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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D C 20523

ECUADOR

PROJECT PAPER

GOOD GOVERNANCE PROGRAM
ACTIVITY DESIGN DOCUMENT

AID/LAC/P-964

PROJECT NUMBER 518-0127

UNCLASSIFIED

A

ACTION MEMORANDUM FOR THE DIRECTOR

DATE ~~September 24, 1997~~
FROM ~~Scott Taylor, SDO~~
SUBJECT Good Governance Program Design Document

Problem

Your approval of the attached document and the anticipated results identified therein, and your concurrence that the design document includes adequate planning in accordance with FAA Section 611 to enable achievement of the intended results, is required to permit the Governance Special Objective Team to initiate actions to attain those results. Your approval also is requested to waive nationality requirements for short-term technical assistance financed by USAID, and host country contribution for the portions of international travel required by ADS E253 5 1f

Background and Discussion

The Good Governance Program (GGP - Activity No 518-0127) is to be funded in the amount of \$5,700,000, consisting of a total, planned USAID/Ecuador contribution of \$1.7 million and a host country contribution of approximately \$4.0 million (cash and in-kind), and will be implemented over two years (FY 1998 - FY 1999). Planned results are summarized in the Results Framework included in Section II of the attached design document. The program objective, *Transparency and Good Governance*, will be achieved through the reduction of corruption in government and the promotion of public consensus, understanding and support for the modernization of the state.

The design document incorporates a rolling design, building in the flexibility needed to permit the mission to opportunely respond to GoE needs with respect to anticorruption and state modernization efforts, as they evolve. More importantly, a rolling design is demanded as future funding for this activity is highly uncertain. Generally, in its attempt at assisting the GoE in its effort to streamline and modernize the state, particularly the MoF, this activity seeks to implement those activities with highest potential for impact and with greatest potential for leveraging other donor resources, so as to ensure their full implementation. The design also acknowledges the lack of consensus within the GoE with regard to the specifics of reforms sought. The strategy, therefore, is viewed as being one of low cost, high risk, but with the potential for high returns, and is conditioned upon 1) additional ESF resources, 2) GoE commitment and consensus on the details of

B

needed reforms, and, 3) USAID and GoE ability to leverage other donor resources

The initial tranche of \$300,000 will be used to support GoE efforts to streamline the MoF, including customs and tax reform, and to implement a state modernization mass media campaign. These also are areas where other donors, particularly the IDB and IBRD, are investing or are planning significant investments. USAID's relatively small contribution will serve as a catalyst for other donor funding and should otherwise influence and/or serve to redirect on-going IDB and IBRD efforts in these areas.

The activities identified below for possible financing reflect the types of activities to be implemented and the level of impact sought. Implementation of the fourth activity, strengthening prosecutorial function, will not begin under this first tranche funding and is subject to the availability of additional financing for this activity.

1. Restructure the Ministry of Finance. USAID would finance short-term technical assistance and training to support CONAM's efforts to create depoliticized, autonomous, and highly technical customs and tax administrations,
2. Public Education on Privatization and Modernization. USAID would finance publications and advertisements as part of a public information campaign,
3. Prosecutorial Functions Strengthening. USAID would finance short-term technical assistance and training and/or administrative support to assist the GoE in identifying and designing concrete measures to improve the effectiveness of the prosecutorial function in Ecuador, and,

Other activities may be supported as appropriate. For example, USAID could provide technical assistance, training and/or administrative support to the recently formed Anticorruption Commission. USAID assistance to this key institution would help ensure its ability to process cases before it in a timely and highly professional manner.

The GGP design document conforms to the ADS. Activities described therein constitute the principal activities contributing to the achievement of the Mission's new Special Objective, Good Governance, contained in the Mission's 1998-2002 Strategic Plan. The Strategic Plan, as well as the Mission's FY 1996-1998 R4, were reviewed and approved by USAID/W in STATE 136587, dated July 1997, subject to decisions and guidance summarized therein. The design document has taken into consideration the decisions and guidance contained in STATE 136587, which constitutes the management contract between USAID/E and USAID/W.

The waiting period for the Congressional Notification (CN) will expire on September 20, 1997, at which time funds for this activity may be obligated. Upon your signature of this memorandum, and as soon as the necessary budget authorization is received from USAID/W and the CN waiting period has expired, the SpO Team will move promptly to initiate implementing actions to obligate the funds.

The USAID/W LAC Chief Environmental Officer has approved a categorical exclusion of the requirement to conduct an environmental assessment on the basis of the activities to be implemented. A copy of this determination is attached as Annex B to the design document.

The previous 25 percent counterpart contribution is no longer a requirement, but remains a reference point. As CONAM's annual budget alone is well in excess of the 25 percent benchmark for counterpart financing, the SO Team has concluded that this requirement has been met. Additionally, planned NGO partners currently are providing counterpart contributions determined to be satisfactory by the SO Team. For example, under USAID's existing cooperative agreement with the Fundacion Ecuador (under which the full first tranche funding of \$300,000 will be obligated), FE is providing a total counterpart contribution of \$2,756,000, or roughly 48 percent of the total grant amount. These partners will not be required to provide additional counterpart financing, as 1) it has been determined that GoE and NGO contributions meet the 25 percent reference point requirement, and, 2) USAID is encouraging its NGO partners to utilize existing funding available to them for purposes related to their own financial self-sufficiency.

Finally, roughly \$200,000 may be provided under the GGP to finance the cost of printed materials. Such materials are not the result of formal research and/or studies, but are informative bulletins and brochures related to state modernization. Moreover, no single issue will exceed the amount of \$25,000. Therefore, no waiver will be required for this subactivity.

Waivers

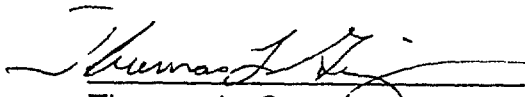
The GGP plans to capitalize on the recent experience of other Latin American (LA) countries in the activities planned under this program, particularly in the areas of customs and tax reform. This is particularly important given common historical trends and cultural traditions in the region. Thus, the vast majority of the short-term technical assistance and training will be provided by consultants from other LA countries included in USAID Geographic Code 941. Additionally, as the SpO Team has determined that the counterpart requirement for this activity has been met, and that host country and other donor funding do not contemplate financing for international travel funded from other donor programs, it is requested that you waive the counterpart contribution for any USAID-financed international travel that may be provided, as required by ADS E253.5.1f.

AUTHORITY

You have the authority to take the action requested in this action memo based on strategic planning authority delegated to LAC Mission Directors in ADS 103 5 14b(1) Furthermore, ADS Section 310 5 8c(1)(a) provides nationality waivers to authorize procurement to suppliers of services from Geographic Code 941 based on the following criteria (5) "such other circumstances as are determined to be critical to the achievement of the project objectives " Finally, and pursuant to ADS E-253 5 1h(2)(c), you have the authority to determine not to apply host country contribution to international travel according to host country circumstances

Recommendation

That you sign below, thereby indicating 1) your approval of the attached design document and the results identified therein, 2) your approval to waive nationality requirements for short-term technical assistance and training to be financed under the GGP, and, 3) your concurrence that the Good Governance Program design document includes adequate planning in accordance with FAA 611(a) to enable achievement of the intended results, thereby authorizing the SpO Team to initiate actions to attain those results The SpO Team members are responsible and accountable to you for pursuing the specific results described in the attached design document and for keeping you fully informed of the progress made towards attaining them


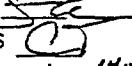
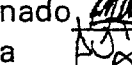

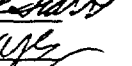

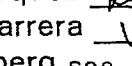
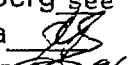
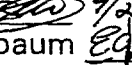







Thomas L. Geiger
Director
USAID/Ecuador

9/24/97

Date

Clearances for Good Governance Program Design Document

SDO BCypser 
SDO STaylor 
SDO CTorres  9/23/97
SDO PMaldonado  9-23-97
SDO SVillalba 
SDO GJauregui  9/23/97
GDO KFarr 
GDO ASist 
CONT NPineda  9/23/97
CONT LVelasquez 
CONT MACarrera 
RCO AEisenberg see fax attached
RCO HGranja 
RLA JKnott  9/24/97
EXO WElderbaum  9/24/97

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Clearances for Good Governance Program Design Document

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GOOD GOVERNANCE PROGRAM

(518-0127)

ACTIVITY DESIGN DOCUMENT

September 24, 1997

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ACRONYMS

CLD	Latin American Corporation for Development
CONAM	Consejo Nacional de Modernizacion del Estado
CSO	Civil Society Organization
CTH	Corporacion de Titulacion Hipotecaria
EMETEL	Empresa Nacional de Telecomunicaciones
ESF	Economic Support Funds
FAA	Federal Acquisition Act
FE	Fundacion Ecuador
FS	Foreign Service
FSN	Foreign Service National
G	Global
GGP	Good Governance Program
GoE	Government of Ecuador
IBRD	International Bank for Reconstruction and Development
IDB	Interamerican Development Bank
IR	Intermediate Result
LOC	Letter of Credit
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NGO	Non-government Organization
OPDAT	Department of Justice Office for Professional Development and Training
PASA	Participating Agency Service Agreement
PM	Public Ministry
PSC	Personal Service Contract
SpO	Special Objective
USAID	U S Agency for International Development
WTO	World Trade Organization

I BACKGROUND

A Problem Analysis

While most Ecuadorians see the events of February 5th as by and large positive, the future of Ecuadorian democracy rests on what will follow. The public outcry against the Bucaram administration was, among other things, a reaction to many longstanding weaknesses of Ecuadorian democracy: a discredited political class, pervasive corruption, and the lack of consensus about the country's direction.

The massive popular mobilization that ousted former President Bucaram succeeded in its most immediate goal, but if this unique moment of popular participation is to continue, it must be channelled and engaged in a way that it can provide a more constructive and long-lasting impetus for deeper institutional and legal reforms. If some of the fundamental problems behind the popular frustration with the political class are not addressed, the result will be increasing popular cynicism and antipathy that will ultimately undermine Ecuadorian democracy.

Politically involved Ecuadorians fear that the removal of Bucaram has only returned Ecuador to the same pre-Bucaram political situation. The same political class that preceded Bucaram's rise to power has reassumed authority and they have done so under the same dysfunctional legal and institutional framework that existed before Bucaram. There is, however, for the moment, one fundamental difference: the memory of popular mobilization and with it a growing recognition among sectors of civil society that something must be done. Albeit weak, the current Alarcon administration -- in recognition of the underlying reasons for popular discontent -- has undertaken some superficial and tentative efforts to address reform demands.

The strategy sought by civic sectors, and endorsed with some hesitation by the GoE, will be to pair these two movements -- popular participation and political reform -- to address some of the underlying reasons behind Ecuador's democratic crisis. The Good Governance Program (GGP) proposes to build upon this unique moment to support and promote efforts to combat corruption in the public sector and to support targeted judicial and political reforms.

B USAID Activities to Date

Activities designed specifically to address transparency and good governance issues are new for USAID/Ecuador. However, a number of on-going activities, most notably those under the mission's democracy and economic growth strategic objectives (SOs), have contributed to strengthening institutions and/or affecting policy changes that are important pieces in the overall mosaic of improved transparency.

Under SO3, "*Strengthened Sustainable Democracy*," the Ecuadorian Congress has enacted with USAID support implementing legislation for the Constitutional Rights Ombudsman and the Constitutional Court. Support to the Justice Sector Coordination Unit attached to the Presidency, now known as ProJusticia, has helped build the capacity of the unit to further new initiatives in judicial reform. This unit has solidly established itself as a trusted source of technical assistance for both the executive and judicial branches of government. Through USAID support to the Latin American Corporation for Development (CLD), a computerized case tracking system was installed in the Supreme Court in 1994, thereby increasing demand for court reform through information dissemination and related activities. CLD also has achieved a very ambitious, multifaceted program of judicial training and public education. Furthermore, it has taken the lead in introducing mediation in Ecuador as a formal option within the judicial process, as well as an extra-judicial alternative available to the private sector. The LAC Regional Financial Management Improvement Project supported Mission efforts to raise awareness and knowledge about modern anti-corruption measures and techniques. Under the modified SO3, "*Strengthened Civil Society*," USAID will continue work with CLD and other NGOs and CSOs to strengthen their capacity to affect judicial reform and otherwise influence public policies and programs.

Under SO1, "*Increase Sustainable Economic Growth for a Broad Base of the Population*," USAID has assisted the GoE in its efforts to restructure the economy and modernize the state. Under its intermediate result 1, "*More Efficient Investment in People*," SO1 supported four areas of the Summit of the Americas Action Plan: invigorating society/community participation, free trade, telecommunications, and access to basic education. USAID support to GoE privatization efforts have paved the way for the privatization of state-owned enterprises. Approval of a telecommunications law permitted the sale of 35 percent of EMETEL, the state-owned telephone company, currently scheduled to be completed by November, 1997. The National Modernization Council (CONAM) has opened the door for increased private investment through privatization and concessions in a number of sectors, including customs, electric power generation, airports, railroads, and water and sewerage. To ensure Ecuador's compliance with WTO rules and regulations, USAID has provided technical assistance aimed at gaining popular support for improved intellectual property rights (IPR) protection and passage of comprehensive IPR legislation. Finally, USAID-led efforts to improve housing finance markets have resulted in the creation of a new Mortgage Titling Company, the *Corporacion de Titularizacion Hipotecaria* (CTH), a public (40%)/private(60%) sector organization.

C Host Country and Other Donors

Under an existing agreement with the Ministry of Finance, the Inter-American Development Bank (IDB) is providing grant-funded technical assistance for automating the customs service. USAID currently is coordinating its planned activities to help

reform the customs and tax administrations under the GGP with the IDB. CONAM-led tax and customs reform efforts, as well as its modernization mass media campaign, are being supported through a World Bank loan. Projusticia, an autonomous entity within the GoE, is already implementing assistance from USAID, IBRD and the IDB to reform court administration and for judicial reform. It worked closely with the Supreme Court in the negotiation of the \$14.3 million World Bank project (signed in September 1996) to support modernization of court administration and related activities, including pilot mediation facilities within the judicial function and a fund for grants to civil society organizations to increase their involvement in the development of solutions to problems of the judicial sector. The IDB recently approved a \$2.0 million grant for the development of a judicial training system, further improvements in judicial administration, and the development of implementing legislation. USAID's relatively small contribution will serve as a catalyst for other donor funding and should otherwise influence and/or serve to redirect on-going IDB and IBRD efforts in these areas.

II EXPECTED RESULTS AND ASSUMPTIONS

A Results

Given limited USAID resources and the short timeframe in which to capitalize on the opportunities originated by the events of February 5th, USAID/Ecuador has focused these towards the achievement of the Special Objective (SpO) "*Transparency and Good Governance*" through activities carried out with Ecuadorian public and private sector partners. This is a short-term response directed at underscoring and demonstrating the positive measures that can be accomplished under a democracy through more mature political leadership and collaboration. USAID support under this SpO is expected to end in FY 1999. However, the inherently fragile Ecuadorian situation requires not only close monitoring for the short-term, but a longer-term commitment to address the systemic weaknesses which threaten democratic stability. These longer term issues will be addressed by strengthening civil society through the mission's SO3.

Illustratively, and assuming that the assumptions and risks contained in section B below, and further discussed in section C, illustrative activities, are met, the Mission will seek to achieve the following intermediate results (IRs)

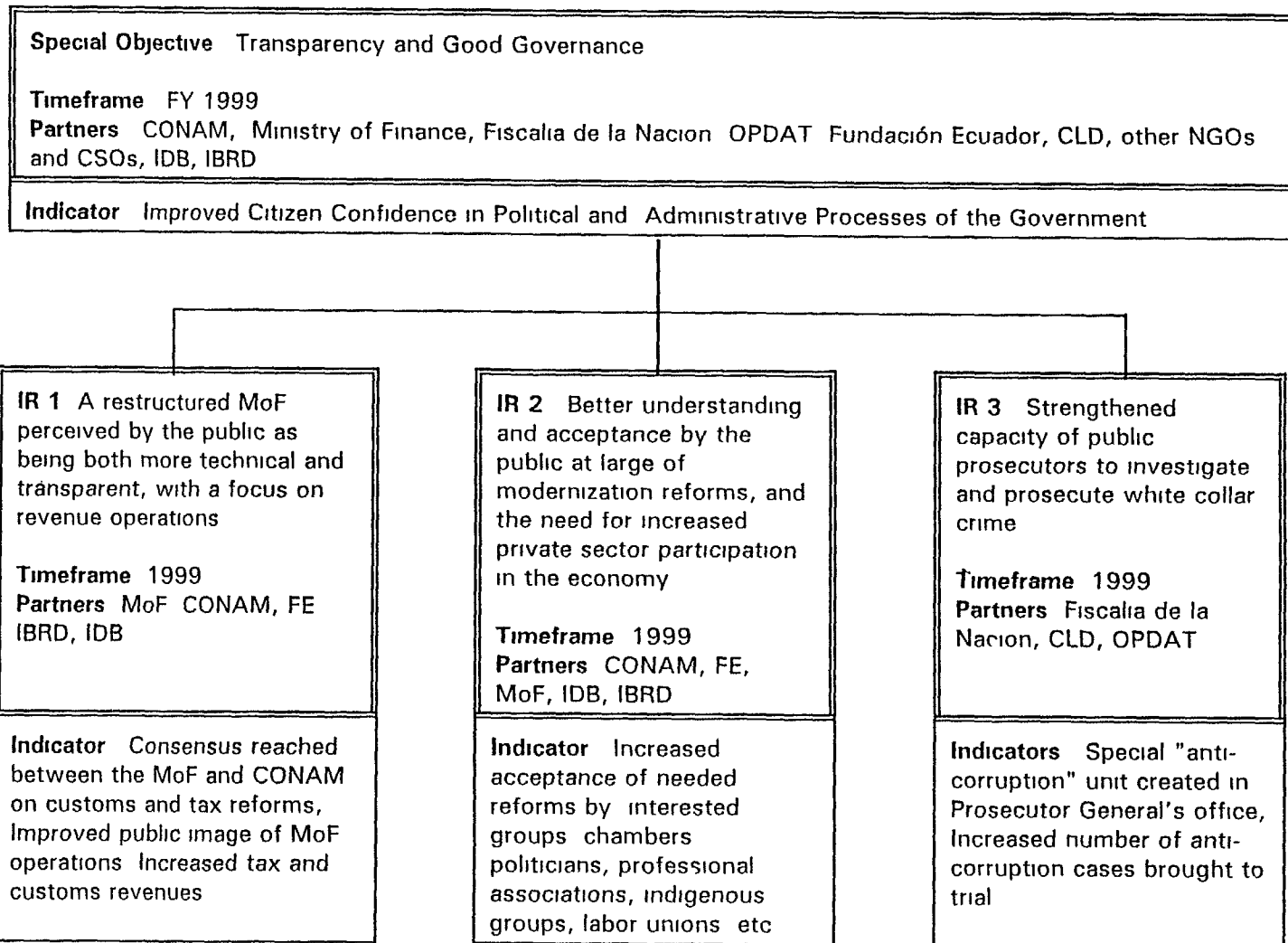
- IR 1 A restructured MoF that is perceived by the public as being both more technical and transparent
- IR 2 Better understanding and acceptance by the public at large of modernization reforms, and the need for increased private sector participation in the economy

IR 3 Strengthened capacity of public prosecutors to investigate and prosecute white collar crime

B Assumptions and Risks

For the successful implementation of these activities, it is imperative that 1) the MoF endorse CONAM proposed restructuring of the MoF, including tax administration and customs service reforms, and, 2) that CONAM have the full and unconditional support of GoE officials at the highest level of government for these reforms. Furthermore, USAID recognizes that a change in the leadership at CONAM could seriously affect program implementation. With regard to efforts aimed at strengthening the *Fiscalia*, the success of this activity will depend on the passage and implementation of new penal and criminal procedures codes. A complete restructuring of the sector would require a new *Ley Organica de la Funcion Judicial*, a *Ley Organica del Ministerio Publico*, and a *Ley Organica de la Policia Nacional*.

SPECIAL OBJECTIVE GOVERNANCE



III PLAN OF ACTION

A Development Partners

USAID/Ecuador will work with both public and private sector partners. Given the short time frame of the SpO (FYs 97-99), efforts will be made to speed implementation by channelling support through more efficient private sector entities. For example, funding intended to benefit GoE entities will be implemented through agreements with private sector entities, buy-ins, and PASAs (see Table 2), but with a concomitant MoU with the respective GoE entity. Therefore, development partners will include Ecuadorian NGOs that traditionally have worked and/or are working closely with GoE entities and with whom USAID is currently working and has had positive experiences. Key partners include

- 1) CONAM Created in December, 1993, for the purpose of developing and implementing activities aimed at restructuring the economy and modernizing the state, CONAM operates under the direction of the Executive, and seeks to improve and streamline government functions, as well as promote greater private sector participation in economic activity traditionally reserved for the state,
- 2) Fundacion Ecuador Created with assistance from USAID/Ecuador in 1991, FE has offices in both Quito and Guayaquil and has national recognition as a policy advocacy organization. FE first gained prominence in promoting trade and investment issues, and since has proven its adaptability in shifting its focus to analysis and advocacy of social policy concerns. It is playing an important role within the Alarcon administration by serving as a secretariat to the national commission on constitutional and political reform. Its performance on this short-term task will likely demonstrate specific opportunities to further strengthening its role in policy advocacy,
- 3) Latin American Corporation for Development CLD has been a key partner in activities related to increasing awareness and advancing debate on national policy issues related to judicial reform. Despite its recent establishment in 1990, CLD has secured the collaboration of some of the most distinguished lawyers in the country, who have committed their services to the organization on a pro-bono basis. With USAID/Ecuador support, CLD developed and pursued a highly focused mission aimed at improving the justice system and application of the rule of law in Ecuador. CLD is now carrying out a wide range of activities including training, drafting reform legislation, promotion of the use of alternative dispute resolution mechanisms, and the development of an innovative index for tracking changes in the development of Ecuador's democratic process,

4) Ministry of Finance The MoF, which includes both the Customs Directorate and the Taxation Directorate, is the principal public sector institution responsible for management and control of the country's revenues and expenditures, preparation and implementation of the national budget, and management of Ecuador's foreign and domestic debt, and,

5) Public Ministry The PM houses the *Fiscalia de la Nacion* or the GoE Prosecutor's Office. The principal responsibility of this office is to prosecute criminal cases involving the public interest. Its three basic functions are to 1) conduct criminal investigations with the collaboration of the judicial police, 2) in such cases, assume the role of prosecuting attorney on behalf of the state, and, 3) actively promote the prosecution of persons involved in these cases.

B Customers

Customers include the above named partners, as these not only will implement the activities contemplated herein, but will receive the benefit of USAID-financed technical assistance and training, that may improve national capacity to affect change in the areas covered by this activity. Ultimate customers are the Ecuadorian public at large, who would benefit through a restructured, technical and transparent MoF -- that may include significantly reduced corruption in the country's tax and customs administrations, as well as increased public investment through improved tax and customs revenue collection -- greater understanding of economic restructuring and modernization efforts more broadly, and more effective prosecution of private and public sector corruption cases.

C Illustrative Activities

Pervasive corruption contributes significantly to the growing lack of confidence among Ecuadorians about their political system's ability to deal with issues of good governance. The inability or unwillingness of national leadership post 1979, when democracy was restored in Ecuador, to develop a sense of national direction and to create consensus on fundamental goals, also adds to the alienation of citizens and their lack of participation.

The activities to be carried out under this SpO have been selected to take advantage of windows of opportunities to address specific concerns of corruption, consensus building and citizen participation. However, given the assumptions and risks associated with this activity (see section II B above), as well as the uncertainty of future funding for these activities, they are illustrative in nature and represent the types of activities that may be carried out if additional ESF funding is made available. As of this writing, only \$300,000 have been apportioned out of the total estimated

budget of \$1.7 million. This first tranche funding will be sufficient to complete initial planning steps for CONAM activities and to partially implement planned MoF restructuring and public education activities. Full implementation of these activities, as well as other planned activities, e.g., prosecutorial functions strengthening, will be undertaken with additional ESF resources and/or assistance from other donors, i.e., IBRD and IDB. Additionally, consensus has not been achieved within the GoE with regard to the specific reforms to be carried out. To a large extent, these activities reflect the desire of the U.S. Embassy and USAID to assist the GoE, through CONAM, in its attempt to reduce corruption and strengthen and streamline GoE institutions, particularly the MoF. Given the sensitive nature of these activities and the protean political climate, USAID has designed this program in close coordination with the U.S. Embassy. Thus, this design document purposefully incorporates a rolling design, building in the flexibility needed to permit the mission to respond to anticorruption/state modernization needs of the GoE as they evolve. This approach is essential to ensure continued responsiveness to political realities and close coordination with the U.S. Embassy.

Finally, and in accordance with the reengineered strategic planning process, this activity not only seeks the enhanced participation of customers and partners, but seeks to leverage scarce mission resources by working with other donors to achieve significant impact with regard to curbing corruption and creating greater transparency in government. For example, with this first tranche funding, the mission plans to finance short-term technical assistance to help reform the MoF, including possible sweeping reforms of the customs and tax administrations. The strategy is one of low-cost, high risk, but with the potential for high returns. It is low cost as only \$100,000 are budgeted for this activity. It is high risk because, as of this date, consensus has not been reached between the MoF and CONAM on the specifics of tax administration and customs service reforms. As mentioned, the strategy also seeks to leverage other donor funding, including an estimated IDB investment of \$10.0 million and a possible similar investment by the World Bank. The remaining \$200,000 partially will finance a mass media campaign aimed at informing the public of the benefits of modernizing the state. CONAM will seek additional funding from other donors, including the IDB and IBRD, as the cost of this activity, particularly televised advertisements and the like, is high. The ultimate result of this combined effort by USAID, the IBRD and IDB could conceivably be a complete restructuring of the MoF, including the establishment of independent, autonomous and highly technical customs and tax administrations, at the same time that public perception of corruption within these institutions is reduced dramatically.

Depending on the successes and/or failures of any of these illustrative activities, the budget for these planned activities may be updated and modified on a continuous basis, with more or less being used to implement the first two activities listed below and/or for other urgent needs of the GoE's state modernization program. As this program first will work to restructure the MoF, funds will most likely be used for the

purposes of streamlining the various functions of the MoF, including customs and tax reform. However, as the program proceeds, flexibility in the final decision regarding how these funds will be allocated will ensure that they are used to finance those anticorruption/state modernization activities deemed to be of highest impact and priority for the U.S. mission and the GoE, and which most leverage other donor funding for these efforts.

(1) Restructure the Ministry of Finance

Certain functions of the MoF are generally perceived as being corrupt and dysfunctional. Corruption in the Ecuadorian Customs Secretariat is one of the most persistent, lucrative, and now highly visible fraudulent practices to be addressed. Not only will intensive media coverage of corruption assure that the public will remain skeptical of any government that cannot eliminate or significantly reduce corruption, the foregone revenues will continue to limit critically needed public investment. This activity would support CONAM's efforts to create a depoliticized, autonomous, and highly technical customs control system. USAID may finance technical assistance that would review new, draft legislation and otherwise assist CONAM in the design and implement this new system. Subject to the availability of funds, the services of a long-term advisor (PASA with US Customs) also may be provided to oversee operations and make recommendations for improvement.

As with the customs service, the Ecuadorian tax administration is widely viewed as being highly corrupt and inefficient. The administration is overly bureaucratic and centralized. The number of different types and amount of taxes assessed by the government are excessive, as are public and private exonerations. And while most large businesses, accounting for some 80 percent of total tax revenues, are paying their taxes, medium and small businesses, as well as large numbers of private citizens, are not. This activity would support CONAM's efforts to create a new tax administration which permits increased tax collection. USAID may provide short-term technical assistance needed to review new, draft legislation and to assist CONAM in the design and implement this new tax administration.

In addition to providing assistance that will lead to independent, autonomous and highly technical customs and tax administrations, subject to the availability of additional resources for this activity, USAID may provide support to the MoF's technical, budget and accounting, and public credit and treasury secretariats, as well as its strategic planning, legal and information divisions.

(2) Public Education on Privatization and Modernization

Ecuador is far behind other Latin American countries on moving ahead with its efforts to modernize the state. Previous GoE administrations have been unable to mount a coherent public information campaign to build a national consensus on the new role

of the state. Efforts of past Presidents have been thwarted by organized resistance from public institutions, unions of public employees, students, and other groups lacking facts concerning privatizations or defending perceived self interests. Streamlining of the state bureaucracy and simplifying administrative procedures are crucial to changing the practice of corruption at all levels.

Under this component, USAID would contribute towards CONAM's efforts to design and test an effective public information campaign. Assistance may be provided to 1) prepare a comprehensive strategy, 2) design and execute a national survey of public opinion, 3) test various informational materials and techniques developed, and 4) finance the publication/printing costs of such materials and or advertisements in various media. A portion of the undisbursed balance of the existing IBRD loan for modernization of the state may be redirected to help support the development of such a campaign and CONAM may seek additional resources from IDB or other donors for this major undertaking.

If additional ESF funds are made available to this activity, USAID may provide direct assistance to the GoE in support of GoE privatization efforts, including a small pilot program to use private concessions to expand and operate water and sewerage services may be carried out in two or three medium sized municipalities to help demonstrate the potential for immediate impacts of modernization of the state. CONAM is prepared to proceed with policy reforms to promote the use of such concessions on a national scale in order to increase the level of investment for this essential infrastructure.

(3) Prosecutorial Functions Strengthening

Weaknesses in the ability of Ecuador's prosecutor to act decisively in cases involving corruption has contributed both to the spread of corrupt practices and to a weakened respect for democracy among a growing skepticism of its legal system.

In Ecuador, prosecution of criminal cases is exercised by the Office of the Prosecutor General (*Fiscalia General*) which carries out the function of the Public Ministry. The Prosecutor General has Minister rank. The 1995 Constitutional Reforms give the Prosecutor General increased authority to prosecute cases by separating the function of the Public Ministry from the Office of the Attorney General (*Procuraduria General*), and grant unprecedented investigative powers to the Prosecutor General, thereby relieving the judges of this time consuming task. However, these new functions have not been put into practice. Among other things, implementing legislation (*ley organica*) is needed, as well as an increased budget and trained staff. At the same time, the penal and criminal procedures codes need to be revised to reflect the changes envisaged in the Constitutional Reforms of 1995. The judicial reform programs of the World Bank do not address the needs to modernize the Prosecutor General function, while the IDB project, under its legislative strengthening component, only provides an unspecified amount of funds for a study of the function and the drafting of an "organic law" for public prosecutors. Accordingly, it is appropriate and

timely to assist with implementing an expanded and more effective role for the Office of the Prosecutor General

Under this component, USAID would provide US expertise to collaborate with the legislative, judicial, and executive branches in identifying and designing concrete measures to improve the effectiveness of the prosecutorial function in Ecuador in areas permitted under FAA Section 534(b)(2). Legislative initiatives would coordinate with the IDB to focus primarily on those critical improvements and modifications needed in existing legislation to make the investigation and prosecutorial function more effective. Preparations for full implementation of the proposed legislative changes in the penal and criminal procedures codes and the organic law would be furthered through the preparation of a detailed plan with cost estimates and a calendar for staffing, training, physical infrastructure improvement, etc. Finally, a special anti-corruption unit would be organized within the Office of the Prosecutor General, in a team approach between prosecutors and investigators trained in modern anti-corruption skills and techniques. Additional measures could involve defining the functions of a restructured Office of the Attorney General vis a vis the Office of the Prosecutor General.

Short-term advisors and training would be provided through Field Support Delivery Orders, for example, with the Federal Judicial Center, the Department of Justice Office for Professional Development and Training (OPDAT), the National Center of State Courts, and/or other appropriate sources. Any assistance, however, would be conditioned on GOE commitment to move ahead with implementing legislation for the Public Ministry, the introduction of a draft of the revised Criminal Procedures Code to Congress, and availability of new ESF funds in FY 1998.

Other activities may be supported under the GGP, as appropriate. For example, and subject to the availability of funding, USAID may provide technical assistance, training and/or administrative support to the recently established Anti-corruption Commission (AC) to help ensure its ability to process the cases before it in a timely and highly professional manner. The AC was constituted by President Alarcon during the first few months of his mandate and was formally established by Presidential Decree 107-A on March 8, 1997, and published in the Official Register on March 10. Initially established as a temporary body for a period of ninety days, the AC consists of eight highly respected citizens appointed by the President. It has received over 250 accusations through July 30. As a result of popular demand, as well as pressure from the press, its existence was extended on July 30, 1997, by Presidential Decree 507 through August 10, 1998, the end of the interim Alarcon government.

The work of the commission has filled a moral vacuum that presently exists in the administration of justice. The commission currently is reviewing some twelve cases. If corruption can be proven, these cases are referred by the commission to the appropriate GoE institution, among these the Supreme Court, the Office of the Controller General, the Superintendency of Banks, and the Office of the Prosecutor General.

IV COST ESTIMATES

A USAID Contribution

The financial plan presented herein represents the funding required for a two-year program of activities to be implemented in FYs 98 and 99. However, given the uncertainty of future funding for this program, the activities themselves have been designed to stand on their own. Subsequent activities may build on earlier accomplishments, but those earlier accomplishments in and of themselves accomplish specific results and provide benefits to Ecuador, even without implementation of subsequent activities. The total USAID contribution is therefore estimated to be \$1.7 million, although tranching depends totally on the availability of ESF. The funds will be used to finance technical assistance, training, printing of printed materials, advertisements, commodities, and local costs for partner institutions.

Estimated obligations by fiscal year are shown in the first table below. The second table illustrates the methods of implementation and financing, which are in accordance with USAID's payment and verification guidelines. Implementation methods proposed are Cooperative Agreements, PASA(s), local PSC(s), and buy-in(s) to G Bureau Projects.

Table 1

(\$000)	1997	1998	TOTAL
Customs Improvement	60	250	310
Tax Administration Improvement	60	220	280
Education on Privatization/Modernization	180	270	450
Prosecutorial Functions Strengthening	0	500	500
Other	0	100	100
USAID Administration/Management	0	60	60
TOTAL	300	1,400	1,700

Table 2

Line Item	Method of Implementation	Method of Financing	Amount (\$ 000)
Customs Improvement	Coop Ag w/FE	Advance/Reimb	150
	PASA	Transfer	100
	FS-Delivery Order	LOC/Direct Pay	60
Tax Administration Improvement	Coop Ag w/FE	Advance/Reimb	150
	FS-Delivery Order	LOC/Direct Pay	130
Education on Privatization/ Modernization	Coop Ag w/FE	Advance/Reimb	450
Prosecutorial Functions Strengthening	FS-Delivery Order	LOC/Direct Pay	500
Other	TBD	TBD	100
USAID Mgt	FSN PSC	Direct Payment	60
TOTAL			1,700

B Counterpart Contribution

The counterpart contribution will consist of both cash and in-kind contributions that will fulfill the conditions required by USAID. The previous 25 percent counterpart contribution is no longer a requirement, but remains a reference point. Pursuant to ADS 303.5.8(b), the Director need only make a final determination of the amount the NGO will contribute. Additionally, the SO Team is responsible for negotiating the largest, reasonable and possible contribution. For this activity, the GoE is providing roughly \$2.0 million in financing to CONAM annually. Additionally, CONAM, through an IBRD loan, has expended \$60,000, and, through an IDB grant, \$80,000, for tax and customs reform legislation, respectively. An additional \$100,000 has been earmarked for the development of implementing regulations for these new laws. Furthermore, CONAM currently is negotiating an additional estimated \$1.5 million from the IDB and an undetermined amount from the IBRD under its Modernization of the State Project or MOSTA for the establishment of new tax and customs administrations. As CONAM's annual budget alone is well in excess of the 25 percent benchmark for counterpart financing, the SO Team has concluded that this requirement has been met. Planned NGO partners currently are providing counterpart contributions determined to be satisfactory by the SO Team. For example, under USAID's existing cooperative agreement with the Fundacion Ecuador (under which the full first tranche funding of \$300,000 will be obligated), FE is providing a total counterpart contribution of \$2,756,000, or roughly 48 percent of the total grant amount. These partners will not be required to provide additional counterpart financing, as 1) it has been determined that GoE and NGO contributions meet the 25 percent reference point requirement, and, 2) USAID is encouraging its NGO partners to utilize existing funding available to them for purposes related to their own financial self-sufficiency.

C Audit

For every year of the program, an annual financial and compliance audit will be undertaken by Fundacion Ecuador, CLD and other local, partner NGOs, and funds for audit purposes will be included within the budget of the Cooperative Agreement. Field Support entities will be audited separately in line with the terms of each of the individual contracts/cooperative agreements. For auditing purposes, the PASA contract falls under the jurisdiction of the home agency.

D Sustainability

This activity does not seek the institutional strengthening and/or financial self-sufficiency of any of the organizations involved in its implementation. However, the

financial self-sufficiency of FE and CLD is a goal under other, ongoing, USAID activities

V PERFORMANCE MONITORING AND EVALUATION

A Performance Monitoring

Performance of these activities will be monitored through regular meetings with our planned partners and through periodic site visits. Public opinion of tax and customs reforms, improved prosecution of corruption cases, as well as their improved understanding of CONAM-led modernization activities, will be monitored in the press. Finally, surveys, focus groups, and evaluations may be carried out, subject to the availability of additional ESF funding for this activity.

Special Objective 3 - Transparency and Good Governance

Indicator 3(a) *Improved citizen confidence in political and administrative processes of the Government*

Baseline (1997)	TBD
Target (1999)	TBD

The indicator for this special objective will be drawn from the Democracy and Justice Index being developed by CLD. Based on the final design of the ESF package, and with the completion of the design of the Index (expected by October, 1997), appropriate factors will be selected to determine the baseline and to establish the measurement of achievement.

IR 1 A restructured MoF that is perceived by the public as being both more technical and transparent

Indicator 3 1(a) *Consensus reached between the MoF and CONAM on customs and tax reforms*

Baseline (1997)	None
Target (1997)	Specifics of the reform identified and agreed to

Indicator 3 1(b) Increased tax and customs revenues

Baseline (1997) Tax \$80m/mo
Customs \$25m/mo

Target (1999) Tax \$100m/mo
Customs \$35m/mo

Indicator 3 1(c) *Improved public image of MoF operations*

Baseline (1997) To be obtained from a specific topic requested of the Monitor Survey annually Performance measure will be whether or not there is a statistically significant increase in positive responses

Target (1999) Upward trend

IR 2 Better understanding and acceptance by the public at large of modernization reforms, and the need for increased private sector participation in the economy

Indicator 3 2(a) *Increased acceptance of needed reforms by interested groups, chambers, politicians, professional associations, indigenous groups, labor unions, etc*

Baseline (1997) To be obtained from a specific topic requested of the Monitor Survey annually Performance measure will be whether or not there is a statistically significant increase in positive responses

Target (1999) Upward trend

IR 3 Strengthened capacity of public prosecutors to investigate and prosecute white collar crime

Indicator 3 3(a) *Special "anti-corruption" unit created in Prosecutor General's office*

Baseline (1997)	None
Target (1999)	Created

Indicator 3 3(b) *Increased number of anti-corruption cases brought to trial*

Baseline (1997)	0 cases
Target (1999)	TBD

B Evaluation

In line with USAID policy, the decision to carry out an evaluation of this ESF funded program will be driven primarily by management need. Evaluations will not be required as a matter of formality. If they will serve no management need and will not be used, evaluations will not be conducted. Given the extremely short time frame of the planned activities, at this time it is not anticipated that an evaluation will be carried out. However, in the event that a subsequent decision might be made to evaluate the impact or distill "lessons learned" which may be useful elsewhere in the Agency, funding will be made available under project development and support.

ANNEX A STATUTORY CHECKLIST

ANNEX B IEE

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II ASSISTANCE CHECKLIST

Listed below are criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to (A) both DA and ESF assistance, (B) DA only, or (C) ESF only

CROSS REFERENCE IS COUNTRY CHECKLIST UP TO DATE?

A DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND

1 Congressional Notification

a **General Requirement** (FY 1997 Appropriations Act Sec 515, FAA Sec 634A) If the obligation has not previously justified to Congress or is for an amount in excess of the amount previously justified to Congress, has a Congressional Notification been made? Yes

b **Special Notification Requirement** (FY 1997 Appropriations Act, "Burma" and "NIS" Title II headings and Sec 520) For obligations for NIS countries, Burma, Colombia, Guatemala (except development assistance), Dominican Republic, Haiti, Liberia has a Congressional Notification been submitted, regardless of any justification in the Congressional Presentation? N/A

c **Notice of Account Transfer** (FY 1997 Appropriations Act Sec 509) If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees? N/A

d **Cash Transfers and Nonproject Sector Assistance** (FY 1997 Appropriations Act Sec 531(b)(3)) If funds are to be made available in the form of cash transfer or N/A

nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U S interests to be served and a description of any economic policy reforms to be promoted?

2 Engineering and Financial Plans (FAA Sec 611(a)) Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U S of the assistance? a) Yes, b) Yes

3 Legislative Action (FAA Sec 611(a)(2)) If the obligation is in excess of \$500,000 and requires legislative action within the recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? N/A

4 Water Resources (FAA Sec 611(b)) If the assistance is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles standards, and procedures established pursuant to the Water Resources Planning Act (42 U S C 1962 et seq)? N/A

5 Cash Transfer/Nonproject Sector Assistance Requirements (FY 1997 Appropriations Act Sec 531) If assistance is in the form of a cash transfer or nonproject sector assistance N/A

a **Separate Account** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

2

b Local Currencies If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies

(1) Has A I D (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A I D and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A I D taken all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

6 Capital Assistance (FAA Sec 611(e)) If capital assistance is proposed (e g , construction), and total U S assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country s capability to maintain and utilize the assistance effectively?

N/A

7 Local Currencies

a Recipient Contributions (FAA Secs 612(b), 636(h)) Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U S are utilized in lieu of dollars

The partner NGOs implementing the project will provide counterpart contribution. It is expected that local counterpart will total US\$4,000,000 which consists of cash and in-kind contribution

b US-Owned Foreign Currencies

(1) Use of Currencies (FAA Secs 612(b) 636(h) Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U S are utilized in lieu of dollars to meet the cost of contractual and other services

At this time there are no US-owned local currency funds remaining

(2) Release of Currencies (FAA Sec 612(d)) Does the U S own non-PL 480 excess foreign currency of the country and, if so, has the agency endeavored to obtain agreement for its release in an amount equivalent to the dollar amount of the assistance?

No

8 Trade Restrictions - Surplus Commodities (FY 1997 Appropriations Act Sec 513(a)) If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U S producers of the same, similar or competing commodity?

N/A

9 Environmental Considerations (FAA Sec 117, USAID Regulation 16, 22 CFR Part 216) Have the environmental procedures of USAID Regulation 16 been met?

Yes IEE was approved by LAC Environmental Advisor dated September 8, 1997

10 PVO Assistance

a Auditing (FY 1997 Appropriations

Yes

Act Sec 550) If assistance is being made available to a PVO, has that organization provided upon timely request any document file, or record necessary to the auditing requirements of USAID?

b Funding Sources (FY 1997 Appropriations Act, Title II, under heading "Private and Voluntary Organizations") If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? If not has the requirement been waived?

N/A

11 Agreement Documentation (Case-Zablocki Act, 1 U S C Sec 112b, 22 C F R Part 181) For any bilateral agreement over \$25 million has the date of signing and the amount involved been cabled to State L/T immediately upon signing and has the full text of the agreement been pouched to State/L within 20 days of signing?

N/A

12 Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project

Yes

papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

13 Abortions (FAA Sec 104(f), FY 1997 Appropriations Act, Title II, under heading "Development Assistance" and Sec 518)

No

a Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options)

b Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

c Are any of the funds to be made available to any organization or program which, as determined by the President supports or participates in the management of a program of coercive abortion or involuntary sterilization?

d Will funds be made available only to voluntary family planning projects which offer either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only)

e In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only)

f Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or

the performance of, abortions or involuntary sterilization as a means of family planning?

g Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

14 Procurement

Yes

a Source, Origin and Nationality (FAA Sec 604(a) Will all procurement be from the U S , the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?

b Marine Insurance (FAA Sec 604(d)) If the cooperating country discriminates against marine insurance companies authorized to do business in the U S , will commodities be insured in the United States against marine risk with such a company?

N/A

c Insurance (FY 1997 Appropriations Act Sec 528A) Will any A I D contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U S insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate?

Any contract or solicitation entered into under this Results Package will state this

d Non-U S Agricultural Procurement (FAA Sec 604(e)) If non-U S procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U S)

Agricultural commodities will not be procured under this project

e Construction or Engineering Services (FAA Sec 604(g)) Will construction or engineering services be procured from

No

firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries)

f **Cargo Preference Shipping** (FAA Sec 603) Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners and tankers) financed shall be transported on privately owned U S flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No

g **Technical Assistance** (FAA Sec 621(a)) If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise and made available without undue interference with domestic programs? Yes

h **U S Air Carriers** (Fly America Act, 49 U S C Sec 1517) If air transportation of persons or property is financed on grant basis, will U S carriers be used to the extent such service is available? Yes

i **Consulting Services** (FY 1997 Appropriations Act Sec 549) If assistance is for consulting service through procurement contract pursuant to 5 U S C 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Yes

Executive order)?

j Notice Requirement (FY 1997 Appropriations Act Sec 561) Will agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made? Yes

15 Construction N/A

a Capital Assistance (FAA Sec 601(d)) If capital (e.g., construction) assistance, will U.S. engineering and professional services be used?

b Large Projects Congressional Approval (FAA Sec 620(k)) If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation) or does assistance have the express approval of Congress?

16 U.S. Audit Rights (FAA Sec 301(d)) If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Yes

17 Communist Assistance (FAA Sec 620(h)) Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

18 Narcotics Yes

a Cash Reimbursements (FAA Sec 483) Will arrangements preclude use of financing to make reimbursements, in the

form of cash payments, to persons whose illicit drug crops are eradicated?

b Assistance to Narcotics Traffickers (FAA Sec 487) Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances), or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

19 Expropriation and Land Reform (FAA Sec 620(g)) Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

20 Police and Prisons (FAA Sec 660) Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

21 CIA Activities (FAA Sec 662) Will assistance preclude use of financing for CIA activities? Yes

22 Motor Vehicles (FAA Sec 636(i)) Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U S , unless a waiver is obtained? Yes

23 Export of Nuclear Resources (FY 1995 Appropriations Act Sec 506) Will assistance preclude use of financing to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology? Yes

24 Publicity, Propaganda and Lobbying (FY 1997 Appropriations Act Sec 546 Anti Lobbying Act 18 U S C § 1913, Sec 109(1) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989, P L 100-204) Will assistance be used to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?

No

25 Commitment of Funds (FAA Sec 635(h)) Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?

No

26 Impact on U S Jobs (FY 1997 Appropriations Act, Sec 538)

No

a Will any financial incentive be provided to a business located in the U S for the purpose of inducing that business to relocate outside the U S in a manner that would likely reduce the number of U S employees of that business?

b Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country s tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U S ?

c Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture?

B DEVELOPMENT ASSISTANCE ONLY

N/A

1 Agricultural Exports (Bumpers Amendment)(FY 1997 Appropriations Act Sec 513(b)), as interpreted by the conference report for the original enactment) If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U S exporters of a similar agricultural commodity or (b) in support of research that is intended primarily to benefit U S producers?

2 Recipient Country Contribution (FAA Secs 110, 124(d)) Will the recipient country provide at least 25 percent of the costs of the activity with respect to which the assistance is to be furnished or is this cost-sharing requirement being waived for a "relatively least developed" country?

3 Forest Degradation (FAA Sec 118)

a Will assistance be used for the procurement or use of logging equipment? If so, does the an environmental assessment indicate that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems?

b Will assistance be used for (1) actions which will significantly degrade national parks or similar protected areas

which contain tropical forests, or introduce exotic plants or animals into such areas, (2) activities which would result in the conversion of forest lands to the rearing of livestock, (3) the construction upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands, (4)the colonization of forest lands, or (5) the construction of dams or other water control structures which flood relatively undergraded forest lands? If so, does the environmental assessment indicate that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

4 Deobligation/Reobligation (FY 1997 Appropriations Act Sec 510) If deob/reob authority is sought to be exercised under section 510 in the provision of DA assistance, are the funds being obligated for the same general purpose and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? [Note Compare to no-year authority under section 511]

5 Capital Assistance (Jobs Through Export Act of 1992, Secs 303 and 306(d)) If assistance is being provided for a capital activity, is the activity developmentally sound and will it measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

6 Loans

a Repayment Capacity (FAA Sec 122(b)) Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest

b Long-Range Plans (FAA Sec 122(b)) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c Interest Rate (FAA Sec 122(b)) If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d Exports to United States (FAA Sec 620(d)) If assistance is for any productive enterprise which will compete with U S enterprises, is there an agreement by the recipient country to prevent export to the U S of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

7 Planning and Design Considerations Has agency guidance or the planning and design documentation for the specific activity taken into account the following, as applicable?

a Economic Development FAA Sec 101(a) requires that the activity give reasonable promise of contributing to the development of economic resources or to the increase of productive capacities and self-sustaining economic growth

b Special Development Emphases FAA Secs 102(b), 113, 281(a) require that assistance (1) effectively involve the poor in development by extending access to economy at local level increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas and insuring wide participation of the poor in the benefits

of development on a sustained basis, using appropriate U S institutions, (2) encourage democratic private and local governmental institutions, (3) support the self-help efforts of developing countries, (4) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (5) utilize and encourage regional cooperation by developing countries

c Development Objectives FAA Secs 102(a), 111, 113, 281(a) require that assistance (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U S institutions (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions, (3) support the self-help efforts of developing countries, (4) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (5) utilize and encourage regional cooperation by developing countries?

d Agriculture, Rural Development and Nutrition, and Agricultural Research FAA Secs 103 and 103A require that (1) **Rural poor and small farmers** assistance for agriculture, rural development or nutrition be specifically designed to increase productivity and income of rural poor, and assistance for agricultural research take into account the needs of small farmers and make extensive use of field testing to adapt basic research to local conditions, (2) **Nutrition** assistance be used in coordination with efforts carried out under FAA Section 104 (Population and

Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs, and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people, (3) **Food security** assistance increase national food security by improving food policies and management and by strengthening national food reserves with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves expanding available storage facilities reducing post harvest food losses, and improving food distribution

e Population and Health FAA Secs 104(b) and (c) require that assistance for population or health activities emphasize low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach

f Education and Human Resources Development FAA Sec 105 requires that assistance for education, public administration, or human resource development (1) strengthen nonformal education, make formal education more relevant, especially for rural families and urban poor, and strengthen management capability of institutions enabling the poor to participate in development, and (2) provide advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of

public and private development activities

g Energy, Private Voluntary Organizations and Selected Development Activities FAA Sec 106 requires that assistance for energy, private voluntary organizations, and selected development problems may be used for (1) data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production, and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment, (2) technical cooperation and development, especially with U S private and voluntary, or regional and international development organizations (3) research into, and evaluation of economic development processes and techniques (4) reconstruction after natural or manmade disaster and programs of disaster preparedness, (5) special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U S assistance, (6) urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development

h Appropriate Technology FAA Sec 107 requires that assistance emphasize use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor

i Tropical Forests FAA Sec 118 and FY 1991 Appropriations Act Sec 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) require that

(1) **Conservation** assistance place a high priority on conservation and sustainable management of tropical forests and specifically (i) stress the importance of conserving and sustainably managing forest resources, (ii) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas, (iii) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management, (iv) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices, (v) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded, (vi) conserve forested watersheds and rehabilitate those which have been deforested, (vii) support training research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting removal, and processing, (viii) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation, (ix) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas, (x) seek to increase the awareness of U S Government agencies and other donors of the immediate and long-term value of tropical forests, (xi) utilize the resources and abilities of all relevant U S government agencies, (xii) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land and (xiii)

take full account of the environmental impacts of the proposed activities on biological diversity

(2) Sustainable Forestry

assistance relating to tropical forests assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry

j Biological Diversity FAA Sec

119(g) requires that assistance (i) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity, (ii) be provided under a long term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats (iii) support efforts to identify and survey ecosystems in recipient countries worthy of protection, or (iv) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas

k Benefit to Poor Majority FAA Sec

128(b) requires that if the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, it be designed and monitored to ensure that the ultimate beneficiaries are the poor majority

l Indigenous Needs and Resources

FAA Sec 281(b) requires that an activity recognize the particular needs, desires and capacities of the people of the country, utilize the country's intellectual resources to encourage institutional development, and support civic education and training in skills required for effective participation in governmental and political processes essential to self-government

m **Energy** FY 1991 Appropriations Act Sec 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) requires that assistance relating to energy focus on (1) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (2) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases

n **Debt-for-Nature Exchange** FAA Sec 463 requires that assistance which will finance a debt-for-nature exchange (1) support protection of the world's oceans and atmosphere animal and plant species, or parks and reserves, or (2) promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management

C ECONOMIC SUPPORT FUND ONLY

- | | |
|--|-----|
| <p>1 Economic and Political Stability (FAA Sec 531(a)) Does the design and planning documentation demonstrate that the assistance will promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?</p> | Yes |
| <p>2 Military Purposes (FAA Sec 531(e)) Will this assistance be used for military or paramilitary purposes?</p> | No |
| <p>3 Commodity Grants/Separate Accounts (FAA Sec 609) If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1997, this provision is superseded by the</p> | N/A |

separate account requirements of FY 1997 Appropriations Act Sec 532(a), see Sec 532(a)(5))

4 Generation and Use of Local Currencies No
(FAA Sec 531(d)) Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1997 this provision is superseded by the separate account requirements of FY 1997 Appropriations Act Sec 532(a), see Sec 532(a)(5))

5 Capital Activities (Sec 306, Jobs Through Exports Act of 1992 P L 102-549 22 U S C 2241a) If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable i e one that is (a) environmentally sustainable (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided

(\sdo\svd\gg\check ggp)

REQUEST FOR A CATEGORICAL EXCLUSION

Activity Location Ecuador

Activity Title Good Governance Program
 518-0127
 Special Objective Governance

Funding \$1,700,000

Life of Activity 1997-1999

IEE Prepared by Bruce S Kernan
 Regional Environmental Advisor

Recommendation Categorical Exclusion

I Background

The Special Objective is expected to result in improved transparency and good governance as measured by increased citizen confidence in political and administrative processes of the government

USAID/Ecuador intends to reach this Special Objective through the provision of financing to both public and private sector partners through Memorandums of Understanding and Cooperative Agreements respectively. Public sector partners include the National Modernization Council (CONAM), Ministry of Finance and the Attorney General's Office. Private sector partners include Fundacion Ecuador and CLD

Specifically, activities to be carried out include

- 1 Customs improvement USAID will finance short-term technical assistance and training to support CONAM's efforts to create a depoliticized, autonomous, and highly technical customs control system. The technical assistance will review new, draft legislation and assist CONAM in the design and implementation of this new system.
- 2 Tax Administration improvement USAID will finance short-term technical assistance needed to review new, draft legislation and to assist CONAM in the design and implementation of a new tax administration.
- 3 Public education on Privatization and Modernization USAID will finance short-term technical assistance to support CONAM's efforts to design and test an effective public information campaign.

4 Prosecutorial Functions Strengthening USAID will provide short-term advisors and training to collaborate with the legislative, judicial, and executive branches in identifying and designing concrete measures to improve the effectiveness of the prosecutorial function in Ecuador

II Discussion

Under this Special Objective, USAID funds will be used for technical assistance, training, commodities, and local costs for partner institutions. No actions that will directly affect the environment are contemplated.

Section 216 2(c) (1) of USAID environmental procedures permit a Categorical Exclusion when "the action does not have an effect on the natural or physical environment." None of the activities to be carried out in the Design Document will have an effect on the natural or physical environment.

III Recommendation

That a Categorical Exclusion from the requirement for an Initial Environmental Examination for the Design Document of the Good Governance Program is therefore recommended.

Prepared by

Bruce S Kernan

Date Sept 5, '97

Bruce S Kernan
Regional Environmental Advisor

Approved by

Thomas Geiger

Date Sept 5, 1997

Thomas Geiger
USAID/Ecuador, Mission Director

Clearance
SDO BCypser

BC

Date 9/3/97

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

U.S. Agency for International Development
Office of Regional Sustainable Development
Bureau for Latin America and the Caribbean

FAX TRANSMITTAL SHEET

DATE: Sept 8, 1997

FROM: Eric Fajer

ORGANIZATION: LAC/RSD/ E

FAX NUMBER: (202) 647-8098

PHONE NUMBER: (202) 647-5677

No.	<u>991</u>
ROUTED TO	
DATE	<u>9 8</u> HOUR
TIME	

TO: Sofia Villaiba

ORGANIZATION: USAID / Ecuador

FAX NUMBER: 593-2-561-228

PHONE NUMBER: 593-2-521-100

NUMBER OF PAGES INCLUDING COVER SHEET: 2

MESSAGE(S):

Bureau Threshold Decision Categorical Exclusion
Good Governance



U S AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-97-43

REQUEST FOR A CATEGORICAL EXCLUSION

Project Location . Ecuador

Project Title : Special Objective: Democracy,
Good Governance Program

Project Number . 518-0127

Funding : \$1,700,000

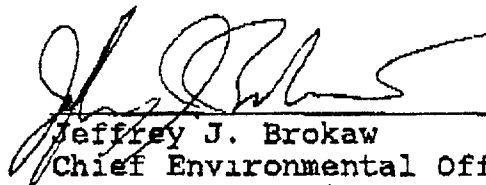
Life of Project : 1997-1999

IEE Prepared by . Bruce S. Kernan, Regional
Environmental Advisor for South
America

Recommended Threshold Decision . Categorical Exclusion

Bureau Threshold Decision . Concur with Recommendation

Comments None

 Date 9/8/97
 Jeffrey J. Brokaw
 Chief Environmental Officer
 Bureau for Latin America
 and the Caribbean

- Copy to : Tom Geiger, Mission Director
USAID/Ecuador
- Copy to : Enrique Barrau, USAID/Ecuador
- Copy to : Bruce Kernan, REA-SA,
USAID/Ecuador
- Copy to . Karen Anderson, LAC/SPM
- Copy to . Babette Prevot, LAC/SAM
- Copy to : IEE File

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AYUDA MEMORIA SOBRE LA REESTRUCTURA Y FORTALECIMIENTO DEL MINISTERIO DE FINANZAS Y CREDITO PUBLICO CON LA ASISTENCIA DEL CONAM A TRAVES DEL PROYECTO DE MODERNIZACION DEL ESTADO – MOSTA

Aspectos relativos al desarrollo y ejecucion de los objetivos y metas contemplados en el Plan de Fortalecimiento Institucional del Ministerio de Finanzas y Credito Publico contemplada dentro del Proyecto de Modernizacion del Estado

1 NIVEL CORPORATIVO

- El alcance y los objetivos contemplados en el Programa de Fortalecimiento Institucional que se viene desarrollando conjuntamente con el Proyecto MOSTA cuenta con el apoyo manifestado por el Ministro para la ejecucion y cumplimiento del plan presentado, el mismo que se oficializa a traves de la promulgacion y suscripcion del Acuerdo Ministerial No 394 de agosto 27 de 1997, con el que se logran los siguiente puntos

- La calificacion de prioritario, dentro de los objetivos de la actual administracion ministerial, para el Programa de Fortalecimiento Institucional
- El encargo oficial a la Subsecretaria Tecnica de la coordinacion de la ejecucion del referido Programa
- La determinacion del ambito del Programa, acogendose a todas la Subsecretarias y unidades de gestion del portafolio, sin excepcion

- Se elaboro el Plan Estrategico referencial del Ministerio de Finanzas y Credito Publico, el mismo que apunta hacia la constitucion del Ministerio de Economia y Finanzas, la creacion de una institucion proactiva, agil, eficiente, eficaz y efectiva soportada en una organizacion reflejada en la vision estructural, frente a la estructura anterior, estimandose como plazo para su implantacion el primer trimestre de 1998 Cabe resaltar que se independizan las unidades de ingresos (aduanas y rentas internas) y se da fuerza al destino del gasto en funcion de los resultados esperados, incorporando el area de planificacion de inversiones

2 SUBSECRETARIA TECNICA

Una vez culminada la institucionalizacion de la Subsecretaria Tecnica, a traves de su reestructura organica - funcional y la incorporacion de siete profesionales dentro del equipo de trabajo permanente del area, se encuentra en marcha el plan de trabajo que permitira la implantacion del Sistema de Informacion Gerencial

Este sistema integrara la informacion estadistica producida por todas las Subsecretaria y dependencias generales del Ministerio, asi como tambien la de entidades externas como el Banco Central del Ecuador, Secretaria General de Planificacion Petroecuador, Inecel, etc , persiguiendo como objetivo la elaboracion permanente y oportuna de una carpeta

de informacion gerencial de soporte a la toma de decisiones por parte de las Autoridades Ministeriales

El sistema se lo desarrolla bajo el esquema de un Data Mart, encontrandose en la situacion actual listo para ejecutarse el proceso de adquisicion de las herramientas informaticas requeridas para el proposito

En terminos referenciales el sistema estara implementado y en funcionamiento en febrero de 1998, integrandose hasta esa fecha en forma modular y paulatina los procesos de interaccion con las diferentes unidades e instituciones

Como objetivos adicionales cumplidos dentro de esta area de gestion, cabe resaltar el Seminario de capacitacion desarrollado para lograr la induccion hacia las finanzas publicas de los profesionales contratados y la adquisicion e instalacion de una red de microcomputadoras que posibilitara el funcionamiento de la Subsecretaria Tecnica

3 SUBSECRETARIA DE RENTAS - DIRECCION GENERAL DE RENTAS

Con el proposito de optimizar los niveles de recaudacion de los ingresos tributarios internos, tecnificar los procesos desvinculandolos del manejo politico y erradicar las fuentes de corrupcion, se elaboro el Anteproyecto de Ley de Creacion del Servicio de Rentas Internas, como entidad encargada de la administracion de las rentas provenientes de fuente interna con autonomia administrativa - financiera y con jurisdiccion a nivel nacional

El proyecto ha sido revisado conjuntamente con el Ministro de Finanzas y Credito Publico a fin de iniciar el tramite para su aprobacion, tanto a nivel de la Presidencia de la Republica como del Congreso Nacional, por tratarse de Ley de la Republica

Paralelamente se encuentra en elaboracion el plan de trabajo para la operacion y funcionamiento del Servicio de Rentas Internas entidad que reemplazara a la actual Direccion General de Rentas, el mismo que contempla lo concerniente a la elaboracion e implantacion del Reglamento de aplicacion de la Ley, la estructura y Reglamento Organico Funcional, la incorporacion de personal idoneo y la determinacion del plan informatico de la entidad

Por otra parte, se encuentra en preparacion el proyecto de reforma tributaria, cuyo alcance esta siendo discutido con el Ministerio de Finanzas

4 SUBSECRETARIA DE ADUANAS

En lo que corresponde a la modernizacion aduanera, se elaboro el Anteproyecto de Ley Organica de Aduanas, el mismo que contempla la creacion de la Corporacion Aduanera Ecuatoriana, encargado de administrar los servicios aduaneros, sin fines de lucro

El proyecto de Ley tiene como objetivo modernizar el servicio aduanero, volviendolo agil y eficiente, lo que permitira optimizar la recaudacion de los tributos aduaneros y controlar en mejor forma el ingreso y salida de las mercancias al o del territorio nacional y contempla la facultad para que la Corporacion pueda contratar los servicios aduaneros relativos a la verificacion de las mercancias en origen y en destino, el almacenamiento

de las mismas y la recaudacion de los tributos al comercio exterior preveyendose una total transparencia en la contratacion y manejo de tales servicios puesto que todas las actividades seran de dominio publico

El proyecto de Ley esta en revision por parte de la Subsecretaria de Aduanas segun lo manifestado estarian de acuerdo en un 90% de lo planteado por el CONAM y presentaran sus comentarios En forma conjunta, el proyecto sera puesto en consideracion de la Presidencia de la Republica y del Congreso Nacional

5 SUBSECRETARIA DEL TESORO Y CREDITO PUBLICO

En lo relativo al fortalecimiento de la Subsecretaria del Tesoro y Credito Publico, se logro la implementacion de la version 5.0 del Sistema de Informacion para la Gestion Y Administracion de la Deuda SIGADE, version multiusuario que posibilitara la descentralizacion en el manejo de la informacion de la deuda

Para la produccion del referido sistema de informacion se instalo una red de microcomputadoras con 25 estaciones de trabajo que presta servicio a las diferentes unidades de gestion que conforman la Subsecretaria del Tesoro y Credito Publico

Dentro de los objetivos cumplidos en el area cabe resaltar, la generacion de boletines estadisticos mensuales, la elaboracion de la proforma presupuestaria anual y la programacion mensual de pagos y de desembolsos de la deuda externa del pais De igual manera, se ha iniciado la auditoria de la informacion relativa a la deuda interna con lo cual se conseguira el manejo integral de la informacion de la deuda publica

De otra parte, se encuentra en proceso la elaboracion de la normatividad del SIGADE meta que implica la racionalizacion y reglamentacion de los procesos requeridos para el cumplimiento de las operaciones de la deuda publica tanto interna como externa

Como objetivo que permitira lograr la integralidad de la informacion de las finanzas publicas se ha definido lograr hasta el primer trimestre de 1998 la interfase del SIGADE con el Sistema de Integrado de Gestion Financiera que se encuentra en fase de desarrollo

Adicionalmente se encuentra elaborandose el plan informatico de la Subsecretaria, en el que se destacan los sistemas de compensacion de adeudos, seguimiento de proyectos elaboracion del plan de caja, control de emisiones de papeles de deuda y apoyo a la gestion de la Subsecretaria, contemplando asi de manera integral a las areas estrategicas de la Subsecretaria en lo que corresponde a la gestion financiera y a la administracion de la deuda publica

6 SUBSECRETARIA DE PRESUPUESTOS Y CONTABILIDAD

Dentro de la gestion de la Subsecretaria de Presupuestos y Contabilidad es necesario resaltar el desarrollo y la implementacion de la metodologia para el manejo de la Cuenta Ahorro - Inversion - Financiamiento, matriz que permite reflejar los resultados de las operaciones fiscales Como logro de este proceso la mencionada Subsecretaria elaboro

el documento denominado "Resultados y Proyecciones de la Situación Fiscal Primer Semestre de 1997, 1997 y 1998" información correspondiente a las cuentas del Gobierno Central, quedando habilitado el esquema metodológico para generar resultados con la periodicidad que decidan las autoridades ministeriales

En lo que respecta a la presupuestación por resultados se encuentra lista la base conceptual que permitiera su implementación en las entidades que conforman el sector público no financiero, incluyéndose lo relativo a la metodología para la definición de indicadores de medición de la gestión de las instituciones públicas componentes que permitan la optimización de la preparación de las proformas presupuestarias

En el campo informático en la situación actual el esfuerzo se orienta a la optimización del sistema puente de ejecución presupuestaria, mediante la aplicación de bases de datos racionales (plataforma Oracle), para lo cual se ha mejorado el equipamiento informático de la Subsecretaría a nivel de servidores de red y de infraestructura de comunicaciones. Dentro del plan informático del área se contempla, prioritariamente la implantación del sistema de roles, el mismo que tiene aplicación a nivel de las entidades del sector público y la implementación del sistema de especies fiscales

En el área de Contabilidad Gubernamental se instaló una red de microcomputadoras que permite la operatividad del sistema puente de consolidación financiera, solución transitoria y temporal para la elaboración de los estados financieros de la contabilidad nacional. Este sistema prestará servicio hasta la implantación del sistema financiero que se encuentra siendo desarrollado con el apoyo del Proyecto MOSTA

7 DESARROLLO E IMPLANTACION DEL SISTEMA INTEGRADO DE GESTION FINANCIERA

Se encuentra en fase de desarrollo el Plan de Trabajo aprobado por el Banco Mundial para el desarrollo e implantación del sistema financiero integrado y estándar para el sector público ecuatoriano, habiéndose logrado las siguientes metas

• INFRAESTRUCTURA

Definición de especificaciones técnicas, adquisición e instalación de la infraestructura requerida para el desarrollo del proyecto, destacándose la compra en un porcentaje del 90% del total del hardware y software de base y de desarrollo requeridos, redes telefónicas y el equipamiento de las oficinas

• ORGANIZACION

Se realizó un proceso técnico de selección de personal lográndose la incorporación al proyecto de 14 profesionales en sistemas con experiencia en la plataforma tecnológica utilizada y un alto nivel de experiencia en procesos similares. Adicionalmente se realizó del 6 al 19 de agosto/1997 el Seminario Taller denominado "Herramientas para la Racionalización de Procesos", a fin de lograr la inducción del equipo de consultores del Proyecto incluyendo al personal recientemente incorporado, hacia el objetivo de racionalización de los procesos financieros de las entidades del sector público

- **CAPACITACION**

Con el proposito de estandarizar el nivel de conocimientos sobre el uso de herramientas de desarrollo de sistemas se esta ejecutando un programa de capacitacion que abarca temas tecnicos especificos, el mismo que en la situacion actual se lo ha ejecutado en un 60 %

- **FORTALECIMIENTO INSTITUCIONAL DE LAS ENTIDADES PILOTO**

Se elaboro un documento tecnico de requerimientos informaticos para la implantacion del sistema financiero en el Ministerio de Agricultura y Ganaderia, emprendiendose paralelamente la capacitacion del personal de esa entidad en lo concerniente a las herramientas aplicables a la reingenieria de procesos requerida

8 NORMATIVA LEGAL

Se encuentra en desarrollo la revision de las disposiciones legales y reglamentarias que norman el funcionamiento de los sistemas de administracion financiera y de control y auditoria

El objetivo planteado, dentro de este campo, se orienta a lograr que la normatividad legal posibilite la optimizacion funcional de los procesos de las finanzas publicas, teniendo como alcance el ambito de gestion del Ministerio de Finanzas y Credito Publico y la Contraloria General de la Nacion, estableciendo una Ley de Administracion Financiera, Control y Auditoria en terminos referenciales desvirtuando la barrera existentes en la situacion actual dada por el procedimentalismo de la Ley actualmente en vigencia

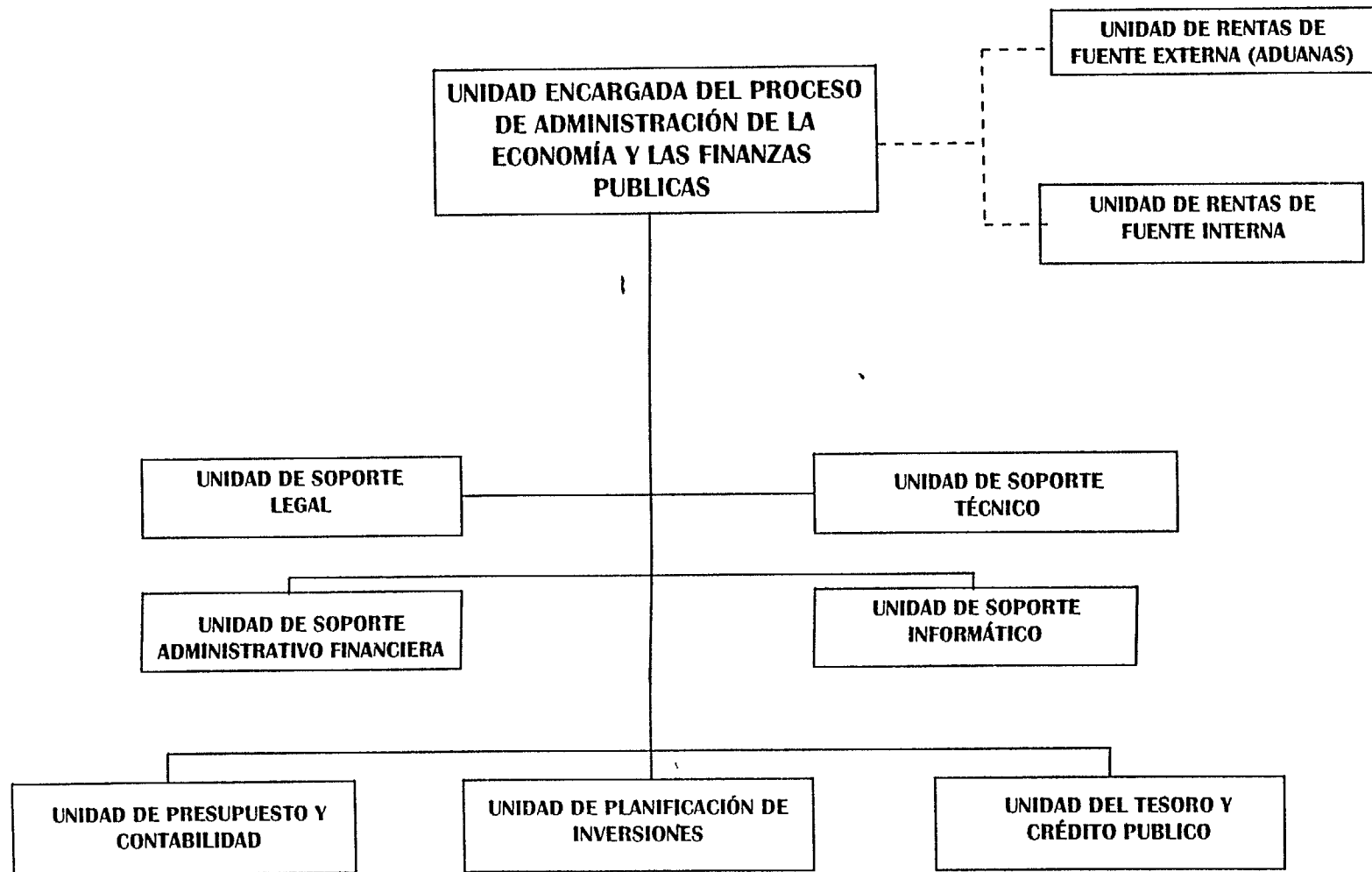
9 INCORPORACION DE LAS FUNCIONES DE PLANIFICACION DE INVERSIONES Y COOPERACION EXTERNA

Dentro del proceso de reforma administrativa y funcional del Ministerio de Finanzas y Credito Publico, con el proposito de fortalecer la interaccion requerida entre los procesos de planificacion y presupuestacion con miras a la optimizacion de la distribucion de los recursos fiscales y el mejoramiento de la calidad del gasto publico se contempla la incorporacion dentro de la estructura del nuevo ente rector de la economia y de las finanzas publicas de las funciones inherentes a la planificacion de las inversiones publicas y de la cooperacion tecnica externa, actualmente ubicadas en la Secretaria General de Planificacion

El traslado de las funciones indicadas implica la reforma del marco legal en vigencia para la Secretaria General de Planificacion y la racionalizacion de los procesos aplicados a fin de fortalecer su funcionamiento, operatividad y la consecucion de los objetivos planteados

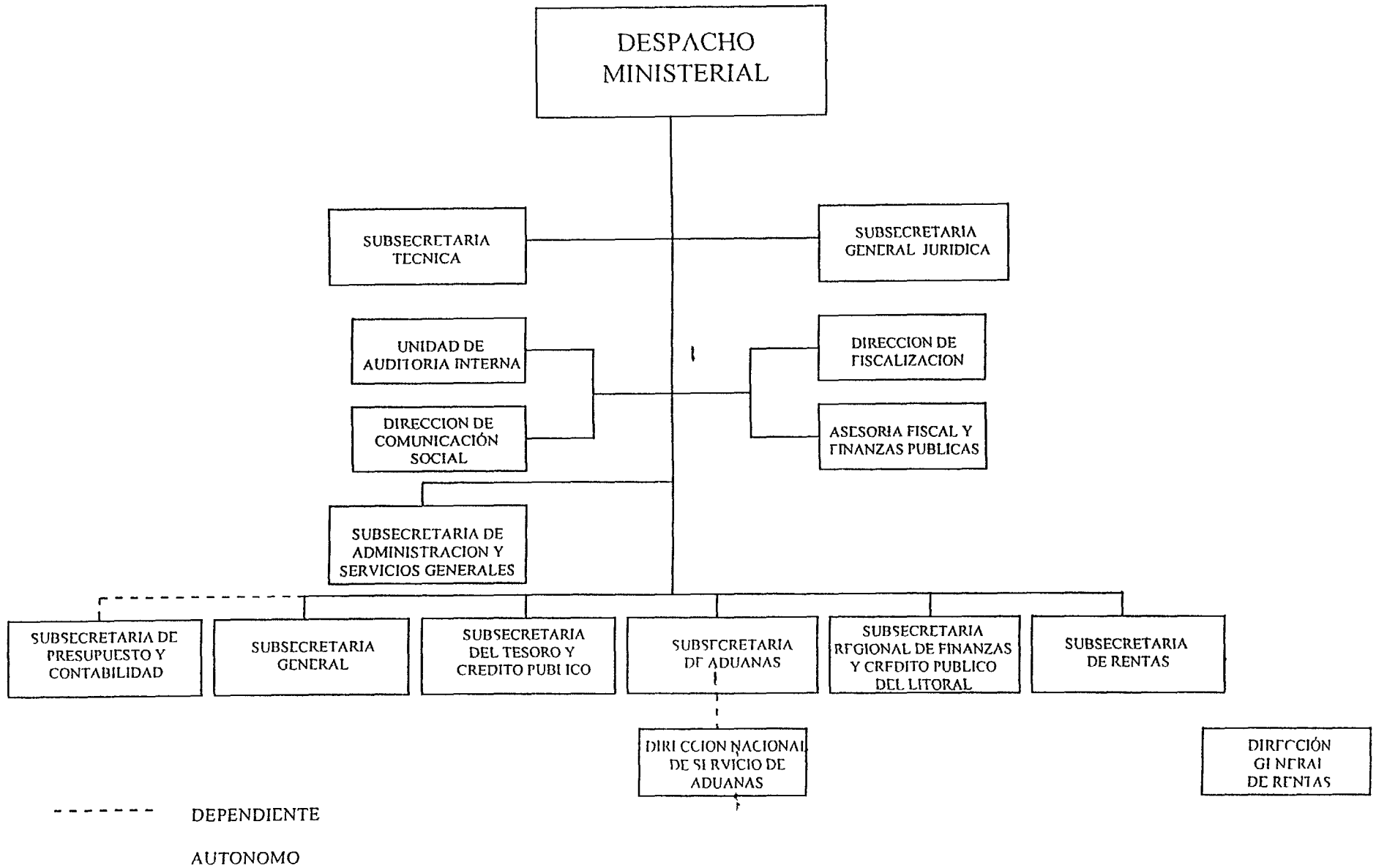
En la situacion actual se inicio el diseño de los nuevos procesos a ser aplicados para el objetivo anotado y el analisis de la normativa legal, los mismos que coincidirán en cuanto a plazos con la implantacion de la nueva estructura del Ministerio de Finanzas y Credito Publico, incluyendo dentro del Plan Estrategico Institucional

VISIÓN ESTRUCTURAL DEL MINISTERIO DE FINANZAS



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MINISTERIO DE FINANZAS Y CREDITO PUBLICO
ESTRUCTURA ORGANICA - FUNCIONAL
SITUACION ACTUAL
 97 - 07 - 21



bf

FORTALECIMIENTO MINISTERIO DE FINANZAS

SUBSECRETARIA TECNICA

Instalacion sistema de informacion gerencial DATAMARK

SUBSECRETARIA DE PRESUPUESTOS Y CONTABILIDAD

Desarrollo Sistema Integrado Gerencial Financiero SIGEF
Traslado de normativa contable de Contraloria al Ministerio

SUBSECRETARIA DE CREDITO PUBLICO Y TESORERIA

Fortalecer unidad de endeudamiento y manejo de tesoreria
Sistema de Gestion y Administracion de Deuda Externa SIGADE

RENTAS EXTERNAS E INTERNAS

Independizar administrativa y operativamente los ingresos Ministerio continua con politica y control

DIRECCION NACIONAL DE RENTAS

Ley Servicio de Rentas Internas
Reforma Tributaria y reformas alCodigo Tributario

SUBSECRETARIA DE ADUANAS

Ley Organica de Aduanas, creacion Corporacion Aduanera Ecuatoriana

SEGEPLAN

Incorporar ambito de planificacion de inversiones y cooperacion externa al Ministerio

APOYO LEGAL

Ley de Administracion Financiera y Control

APOYO INFORMATICO

Elaboracion del Plan Informatico y adquisicion de equipos

APOYO POR DEFINIRSE EN AREAS DE RRHH Y ADMINISTRATIVO-FINANCIERO

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Comentarios sobre los Resultados planteados en el documento AID

Considerar el plantear un Resultado General que enmarca la reestructura del Ministerio de Finanzas y Credito Publico, y en los resultados especificos incorporar los dos siguientes

- Una disminucion de discrecionalidad en la ejecucion presupuestaria se aprecia en el Ministerio de Finanzas y Credito Publico
- Un nuevo sistema de planificacion que prioriza las inversiones del Estado es manejado tecnicamente en el Ministerio de Finanzas y Credito Publico

PLAN EMERGENTE DE COMUNICACION PARA
EL CONSEJO NACIONAL DE MODERNIZACION

Por Enrique Proaño C.¹

1. PRESENTACION

En este documento consta, para aprobación de las máximas autoridades del CONAM, un Plan Emergente de Comunicación, diseñado para establecer una relación mutuamente beneficiosa entre la Institución y sus diferentes públicos, y apoyar la consecución de los objetivos que se propone cumplir la presente Administración para modernizar el País

2 DE LA COMUNICACION

“Comunicación es el proceso dinámico fundamental para la existencia, crecimiento, cambio y conducta de los seres vivos, sean individuales o colectivos (organizados) Podemos contemplarla como la función indispensable en las personas y las organizaciones, a través de la cual ambas se relacionan entre sí, y con su mundo circundante

“La comunicación es tan esencial para los sistemas vivientes -individuales u organizaciones- como la aprehensión y consumo de “comida” y “energía combustible” lo es para que funcione su maquinaria física y fisiológica Pero aún es más que esto En parte es el proceso vital mediante el cual los individuos y las organizaciones se relacionan entre sí, a través de las cuales afectan e influyen la dirección de sus vidas individuales, sus esfuerzos y sus acciones conjuntas

Los procesos de comunicación son cruciales, ya que permiten y determinan las condiciones, las operaciones y las interrelaciones de todos los sistemas vivientes En otras palabras, la esencia del ser humano es *comunicar y recibir comunicación* ²

¹ Asesor de Comunicación

² Lee Thayer Comunicación y Sistemas de Comunicación

3. NECESIDADES DE COMUNICACION DEL CONAM

El Programa de Modernización de la República del Ecuador, iniciado en el periodo 1988 - 1992, aunque en el discurso planteaba una variedad de acciones para cambiar el país, en la práctica se limitó casi exclusivamente a enunciar y gestionar la privatización de las empresas públicas.

Esta situación produjo serias deformaciones en la percepción de la opinión pública, en particular, y de los habitantes del país en general, al punto de que en el Ecuador existen criterios que consideran modernización y privatización como términos intercambiables.

Aparte de esta confusión, que de suyo es grave para un Programa de esta magnitud, este hecho ha determinado que el público no conozca a ciencia cierta a) en que consiste la modernización, b) cuales son las alternativas que tiene el país en un mundo actual en el que todo cambia como consecuencia de la revolución de la información, c) qué es lo que ocurre a nivel internacional, regional y con los países vecinos, y d) cuales serían los costos si es que el Ecuador no se moderniza.

Una visión somera permite advertir además que el proceso de modernización del país no ha sido adecuadamente respaldado por una Estrategia de Comunicación, de tal manera que los opositores han logrado desacreditarlo ante la opinión pública y el pueblo en general.

El Consejo Nacional de Modernización (CONAM), como el organismo encargado de ejecutar el Programa, ha sido objeto de múltiples ataques por parte de sectores y personas que se oponen a la privatización y que, como consecuencia de la confusión señalada, se convierten en detractores de la modernización.

Esta Asesoría desconoce la existencia de estudios recientes sobre la imagen de la Institución, pero es previsible que sea más bien baja, debido a las circunstancias anotadas y al hecho de que los resultados obtenidos hasta la fecha son más bien escasos.

Es necesario recalcar que la falta de una política y una estrategia de comunicación, que permita a los ecuatorianos conocer que es lo que el Consejo se propone hacer y cuánto ha avanzado en el propósito de modernizar al país, cuales son los beneficios que se derivarán para los ecuatorianos de este proceso, hacen indispensable conjugar dos aspectos fundamentales:

- Las acciones que se propone realizar esta Administración del CONAM, integrada por personas reconocidas por su alta capacidad ejecutiva y transparencia
- Una adecuada estrategia comunicacional que permita revertir la imagen negativa del proceso y de la Institución, y más bien logre la comprensión y el apoyo de los diferentes sectores sociales

Dentro de este contexto, en forma a priori hasta tener los resultados de un estudio investigativo diseñado para el efecto, se puede advertir que las necesidades más urgentes de comunicación del CONAM, pueden ser las que se resumen a continuación

Hay necesidad de que la población en general y determinados públicos específicos en particular sean adecuadamente informados sobre

3 1 Las claves que marcan el desenvolvimiento del mundo actual

- Los vertiginosos cambios que se producen en el mundo de hoy, marcado por un desarrollo tecnológico sin precedentes
- La revolución informática
- A donde nos conduce el proceso de globalización?
- Que pasa con la apertura económica, el libre comercio, etc?
- Cuanto ha avanzado la modernización en países industrializados, en América Latina, en la Región y en los países vecinos?

3 2 En qué consiste la modernización del Ecuador?

- Cambios políticos, económicos y sociales que demanda con urgencia el país
- Alcance de la modernización
- La modernización como proceso y la privatización como una de sus herramientas
- Beneficios de la Modernización para la población en general y para los diferentes sectores en particular
- Costos que acarrea el rezago actual

3 3 Re-posicionamiento e imagen del CONAM

Es una necesidad urgente conferir un nuevo posicionamiento al CONAM, que reemplace al actual

Tambien es necesario definir, desarrollar y consolidar una nueva imagen institucional

La imagen la conceptualizamos como elemento necesario para facilitar la accion del CONAM, y la comunicacion con sus diferentes publicos internos, externos e internacionales

3 4 Esquema General de Trabajo

Se requiere que la ciudadanía conozca de manera organica y sistematica, el esquema integral de trabajo del CONAM en todos sus componentes, y que se reitere su validez y utilidad para los cambios que requiere urgentemente en Ecuador

Se debe en consecuencia hacer conocer

- El Plan General de Accion que se propone ejecutar el CONAM
- Resultados Esperados
- Beneficios para la poblacion

3.5 Programas Especificos de Trabajo

Hay necesidad de que cada proceso de modernizacion que ejecuta el CONAM, reciba el apoyo tecnico, organico y sistematico de la comunicacion para poder lograr sus metas y objetivos especificos, a la vez que la comprension y el apoyo ciudadano

En consecuencia se requiere difundir y conferir apoyo comunicacional a cada uno de los programas de modernizacion que se propone ejecutar el CONAM

- Telecomunicaciones
- Sector Electrico

- Registro Civil
- MOSTA
- Sectorial de Transporte
 - Aeropuertos
 - Puertos
 - Carreteras
 - Ferrocarriles
- Aduanas
- Correos
- SECAP
- PROLABOR
- Agua Potable
- Policia

4 PROYECTOS ESPECIFICOS DE COMUNICACION

Tal cumulo de necesidades plantea la obligacion de diseñar y articular varios proyectos de comunicacion en el marco de una sola Estrategia

Así el CONAM requeriria de los siguientes proyectos de comunicacion

4 1 Un proyecto de sensibilizacion de la opinión pública

Este proyecto abarcara

- Lo que pasa a nivel internacional y mundial
- El proceso de modernizacion del Ecuador
- Que es Modernizacion?
- Que es Privatizacion?
- Porque debe modernizarse el Ecuador?
- Cuales seran los beneficios especificos y generales, para toda la poblacion del proceso de modernizacion?

4 2 Reposicionamiento e imagen del CONAM

Las claves del nuevo posicionamiento del CONAM deben ser definidas conjuntamente por las autoridades institucionales y los funcionarios del area de comunicacion. A modo de sugerencia, esta consultoria plantea los siguientes conceptos

- CONAM modernización para el desarrollo integral del país
- CONAM modernización para crecer juntos
- COMAM la modernización en beneficio de todos³
- Los cambios se concretarán en forma ágil, eficiente y transparente⁴
- Experiencia
- Estructura del equipo de trabajo del CONAM
- Forma de trabajo del equipo
- Estrategias de negociación

4.3 Esquema General de Trabajo

Los objetivos de este proyecto serán los siguientes

- Que la opinión pública de todo el país conozca, hasta un nivel adecuado de detalle, el Plan integral que la actual Administración del CONAM ha resuelto aplicar para la modernización del país
- Que los diversos sectores del país identifiquen la conexión que existe entre los diversos componentes del Plan Integral de Modernización para el corto, mediano y largo plazos, así como las decisiones y resoluciones que cotidianamente realiza el Consejo Nacional de Modernización
- Que los diversos grupos de opinión pública del país, dispongan de más y mejores elementos de juicio para analizar la gestión integral del CONAM, y reorientar sus criterios frente a las propuestas que este plantea permanentemente, en busca de los cambios que aseguren el desarrollo del país
- Que se propone realizar como políticas de Estado
- Que va a concretar la presente Administración
- Cambios económicos, políticos y sociales que se produzcan
- Conexión entre los diversos componentes del Plan Integral
- Conexión entre las acciones cotidianas del Conam, la modernización y el desarrollo del país
- Situación futura una vez producidos los cambios
- Elementos de juicio para que la opinión pública analice la gestión
- En que punto estamos y cuánto se ha avanzado

³ Posicionamiento

⁴ Imagen

4.4 Procesos Específicos de modernización

Los objetivos de este proyecto serán

- Que la opinión pública conozca hasta un adecuado nivel de profundidad, cada uno de los procesos de modernización que realiza el CONAM, de tal manera que pueda opinar inteligentemente sobre estas acciones
- Que la población ecuatoriana afectada o involucrada en los procesos de modernización, conozcan sus derechos y responsabilidades en relación con estos cambios, y que se motiven para participar contributiva o receptivamente, según demande cada programa y lo respalden con su actitud individual y corporativa
- Objetivos Generales y Específicos de cada programa
- Beneficios para el país en general y para los grupos involucrados en particular
- Avance en la gestión de cada proyecto
- Lo que existía
- La nueva realidad luego del cambio
- Promover el intercambio de información

ENRIQUE PROAÑO C.

12 - 16 DE MAYO DE 1997



PROYECTOS DE COMUNICACION	CONTENIDOS	PUBLICOS	MEDIOS-PRODUCT DE COMUNICACION
3. ESQUEMA GENERAL DE TRABAJO DEL CONAM	<p>Que se propone realizar como Politicas de Estado ?</p> <p>Que va a concretar la presente administración ?</p> <p>Cambios economicos, politicos y sociales</p> <p>Conexion entre los diversos componentes</p> <p>Conexion entre las acciones cotidianas del CONAM, la Modernizacion y el desarrollo del pais</p> <p>Situacion futura una vez producidos los cambios</p> <p>Elementos de juicio para analizar gestion</p> <p>Cuanto se ha avanzado y en que punto estamos</p>	Los mismos publicos que en el Proyecto No 1	Informacion Publica 1 Folleto Power Point (incluye video) Publicidad Institucional 1 Pagina pagada en periodicos 1 Spot de television Cuñas de radio Evaristo



PROYECTOS DE COMUNICACION	CONTENIDOS	PUBLICOS	MEDIOS-PRODUCT DE COMUNICACION
<p>4. PROCESOS ESPECIFICOS DE MODERNIZACION</p>	<p>Apoyo sistemático y orgánico de la comunicación a los procesos de modernización</p> <p>Telecomunicación Eléctrico, S Eléctrico, R Civil, Mosta, Sectorial de Transporte Aeropuertos, Puertos, Vias, ENFE, Aduanas, Correos, Secap Prolabor, Agua Policia</p> <p>Objetivos Generales y Específicos de cada programa</p> <p>Beneficio para el país en general y para los grupos involucrados en particular</p> <p>Avance en la gestión de cada proyecto</p> <p>Lo que existía</p> <p>La nueva realidad luego del cambio</p> <p>Promover-intercambiar inform</p>	<p>Públicos Específicos relacionados con cada uno de los proyectos</p> <p>Quiénes toman decisiones (Gobierno/Congreso)</p> <p>Grupos de Opinión que influyen en quienes toman decisiones</p>	<p>Información Pública</p> <p>Publicidad Institucional</p> <p>1 Spot tv por c/programa</p> <p>1 Cuña radio por c/programa</p> <p>1 Pag periódico por c/programa</p> <p>1 Folleto por c/programa</p> <p>Periodico Institucional</p>

ALGUNOS ELEMENTOS QUE PODRIAN UTILIZARSE EN UN ESTUDIO INVESTIGATIVO SOBRE EL CONSEJO NACIONAL DE MODERNIZACION

MODERNIZACION

Conoce en que consiste el Programa de Modernizacion de la Republica del Ecuador?

Conoce al menos algunos de los componentes o proyectos de este Programa?

Conoce usted que a nivel mundial estan ocurriendo cambios vertiginosos que obligan a los paises a transformar sus estructuras y modernizarse?

Que conoce de la modernizacion en America Latina?

Conoce que el Peru ha alcanzado tasas notables de crecimiento de su economia en los ultimos años?

Que entiende por la palabra modernizacion?

Que entiende por privatizacion?

CONAM

Sabe usted qué significa CONAM?

Conoce usted a que se dedica el Consejo Nacional de Modernizacion CONAM?

En una escala de 1 a 5 como calificaria la accion del CONAM?

Como se entera usted acerca de las acciones que desarrolla el CONAM (Periodicos, radio, television, otros)?

Conoce que al frente de esa Institucion esta actualmente el señor Rodrigo Paz?

Que resultados esperaria del CONAM ahora que esta en manos de una nueva Administracion?

PRIVATIZACION

Como calificaria a los diferentes servicios que recibe el pueblo ecuatoriano?

Desglosar la pregunta anterior en

- Agua
- Alcantarillado
- Luz
- Telefonos
- Carreteras

- Salud
 - Educación
 - Transporte
- (incluir los que considere procedentes)

IESS

Cómo calificaria el servicio que presta el IESS?

Las pensiones que reciben los jubilados, huérfanos, viudas, etc , son suficientes o insuficientes?

Cómo califica el servicio médico que presta el IESS?

Estaría de acuerdo en la privatización del IESS?

Cree conveniente que se permita que se instalen en el país empresas de seguridad social que compitan con el IESS ?

DEL ESTADO

El número de empleados del sector público es adecuado, muy bajo o excesivo?

Sabe usted que más del 40 por ciento del Presupuesto se destina al pago de los empleados públicos?

Como calificaria la atención que le prestan los Ministerios y más oficinas del Gobierno?

COMO SE INFORMA

Como se informa usted de los acontecimientos nacionales?

- Prensa
- Televisión
- Radio Otros

Que medio tiene más influencia en usted, el periódico o la televisión?

RESUMEN

A modo de resumen consigno lo que me interesaría conocer sobre el CONAM

- Conocimiento de los cambios a nivel mundial
- Conocimiento de la modernización a nivel internacional, regional y de los países vecinos
- Conocimiento del Programa de Modernización del CONAM
- Conocimiento de lo que hace la actual Administración del CONAM
- Calificación a la actuación del CONAM
- Calificación de la actual Administración del CONAM
- Comparación del CONAM con Gobierno, Congreso, FF AA, Iglesia (Escala de Thurstone)
- Calificación a los servicios de agua, alcantarillado, etc (en 1a 2a y 3a mención)
- Cuáles servicios no funcionan adecuadamente en el país (pregunta abierta)
- Aspectos positivos de los servicios que presta el sector público
- Aspectos negativos de los servicios que presta el sector público
- Cambios más urgentes que tiene que realizar el país (3 menciones)
- Disposición a apoyar los cambios que se propone realizar el CONAM
- Estaría de acuerdo en que se privatizen algunas áreas que están en manos del Estado (Favor preparar una tarjeta con opciones)

o Scott Taylor@SDO@QUITO
_C
Bcc
From Allen Eisenberg@rco@lima
Subject re Nationality Waivers
Date Wednesday, September 17, 1997 10 25 08 ECU
Attach ATTRIBS BND
Certify N
Forwarded by

I hope that wasn't what I said

What I meant to say is that if the procurement element of the grant/CA is less than \$250,000, that a source/origin waiver would not be required from the Director. However, the grantee would still need to justify the purchase based on similar reasons that would support a waiver.

The applicable grant standard provision for non US grantees Read (b)

6 USAID ELIGIBILITY RULES FOR GOODS AND SERVICES (JUNE 1993)

(This provision is applicable when goods or services are procured under the grant)

(a) Ineligible and Restricted Goods and Services If USAID determines that the grantee has procured any of the restricted or ineligible goods and services specified below, or has procured goods and services from unauthorized sources, and has received reimbursement for such purpose without the prior written authorization of the grant officer, the grantee agrees to refund to USAID the entire amount of the reimbursement

(1) Ineligible Goods and Services Under no circumstances shall the grantee procure any of the following under this grant

- (1) Military equipment,
- (11) Surveillance equipment,
- (111) Commodities and services for support of police or other law enforcement activities,
- (1v) Abortion equipment and services,
- (v) Luxury goods and gambling equipment, or
- (v1) Weather modification equipment

(2) Ineligible Suppliers Funds provided under this grant shall

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not
from
provide
be used to procure any goods or services furnished by any firm or individual whose name appears on the "Lists of Parties Excluded Federal Procurement and Nonprocurement Programs " USAID will the grantee with this list upon request

(3) Restricted Goods The grantee shall not procure any of the following goods and services without the prior written authorization of the grant officer

- (1) Agricultural commodities,
- (11) Motor vehicles,
- (111) Pharmaceuticals,
- (1v) Pesticides,
- (v) Rubber compounding chemicals and plasticizers,
- (vi) Used equipment,
- (vii) U S Government-owned excess property, or
- (viii) Fertilizer

(b) Source, Origin, and Nationality The eligibility rules for goods and services based on source and nationality are divided into two categories One applies when the total procurement element during the life of the grant is over \$250,000 and the other applies when the total procurement element during the life of the grant is not over \$250,000 The total procurement element includes procurement of all goods (e g equipment, materials, supplies) and services Guidance on the eligibility of specific goods or services may be obtained from the grant officer USAID policies and definitions on source (including origin and componentry) and nationality are contained in Chapter 5 of USAID Handbook 1, Supplement B, entitled "Procurement Policies "

(1) For DFA funded grants or when the total procurement element during the life of this grant is valued at \$250,000 or less, the following rules apply

Code
the
requirements
(1) The authorized source for procurement of all goods and services to be reimbursed under the grant is USAID Geographic 935, "Special Free World," and such goods and services must meet source (including origin and componentry) and nationality requirements

WS

set forth in Handbook 1, Supp B, Chapter 5 in accordance with following order of preference

- (A) The United States (USAID Geographic Code 000),
- (B) The Cooperating Country,
- (C) Selected Free World countries (USAID Geographic Code 941),
- (D) Special Free World countries (USAID Geographic Code 935)

(11) Application of Order of Preference When the grantee procures goods and services from other than U S sources, under the order of preference in paragraph (b) (1) (11) above, the grantee shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and will be based on one or more of the following reasons, which shall be set forth in the grantee's documentation

(A) The procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U S sources,

(B) The price differential for procurement from U S non-U S sources exceeded by 50% or more the delivered price from the source,

(C) Compelling local political considerations precluded consideration of U S sources,

(D) The goods or services were not available from U S sources, or

(E) Procurement of locally available goods and services, as opposed to procurement of U S goods and services, would best promote the objectives of the Foreign Assistance program under the grant

(2) When the total procurement element exceeds \$250,000, (unless specifically funded by DFA), the following applies. Except as may be approved or directed in advance by the grant officer, all goods and services financed with U S dollars, which will be reimbursed under this grant must meet the source (including origin and componentry) and

nationality requirements set forth in Handbook 1, Supp B, Chapter
5
for the authorized geographic code specified in the schedule of
this grant. If none is specified, the authorized source is Code 000,
the United States

(c) Marine Insurance The eligibility of marine insurance is
determined by the country in which it is placed. Insurance is placed in a
country if payment of the insurance premium is made to and the
insurance policy is issued by an insurance company located in
that country. Eligible countries for placement are governed by the
the authorized geographic code, except that if Code 941 is authorized,
Foreign Cooperating Country is also eligible. Section 604(d) of the
Assistance Act requires that if a grantee country discriminates
by statute, decree, rule, or practice with respect to USAID-financed
procurement against any marine insurance company authorized to do
to business in the U S, then any USAID-financed commodity shipped
insurance that country shall be insured against marine risk and the
authorized to shall be placed in the U S with a company or companies
do marine insurance business in the U S

(d) Ocean and air transportation shall be in accordance with the
applicable provisions contained within this grant

(e) Printed or Audio-Visual Teaching Materials If the effective use
of printed or audio-visual teaching materials depends upon their
being in the local language and if such materials are intended for
technical assistance projects or activities financed by USAID in whole or
in part and if other funds including U S -owned or U S -controlled
local currencies are not readily available to finance the procurement
of such materials, local language versions may be procured from the
following sources in order of preference

- (1) The United States (USAID Geographic Code 000),
- (2) the Cooperating Country,
- (3) Selected Free World countries (USAID Geographic Code 941),
- (4) Free World countries (USAID Geographic Code 899)

(f) Special Restrictions on the Procurement of Construction or
Engineering Services Section 604(g) of the Foreign Assistance Act provides

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that

USAID funds may not be used for "procurement of construction or engineering services from advanced developing countries, eligible under Geographic Code 941, which have attained a competitive capability in international markets for construction services or engineering services " In order to insure eligibility of a Code

941

shall

contractor for construction or engineering services, the grantee obtain the grant officer's prior approval for any such contract

(g)
include

This provision will be included in all subagreements which procurement of goods or services over \$5,000

Original Text

From Scott Taylor@SDO@QUITO, on 9/17/97 12 08 PM

Allen, while you were here you told me that subject was not necessary where total of such waivers would not exceed \$250,000 Can you provide me with the correct citation where this appears so that I may include appropriate language in the action memo and good governance design document? Thanks,
Scott