-02 CTR-02 DIU-04 DSAG-02 DSHE-01 DSN-03 DSRD-02
ENGR-02 OFP-01 PIA-01 POP-04 CHG-01 PVC-02 AGRI-01
HEV-09 RELO-01 MAST-01 /074 A1 4

INFO OCT-01 /036 W

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R 052131Z AUG 80
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 7171

UNCLAS QUITO 5264

AIDAC

FOR: FOOD FOR PEACE OFFICE, LAC/DR/N, LAC/DP

E.O. 12065: N/A
SUBJECT: USE OF PL480 TITLE II 206 FUNDS

REF: QUITO 4855

1. ACTION REQUEST:
USAID/ECUADOR IS CURRENTLY DEVELOPING A NEW RURAL HEALTH, NUTRITION, WATER AND FAMILY PLANNING PROGRAM. IN THIS CONTEXT, WE ARE ALSO EVALUATING OUR ONGOING PL-480 TITLE II PROGRAM TO DETERMINE HOW IT CAN BEST BE INTEGRATED INTO OUR NUTRITION PROGRAM. TWO FY-81 PIDS ARE BEING PREPARED FOR A RURAL HEALTH, NUTRITION AND POTABLE WATER LOAN/GRANT AND A FAMILY PLANNING GRANT. AS PART OF USAIDS OVERALL NUTRITION COMPONENT OF THIS PROGRAM, WE ARE ALSO INTERESTED IN PRESENTING FOR FY-81 FUNDING A PL480 206 PID AS FURTHER OUTLINED BELOW. PLEASE ADVISE WHETHER PL480 (206) FUNDING WOULD BE AVAILABLE FOR SUCH A PROJECT.

2. BACKGROUND

A) USAID CURRENTLY PROVIDES PL480 COMMODITIES TO CARE AND CRS FOR MINISTRY OF HEALTH'S MCH SUPPLEMENTARY FEEDING PROGRAM (LECHE-AVENA) AND FOR LIMITED SCHOOL AND OTHER FEEDING PROGRAMS. PER REFTEL MISSION DESCRIBED GOE INTEREST IN DEVELOPING SUPPLEMENTARY WEANING FOOD USING NATIONAL PRODUCTS, AND FOR DEVELOPMENT OF SOY FORTIFIED COMPOSITE FLOUR PRODUCTS.
B) AT THE SAME TIME MINISTRY OF EDUCATION HAS JUST BEGUN A SCHOOL BREAKFAST PROGRAM WHICH IN 1980 WILL REACH 23 PERCENT OF CHILDREN IN KINDERGARTEN AND PRIMARY GRADES, AGES FIVE THROUGH TWELVE. PROGRAM IS DESIGNED TO SUPPLY MONEY TO RURAL PRIMARY SCHOOLS ON A PER STUDENT BASIS. MONEY IS USED BY LOCAL SCHOOL FEEDING COMMITTEE (COMMUNITY MEMBERS AND PRIMARY SCHOOL TEACHERS) TO PURCHASE FOOD AT THE LOCAL LEVEL. COMMUNITY IS RESPONSIBLE FOR PREPARING AND SERVING THE FOOD. SUPPLEMENT IS SIMPLE, USUALLY A ROLL, MILK AND FRUIT. MOE PROGRAM THUS SERVES THREE DEVELOPMENT PURPOSES:
I) AS AN IMPORTANT EDUCATIONAL INCENTIVE;
II) AS A NUTRITIONAL SUPPLEMENT WITH BOTH EDUCATIONAL AND NUTRITIONAL IMPACT (A WELL FED CHILD IS A MORE ATTENTIVE AND RECEPTIVE CHILD); AND,
III) AS AN ECONOMIC REDISTRIBUTION PROGRAM THROUGH CENTRAL GOVERNMENT TO SMALL RURAL COMMUNITIES.

3. SCHOOL BREAKFAST PROGRAM IS A HIGH GOE PRIORITY AND THE EMBASSY/USAID HAVE RECEIVED A SPECIFIC REQUEST FOR PL480 ASSISTANCE FOR THIS PROGRAM. GOE AND USAID ALSO GIVE HIGH PRIORITY TO DEVELOPING SELF-SUFFICIENCY IN MOH'S LECHE-AVENA PROGRAM.

4. USE OF PL480 TITLE II 206 FUNDS:

A) USAID/ECUADOR PROPOSES THAT PL480 TITLE II 206 FUNDS BE USED TO ESTABLISH A COMMUNITY BASED SCHOOL BREAKFAST PROGRAM AS PART OF ECUADOR'S NEW INTEGRATED RURAL DEVELOPMENT PROGRAM (IRD). FUNDS GENERATED UNDER 206 WOULD ESTABLISH COMMUNITY BASED SCHOOL FEEDING PROJECTS WITH COMMUNITY ORGANIZATION AND COMMUNITY OR SCHOOL PRODUCTION UNIT COMPONENTS WHICH WOULD EVENTUALLY ALLOW COMMUNITIES TO ASSUME MAJOR IF NOT FULL RESPONSIBILITY FOR THEIR OWN SCHOOL FEEDING PROGRAMS.

I) THE PRODUCTION UNITS, WHICH WOULD BE SELECTED ON THE BASIS OF ECONOMIC VIABILITY AND APPROPRIATENESS TO THE AREA, WOULD HAVE A THREE FOLD PURPOSE: -TO GENERATE COMMUNITY BASED RESOURCES TO SUPPORT THE SCHOOL FEEDING PROGRAM; -AS AN EDUCATIONAL TOOL FOR INTRODUCING PRIMARY SCHOOL CHILDREN TO NEW CROPS (CROP MIXES, PRODUCTION TECHNOLOGY, AND SMALL ANIMAL HUSBANDRY); -AS A COMMUNITY DEMONSTRATION UNIT FOR INTRODUCING APPROPRIATE PRODUCTION TECHNIQUES UNDER THE IRD PROJECT.

II) THE COMMUNITY ORGANIZATION COMPONENT WOULD FOLLOW THE LINES ALREADY OPERATIONAL UNDER THE MOE SCHOOL BREAKFAST PROGRAM. MONEY WOULD BE USED BY THE COMMUNITY PARENT-TEACHER COMMITTEE TO ESTABLISH SCHOOL BREAKFAST PROGRAM WHILE PRODUCTION UNIT IS DEVELOPED. LABOR FOR PRODUCTION UNIT WOULD COME FROM COMMUNITY FOLLOWING THE STILL STRONG ECUADOREAN TRADITION OF THE MINGA OR VOLUNTARY COMMUNITY LABOR.

III) FUNDS GENERATED BY SALE OF TITLE II 206 WOULD BE HANDLED BY IRD SECRETARIAT (WITH MOE SUB AGREEMENT). TECHNICAL ADVISORS REQUIRED FOR PROJECT IMPLEMENTATION WOULD BE PROVIDED THROUGH IRD COMMUNITY BASED PROGRAM. B) SMALLER AMOUNT OF SEC.206 FUNDS WOULD BE USED TO IMPLEMENT PROJECTS RESULTING FROM FEASIBILITY STUDIES CITED IN REFTEL.

5. ESTIMATED BUDGET RESOURCES REQUIRED: APPROXIMATELY USDOLLARS1,350,000 PER YEAR BEGINNING FY 81.

6. PLEASE ADVISE SOONEST AVAILABLE OF 206 FUNDING. FIMBRES

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AID/PDC/FFP/II:G K PROUTY
09/16/80 EXT 235-9194
AID/PDC/FFP/II:P A SHEEHAN

AID/LA/EC:R LINDSEY {PHONE}

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PVC OFP AGRI COM STA 9M-00 END
ROUTINE QUITO

AIDAC

E.O. 12065: N/A

TAGS:

SUBJECT: PL 480 TITLE II USE OF PL 480 TITLE II 206 FUNDS

REF: A. QUITO 5264, B. QUITO 6015

1. FOLLOWING CLOSE CONSIDERATION AID/W REGRETS TO ADVISE THAT SUBJECT PROPOSAL WILL NOT BE CONSIDERED FOR APPROVAL DURING FY 81.

2. SEVERAL FACTORS PROMPT THIS DECISION. THEY INCLUDE {A} THE VERY STRINGENT TITLE II FUNDING CONSTRAINTS FOR THE COMING YEAR; {B} THE CONSENSUS BY FFP/W AND THE FOOD COMMITTEE THAT FOR THE PRESENT TITLE II EFFORTS SHOULD REMAIN CONCENTRATED ON THE PRIORITY MCH CATEGORY THROUGH THE ONGOING {LECHE AVENA} FEEDING PROGRAM WHICH THUS FAR ↑↑ HAS NOT EXPANDED DUE TO VARIOUS TECHNICAL PROBLEMS; {C} THE↑↑ RECENT AAG AUDIT {REPORT 80/18} WHICH STRESSES THAT THE ↑↑↑ VOLAG PROGRAMS HAVE SERIOUS ADMINISTRATIVE PROBLEMS AS ↑↑ WELL. REFERENCE IS ALSO MADE TO INADEQUATE MISSION SURVEILLANCE OF THE TITLE II PROGRAM WHICH REQUIRE MISSION COMMENTS.

3. AID/W CONSIDERS MISSION PROPOSAL AS WELL CONCEIVED AND POSSIBLY COULD CONSIDER IT IN FY 1982. 44

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ACTION AID-35

TITLE II PROGRAM WAS ONE OF THE ONLY AID EFFORTS TO BE CONTINUED DURING THE PHASE-OUT PERIOD OF 1973-79. MANY OF THE IMPLEMENTATION PROBLEMS REFERRED TO IN THE AUDIT REPORT BEGAN DURING THIS PHASE-OUT PERIOD AND THEY TENDED TO QUOTE SNOW-BALL UNQUOTE OUT OF CONTROL SO THAT THEY ARE NOW MUCH MORE DIFFICULT TO RESOLVE. BY THE END OF THE PHASE-OUT PERIOD, THERE WAS NOT ENOUGH MISSION PERSONNEL TO MONITOR THE ONGOING PL-480 PROGRAM AND OTHER REGIONAL PROJECTS THEN BEING INITIATED AS WELL AS PREPARE CONTINGENCY PLANS FOR THE START-UP OF NEW USAID PROGRAM. STAFF INCREASES WERE NOT FEASIBLE BECAUSE OF THE UNCERTAINTY OF WHETHER THE AID PROGRAM WOULD BE REOPENED IN ECUADOR. GIVEN THIS SITUATION, DURING THE PHASE-OUT PERIOD AND PARTICULARLY DURING 1975-79, FFP/W SHOULD HAVE ENSURED THAT THERE WERE AT LEAST PERIODIC TOYS FROM AN EXPERIENCED FOOD FOR PEACE OFFICER AS A CONDITION FOR APPROVING THE CONTINUATION OF THE TITLE II PROGRAM. AS STATED ON PAGE 19 OF THE AUDIT REPORT, QUOTE IT WOULD HAVE BEEN IMPOSSIBLE FOR USAID/ECUADOR UNDER THE CIRCUMSTANCES THAT EXISTED DURING THIS PERIOD (THE PHASE-OUT PERIOD) TO HAVE MONITORED THE PL-480 TITLE II PROGRAM WITH MORE INTENSITY THAN IT PROVIDED. UNQUOTE

ACTION OFFICE FFP-03

INFO- LASA-03 LADP-03 LADR-03 CH6-01 PPCE-01 PDPK-01 PPPB-02
PPEA-01 PM-02 AADS-01 DSHE-01 DSN-03 OFF-01 CH6-01
AGRI-01 COM-25 OMB-02 TRSY-05 RELO-01 MAST-01
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INFO OCT-01 /036 W

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 7887

UNCLAS SECTION 1 OF 2 QUITO 6917

AIDAC

FOR: FFP/W, LAC/DP, LAC/DR/H

E.O. 12865: N/A

SUBJECT: PL-480 TITLE II 206 FUNDS

REFERENCE: (A) QUITO 5264 (B) STATE 251877

1. MISSION APPRECIATES RESPONSE TO REF. A. ALTHOUGH WE CAN UNDERSTAND FFP/W FUNDING CONSTRAINTS IN FY-1981, WE REGRET THAT FFP FAILED TO RECOGNIZE THE SIGNIFICANCE OF THE PROGRAM PROPOSED IN REF. A. FOR THE FIRST TIME IN ECUADOR, AID HAS AN EXCELLENT OPPORTUNITY OF ASSISTING THE GOE LINK ITS SCHOOL FEEDING PROGRAM TO ITS RURAL DEVELOPMENT STRATEGY. A RECENTLY SIGNED AID INTEGRATED RURAL DEVELOPMENT LOAN WOULD PROVIDE PRODUCTION CREDIT TO SMALL FARMERS AND CAMPESINO HOUSEWIVES WHO IN TURN COULD SELL PART OF THEIR PRODUCTION (CHICKENS, RABBITS, EGGS, VEGETABLES, ETC) TO LOCAL SCHOOL FEEDING UNITS THROUGH THE 206 PROGRAM. THIS ARRANGEMENT OF UTILIZING 206 FUNDS TO COMPLEMENT AN ONGOING AID LOAN PROJECT COULD PIONEER AN ENTIRELY NEW APPROACH TO SCHOOL FEEDING PROGRAMS IN ECUADOR AND ESTABLISH A MODEL FOR AID PROJECTS IN OTHER COUNTRIES. IT COULD ASSIST IN CONVERTING THE SCHOOL FEEDING PROGRAM INTO A MORE SIGNIFICANT LOCAL RURAL DEVELOPMENT TOOL WITH GREAT POTENTIAL IMPACT FOR ECUADOREAN AGRICULTURAL DEVELOPMENT AND RURAL EDUCATION/NUTRITION EFFORTS. WE THEREFORE URGE FFP/W TO RECONSIDER THE DECISION OUTLINED IN REF. B AND TO MAKE EVERY EFFORT TO PROVIDE SOME 206 FUNDING TO INITIATE THIS PROGRAM IN FY-1981.

2. WE ARE PARTICULARLY TROUBLED THAT FFP/W USED THE RECENT PL-480 TITLE II AUDIT REPORT AS PARTIAL JUSTIFICATION FOR THE DECISION OUTLINED IN REF. B. FOR MORE THAN A YEAR USAID HAS RECOGNIZED THAT THE TITLE II PROGRAM HAS HAD IMPLEMENTATION PROBLEMS AND, FOR THIS REASON, THE MISSION REQUESTED THAT THE AUDIT BE UNDERTAKEN. OTHER MISSION ACTIONS TO ADDRESS THESE PROBLEMS (AS OUTLINED BELOW) HAVE ALSO BEEN UNDERWAY FOR SOME TIME AND THEY ARE NOT ADEQUATELY REFLECTED IN THE AUDIT REPORT. WHILE RECOGNIZING PROBLEMS, MISSION DISAGREES WITH SEVERAL OF THE FINDINGS IN THE AUDIT REPORT AND WE BELIEVE THAT IT CONTAINS A NUMBER OF UNSUBSTANTIATED NEGATIVE VIEWS OF THE PROGRAM. MISSION WILL PROVIDE FURTHER DETAILS IN OUR RESPONSE TO THE AUDIT REPORT.

3. IN ADDITION, WE ARE SERIOUSLY TROUBLED BY FFP/W REFERENCE TO MISSION SURVEILLANCE OF PL-480 TITLE II PROGRAM AS FFP/W IS AWARE, THE USAID PROGRAM IN ECUADOR WAS BEING PHASED OUT FROM 1973 UNTIL AUGUST 1979. US AND LOCAL HIRE STAFF WERE CONTINUOUSLY BEING REDUCED UNTIL ONLY ONE U.S. OFFICER AND A TOKEN LOCAL STAFF WERE LEFT TO OVERSEE THE ORDERLY CLOSE-OUT OF THE MISSION. THE TITLE

4. THE PRESENT SITUATION IS COMPLETELY DIFFERENT. FOR THE PAST YEAR A NEW USAID PROGRAM HAS BEEN UNDER DEVELOPMENT. AN INTENSIVE MISSION EVALUATION OF THE PL-480 TITLE II PROGRAM HAS BEEN UNDERWAY TO DETERMINE HOW TITLE II CAN BE BETTER USED TO SUPPORT THE MISSION'S OVERALL HEALTH/NUTRITION STRATEGY. PRIOR TO THE AUDIT, THE MISSION HAD ALREADY IDENTIFIED MOST OF THE PROBLEMS OUTLINED IN THE AUDIT. INDEED, IT WAS THIS AWARENESS THAT PROMPTED THE MISSION TO REQUEST THE AUDIT OF THE TITLE II PROGRAM AS PART OF OUR LARGER EFFORTS OF TAKING CORRECTIVE ACTIONS AND MAKING THE PROGRAM MORE EFFECTIVE.

5. EVEN BEFORE THE ARRIVAL OF THE AUDIT TEAM AND DESPITE OUR VERY SMALL STAFF AT THE TIME, USAID STARTED TO TAKE REMEDIAL ACTIONS ON THE KEY PROBLEMS FACED BY THE PROGRAM. FOR EXAMPLE, WE INTENSIFIED OUR REVIEW MEETINGS WITH CARE/CRS AND THE MOH. A LAC/DR NUTRITION ADVISOR HELPED US EXAMINE HOW THE PL-480 PROGRAM COULD BE BETTER USED TO ASSIST THE GOE'S NUTRITION STRATEGY. WE USED OUR VERY LIMITED GRANT RESOURCES TO FINANCE AN OPG WITH CARE TO HELP THE MINISTRY OF HEALTH OBTAIN PACKAGING EQUIPMENT THAT COULD INCREASE THE PRODUCTION OF THE FOOD COMPLEMENT "LECHE-AVENA".

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PPEA-01 FM-02 AADS-01 DSHE-01 DSN-03 OFP-01 CH8-01
AGRI-01 COM-05 OMB-02 TRSY-05 RELO-01 MAST-01
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FM AMEMBASSY QUITO
TO SECSTATE WASHDC PRIORITY 7888

UNCLAS SECTION 2 OF 2 QUITO 6917
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THIS OPG HAS ALSO MOBILIZED ADDITIONAL MOH RESOURCES FOR FOOD PRODUCTION AND DISTRIBUTION AND IT HAS PAVED THE WAY FOR THE CORRECTION OF A MAJOR PROBLEM PLAGUING THE PROGRAM.

6. AND FINALLY WE HAVE BEEN INCREASING OUR USDH AND LOCAL PROFESSIONAL STAFF. (THERE ARE NOW 10 USDHS AS COMPARED TO TWO A YEAR AGO). A NEW USDH HEALTH OFFICER ARRIVED AT THE MISSION IN JUNE TO ASSUME RESPONSIBILITY FOR THE HEALTH/NUTRITION AND FAMILY PLANNING PROGRAM AND HE HAS DEVELOPED A PL-480 TITLE II MONITORING SYSTEM. WITH THIS INCREASED STAFF, THE MISSION NOW HAS THE PERSONNEL TO EFFECTIVELY MONITOR NEWLY APPROVED PROJECTS AS WELL AS AN EXPANDED PL-480 TITLE II PROGRAM WHICH THE MISSION IS SEEKING TO BETTER INTEGRATE INTO OUR HEALTH/NUTRITION ACTIVITIES.

7. WHILE MISSION RECOGNIZES THAT THERE ARE STILL TITLE II IMPLEMENTATION PROBLEMS THAT MUST BE ADDRESSED, WE NOW HAVE THE STAFF RESOURCES AND MONITORING FRAMEWORK FOR DEALING WITH THESE PROBLEMS. INDEED, ACTIONS FOR ADDRESSING MANY OF THESE PROBLEMS HAVE ALREADY BEEN INITIATED ALTHOUGH THESE ACTIONS ARE NOT ADEQUATELY REFLECTED IN THE AUDIT REPORT. HOWEVER, WE WISH TO EMPHASIZE THAT THESE PROBLEMS WILL TAKE SOME TIME TO DEAL WITH BECAUSE THEY WERE NOT ADDRESSED EARLIER DURING THE LONG PHASE-CUT PERIOD.

8. GIVEN ABOVE CONSIDERATIONS WE FEEL VERY STRONGLY THAT REF. B STATEMENT ON QUOTE INADEQUATE MISSION SURVEILLANCE OF TITLE II PROGRAM UNQUOTE IS OUT OF CONTEXT AND FAILS TO CONSIDER THE MISSION'S STAFFING LIMITATIONS WHEN MOST OF THE PROBLEMS WITH THE TITLE II PROGRAM BEGAN. SUCH A JUSTIFICATION IS COMPLETELY INVALID FOR REJECTING 206 FUNDING FOR ECUADOR.
GONZALEZ