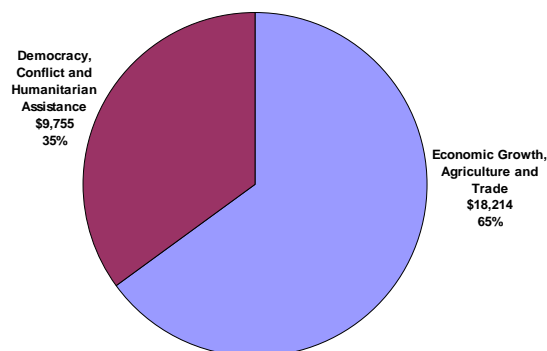
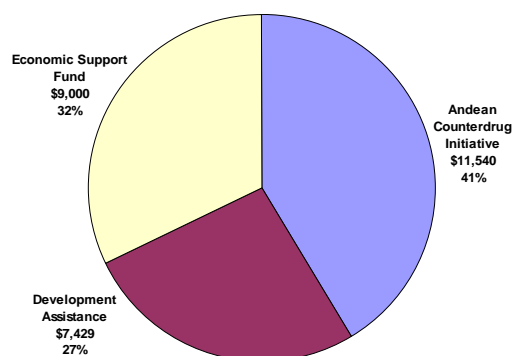


# Ecuador

**FY 2006 Assistance by Sector**



**FY 2006 Assistance by Account**



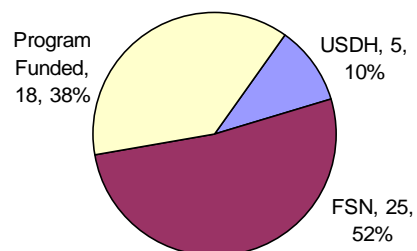
## Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Biodiversity Conservation	518-001	5,011	4,644	4,329
Southern Border Development	518-011	1,988	1,488	2,000
Democracy and Conflict Prevention	518-012	7,628	8,250	5,215
Northern Border Development	518-013	14,912	14,880	11,540
Economic Opportunities	518-014	4,921	6,626	4,885
Health Initiatives	518-YYY		148	
<b>Total (in thousands of dollars)</b>		<b>34,460</b>	<b>36,036</b>	<b>27,969</b>

## Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
<b>Mission Allocation</b>	1,828	1,895	1,891
<b>USDH Salaries &amp; Benefits</b>	748	765	782
<b>Program Funds</b>	1,949	2,355	2,355
<b>Total (in thousands of dollars)</b>	<b>4,525</b>	<b>5,015</b>	<b>5,028</b>

**FY 2006 Workforce**



**Mission Director:**  
(Acting) Carl Derrick

## Ecuador

**The Development Challenge:** The year 2004 was characterized by political instability, labor strikes, popular protests, and declining social conditions for the majority of Ecuadorians. President Lucio Gutierrez's administration fought for political survival after attempts by opposition parties to remove the President from power. The President's party suffered a poor showing in the October 2004 regional and municipal elections, thus forcing the President to rely on a fractious coalition of parties in the 100 seat Congress. However, the elections were deemed to be free and fair by international observers. According to the 2004 Democratic Values Survey, public support and confidence in democracy has increased slightly since the first survey in 2001. Given the volatile political climate and fragile democracy in Ecuador, much remains to be done before stability, development, and prosperity are assured.

As an oil exporter, Ecuador has benefited from high world oil prices, resulting in a projected real gross domestic product (GDP) growth rate of 5.1% for 2004. Due to structural inefficiencies, including corruption, the improved GDP figures have not translated into real benefits for most Ecuadorians. Health, education, and other public workers have participated in strikes against the government. In addition, poor understanding among Ecuadorians of the benefits of free trade has resulted in protests against the proposed free trade agreement with the United States.

Ecuador has an annual population growth rate of 2.1%, a high infant mortality rate (30 per 1,000), a high prevalence of infectious diseases (tuberculosis, malaria, and HIV/AIDS), chronic malnutrition, and high levels of maternal and child mortality. Access to safe water and sanitation is worse than in Peru and Bolivia, and modern health care facilities are limited among urban and rural poor populations. Ecuador invests approximately 3% of its GDP in education. Rural populations, particularly indigenous people, suffer from a lack of educational opportunities.

Ecuador continues to make strides in recovering from the collapse of the economy and banking system which befell the country in 1999. Important achievements have been accomplished in the fiscal sector, especially with the Law of Fiscal Responsibility which has imposed discipline in the management of the government budget. In 1999, rampant inflation and capital flight caused Ecuador to dollarize the economy. The measure has delivered low inflation and macroeconomic stability but has also highlighted Ecuador's lack of competitiveness. This deficiency as well as the need to implement structural changes in the oil, electricity, telecommunications, and banking sectors, continue to demand for further needed macroeconomic reforms. The total external debt estimated for 2004 represents 57% of GDP and debt service estimated as a percentage of earnings from exports reaches 22.1%. Unemployment rates continue above 10%, while underemployment is approaching 50%. Over 60% of the population lives in poverty.

Ecuador continues to suffer from the destabilizing effects of drug trafficking activities in neighboring countries and the collateral effects in security. Finally, the destruction of natural ecosystems is threatening Ecuador's impressive biodiversity. The country that is one of the world's richest biodiversity centers and holds 10% of the earth's plant species and 18% of bird species, is now approaching the highest deforestation rate in South America. Technical capacity, personnel, and the political will necessary to implement regulations aimed at protecting the environment have been lacking.

The U.S. national interests in Ecuador are upholding democratic institutions; combating drug trafficking and terrorism; fostering Ecuador's economic development; building trade, investment, and financial ties; and combating poverty. Ecuador's position in the heart of South America's most violent region also underscores the country's importance to U.S. interests. A democratic and prosperous Ecuador can help restrain the spread of illegal drugs and violence across the Northern Andes.

**The USAID Program:** USAID is requesting FY 2005 and FY 2006 funds to address the five strategic areas: biodiversity conservation; democracy and governance; economic opportunities; and development of Ecuador's northern and southern borders. USAID supports the conservation of biologically important regions within Ecuador's protected area systems. USAID seeks to increase support for the democratic system by strengthening the transparency and accountability of democratic institutions, fostering greater

participation of disadvantaged groups in democratic processes, and increasing consensus on policies critical to democratic consolidation. USAID aims to reduce rural and urban poverty by helping to develop a strong, sustainable microfinance sector in Ecuador and by improving the macroeconomic environment for more equitable growth. USAID continues to work with the Government of Ecuador to contain the spread of a coca/cocaine economy into Ecuador by supporting the construction of social and productive infrastructure projects and providing alternative income opportunities for small and medium-sized farmers along the northern border. Finally, USAID assists in the improvement of social and economic conditions of inhabitants along the Peru-Ecuador border. USAID has vigorously pursued Global Development Alliances (GDA) and has six such alliances in the areas of democracy, environment, and economic growth.

**Other Program Elements:** USAID's central Bureau for Economic Growth, Agriculture, and Trade (EGAT) manages three programs in Ecuador. The Farmer-to-Farmer program funds short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity and incomes. The Office of Natural Resource Management manages the Collaborative Research Support Program, which provides assistance to increase farmers' capacity to produce, utilize, and market agricultural commodities through cost effective and environmentally sustainable methods, as well as the Living Program, which provides assistance through the Wildlife Conservation Society to protect the biodiversity of the Greater Yasuni-Napo Moist Forest Landscape Conservation Area in the Ecuadorian Amazon.

USAID's Mission in Peru manages two regional programs that impact Ecuador. The Andean Trade Capacity Building program improves the technical capacity of the Andean Community as a partner in negotiations leading to the creation of the Free Trade Area of the Americas (FTAA) and strengthens regional capacity to implement the rules of trade emerging from FTAA negotiations. The Centers of Excellence for Teachers Training (CETT) for the Andean region trains teachers who work in disadvantaged communities to improve the quality of reading instruction.

In FY 2004, the Latin America and the Caribbean (LAC) Bureau supported a national household health survey. The survey, due for publication in FY 2005, will provide detailed data for program planning purposes. The LAC Bureau is designing a program to begin in FY 2005 that will address urgent needs in the health sector. Subsequent programming, funding levels, and management approaches will be determined, based on availability of funds, LAC Bureau guidance, and survey results. Ecuador also participates in other health initiatives of the LAC Bureau including: the Antimicrobial Resistance Program, Maternal Mortality Reduction Initiative, Health Sector Reform Initiative, and the Decentralization Mapping Tool Program. Country counterparts receive information on lessons learned and research conducted in these areas.

**Other Donors:** According to the latest official figures, overall development assistance to Ecuador in 2002 totaled approximately \$236 million; the United States accounted for 53% of the grant assistance and continues to be the largest bilateral donor, followed by Germany and Spain. Other major bilateral donors include Japan, France, and the European Union. Multilateral donors include the Andean Development Corporation (CAF) (infrastructure); the Inter-American Development Bank (IDB) (economic stabilization, poverty reduction, infrastructure); and the World Bank (macroeconomic framework, economic resources access, and government institutional strengthening). USAID has worked with the International Monetary Fund, the World Bank, and the IDB to support the Government of Ecuador in the improvement of its accounts information system and the implementation of institutional reforms. USAID's assistance has been instrumental in negotiations for a free trade agreement, enabling the IDB, World Bank, the United Nations Development Program, and CAF to follow up activities initiated by USAID.

## Ecuador PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Andean Counterdrug Initiative	15,896	14,912	14,880	11,540
Child Survival and Health Programs Fund	0	0	148	0
Development Assistance	7,127	7,087	6,624	7,429
Economic Support Fund	17,500	12,461	14,384	9,000
<b>Total Program Funds</b>	<b>40,523</b>	<b>34,460</b>	<b>36,036</b>	<b>27,969</b>

### STRATEGIC OBJECTIVE SUMMARY

518-001 Biodiversity Conservation				
DA	5,097	5,011	4,644	4,329
ESF	1,000	0	0	0
518-011 Southern Border Development				
ESF	3,000	1,988	1,488	2,000
518-012 Democracy and Conflict Prevention				
DA	300	205	0	615
ESF	8,251	7,423	8,250	4,600
518-013 Northern Border Development				
ACI	15,896	14,912	14,880	11,540
518-014 Economic Opportunities				
DA	1,730	1,871	1,980	2,485
ESF	5,249	3,050	4,646	2,400

Mission Director (Acting),  
Carl Derrick

## Data Sheet

<b>USAID Mission:</b>	Ecuador
<b>Program Title:</b>	Biodiversity Conservation
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	518-001
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$4,644,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$4,329,000 DA
<b>Year of Initial Obligation:</b>	1997
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** The program conserves biodiversity in three biologically important areas: 1) 1,000,000 hectares in indigenous territories (Awa, Cofan, and Huaorani) in northern and eastern Ecuador through territorial consolidation, capacity building, and financial sustainability; 2) the 133,000 square kilometer Galapagos Marine Reserve by supporting implementation of the marine zoning plan, strengthening the governance of the Reserve, reducing illegal fishing and over-fishing, increasing tourism's contributions to conservation, and supporting public outreach; and 3) conservation of 2,000,000 hectares of the Tropical Andes by consolidating the management of four protected areas, establishing conservation partnerships with private landowners, and developing payments for environmental services.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$4,644,000 DA). In northern Ecuador, indigenous peoples are extremely poor and vulnerable to the encroaching impact of oil, timber, and African Palm exploitation, and the spillover effects of Colombia's coca economy. To counteract the impact of these threats, USAID will help indigenous peoples gain legal rights over their resources, demarcate and patrol their territories to defend them against illegal incursions, and manage their territories to develop licit and sustainable sources of income. With USAID assistance, the Awa will title 101,000 hectares and legalize rights for 50 neighboring colonists and cooperatives to decrease conflicts. The Huaorani will gain official rights for three communities in the Yasuni National Park and the Chachi community will create a 16,000 hectare "Gran Chachi Reserve." The Awa, Cofan, and Huaorani federations will receive training to strengthen their administrative and technical capacities. The Awa Federation will resolve conflicts over territorial boundaries develop statutes for its 22 Awa centers, and define the management of the "Reserve of Life," the most pristine area within the Awa territory. The Huaorani Federation will support young Huaorani leaders in the use of traditional justice systems and develop a governance system for the vast Huaorani territory. New indigenous groups, the Secoyas and Sionas, will receive seed funding for small productive activities and will participate in leadership and negotiation skills, training jointly with Awa, Cofan, Chachi and Huaorani. The prime contractor is Chemonics. Subgrantees are the indigenous federations and local and international NGOs.

USAID will support the conservation of the Galapagos Marine Reserve by: 1) providing expert advice and training to 12 local authorities that are members of the Marine Reserve Participatory Management System, 2) supporting two key Galapagos institutions to improve control and patrolling activities, through monitoring illegal trade in sharks and sea cucumber, 3) providing organizational tools and techniques to four fishing cooperatives, 4) strengthening the tourism sector's two key organizations' ability to effectively promote conservation and by building economic links between the tourism and fishing sectors, 5) implementing several alternative activities to reduce fishing pressure by creating opportunities for fishermen to work in the tourism sector (e.g. sport fishing, scuba diving). The prime contractor is World Wildlife Fund, which leads an alliance of nine local and international NGOs.

USAID's Tropical Andes Program will develop and implement the National Sustainable Finance Strategy for the national park system, establish an endowment fund to promote private land conservation, create opportunities for local participation in protected area management, establish conservation agreements

with private landowners, and implement a program of 28 community park guards. A communication component will catalyze behavior change in local resource users and decision makers. The prime grantees are The Nature Conservancy and OIKOS Corporation and subgrantees are the Antisana Foundation, the Rumicocha Foundation, and EcoCiencia.

USAID's Amazon Basin Initiative will begin in FY 2005 and Ecuador will participate as appropriate. In addition, with the signing of a free trade agreement, USAID will develop additional pollution reduction activities to facilitate Ecuador's compliance with the agreement.

**FY 2006 Program:** Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$4,329,000 DA). At least 10 sustainable income generating activities will be provided to indigenous groups along the fragile northern border area. Indigenous groups will be able to continuously patrol their most vulnerable segments of their territories, totaling close to half a million hectares. The Awa Federation will sustainably manage timber and ecotourism, reducing their vulnerability for illicit coca production. In the Galapagos Marine Reserve, USAID will: 1) finance the creation of new economic opportunities for fishermen, 2) consolidate the function of the Marine Reserve governance system through assistance in conflict management and institutional strengthening, and 3) encourage the application of an effective and participatory system to apply the Galapagos Special Law. The Tropical Andes Program will finance the final consolidation of three protected areas. Further analysis in FY 2005 will determine new direction or other priority areas. Same contractors and grantees as above.

**Performance and Results:** With USAID support, three indigenous populations will have improved their management of 184,000 hectares and gained greater control over 356,000 hectares of their ancestral territories. They reached agreements with their neighbors and demarcated 90 miles of their most vulnerable boundaries, helping conserve 1,040,000 hectares of pristine forest. The Cofan indigenous institution has evolved from a paper organization a year ago to a functional one today. Advances included formally elected leadership, office facilities and equipment, accounting systems, travel policies and procedures, a regular inventory of fixed assets, and strategic planning. With stronger organizational capacity, the Cofan federation demarcated 26 miles of vulnerable boundaries, regularly patrolled 250,000 hectares of pristine biodiverse rainforest, and established an enterprise that markets bamboo for construction.

To strengthen the conservation of the Galapagos Marine Reserve, USAID and the U.S. Country Team worked together to engage the President of Ecuador and his cabinet to provide technical assistance in governance, and to seek economic alternatives for destructive fishing practices. In the Tropical Andes, local people are contributing to conservation as community park guards to control hunting, fire, and illegal fishing in 23,300 hectares of highland grassland, reducing fires by 35%. A major conflict between spectacled bears and people is being addressed, resulting in a 50% reduction in attacks on cattle near the town in Oyacachi. Outside protected areas, 225 families are applying sustainable productive systems on 22,000 hectares, reducing pressures on forest areas of Cayambe-Coca and Antisana Reserves. As a result, approximately 485,000 hectares are being adequately managed. In 2004 Ecuador's water fund endowment reached \$1.8 million and invested \$228,800 in seven projects implemented in critical watersheds in the Condor Bioserve and leveraged \$381,800 from other sources as matching funds.

By FY 2007, the three targeted indigenous groups will have at least 900,000 hectares of participatory natural resource management plans and sustainable financing mechanisms for their implementation. The Galapagos governance system and law enforcement will be effectively functioning and the tourism sector will be implementing best practices. Ecuadorian organizations will consolidate the conservation of 776,203 hectares in the Tropical Andes, and the Water Fund will invest at least \$260,000 annually to conserve watersheds.

## US Financing in Thousands of Dollars

Ecuador

518-001 Biodiversity Conservation	DA	ESF
<b>Through September 30, 2003</b>		
Obligations	25,930	3,000
Expenditures	19,719	2,000
Unliquidated	6,211	1,000
<b>Fiscal Year 2004</b>		
Obligations	5,008	0
Expenditures	3,431	1,000
<b>Through September 30, 2004</b>		
Obligations	30,938	3,000
Expenditures	23,150	3,000
Unliquidated	7,788	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	4,644	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	4,644	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	4,329	0
Future Obligations	15,564	0
Est. Total Cost	55,475	3,000

## Data Sheet

<b>USAID Mission:</b>	Ecuador
<b>Program Title:</b>	Southern Border Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	518-011
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,488,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$2,000,000 ESF
<b>Year of Initial Obligation:</b>	1999
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** The goal of the Southern Border Integration Program is to improve social and economic conditions of inhabitants along the Peru-Ecuador border. USAID program activities include: 1) construction and improvement of public health infrastructure, mainly potable water systems, sanitation units, garbage collection, and recycling systems; 2) training for local communities to increase the extent of land titling and natural resources management plans in the protected area of the Kutuku mountain range; and 3) training for local governments in administrative and financial management, participatory strategic planning, and elaboration of Cantonal Development Plans.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Access to Clean Water and Sanitation (\$740,000 ESF). USAID will expand ongoing access to social services (e.g. potable water, sanitation, and garbage collection), benefiting over 28,000 people at the community and village levels. To manage and maintain the water systems, the program will ensure that benefited communities elect water boards, whose main goal will be to reach self-sustainability of the systems. Ten potable water systems will be built or improved, along with 326 new or improved sanitation units, and three new or improved garbage collection programs. Prime grantee is CARE.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$548,000 ESF). USAID will provide training to a group of local indigenous technicians in land titling methodology. USAID will develop new policy documents that will strengthen the legal basis for conservation and development in the Kutuku mountain range. In addition, USAID will develop natural resource management plans for an additional 12,000 hectares of communal land. Technical experts will work with local communities to provide land titles for 24,000 hectares. The number of beneficiaries under this component will be approximately 6,700. The prime grantee is CARE and subgrantees are Jatun Sacha, Indigenous Shuar Federation, and Arcoiris.

Support Democratic Local Government and Decentralization (\$200,000 ESF). Funds will be used to provide technical experts to train five new local government entities to have adequate consultative processes in operation, and to four new municipalities to improve services delivery management. The prime grantee is CARE and subgrantees are the Dutch Service for Development Cooperation, the Pan American Health Organization, and Plan International.

**FY 2006 Program:** Improve Access to Clean Water and Sanitation (\$1,000,000 ESF). Funds will be used to build or improve social infrastructure as an expansion of activities implemented in FY 2005. Activities will include follow-up work to ensure the long-term sustainability of USAID's efforts, such as providing operational guidance to the democratically formed water boards and local government sanitation and garbage collection management units. Six potable water systems will be built or improved, along with 218 new or improved sanitation units, and one new garbage collection system. This component will benefit over 11,000 new beneficiaries. Grantee will remain the same.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$700,000 ESF). USAID will continue to provide technical experts and training in natural resource management and will



increase the land area with legal titles in or near protected area buffer zones and the number of hectares in areas that are under natural resource management plans. This will contribute to the conservation of this region's rich biological diversity and complement USAID's environment program interventions. It is expected that an additional 8,000 hectares of communal land will be under natural resource management plans, and an additional 16,000 hectares with legal titles. There will be 4,000 new beneficiaries. Grantee and subgrantees will remain the same.

Support Democratic Local Government and Decentralization (\$300,000 ESF). Technical experts will train three new local government entities to have adequate consultative processes in operation. USAID will also help two municipalities to improve service delivery. Grantee and subgrantees will remain the same.

**Performance and Results:** As a result of USAID activities, strong partnerships have been created with implementing nongovernmental organizations and the Government of Ecuador that have resulted in the expansion, availability of, and access to social services. In FY 2004, 15 potable waters systems and 1,033 sanitation units were constructed or improved. Approximately 40,000 new hectares are in the process of being titled, which will contribute to the conservation of a fragile area of the Ecuadorian jungle. The demonstrated capacity of several municipalities to effectively deliver services with greater citizen participation and oversight is instilling in local communities an appreciation for the benefits of good governance. This is particularly important for long-term economic stability and continued economic growth along the southern border. In FY 2004, eight new local governments improved their tax collection mechanisms and established better control procedures in warehouses, eliminating opportunities for corruption and improving resource management. As the region's citizenry works together to build sustainable community service systems, its sense of self reliance and local empowerment is increasing.

By program completion in 2007, the lives of more than 500,000 people along the Ecuador-Peru border will have been improved as a result of USAID's assistance. Also, more than 100 potable water systems and around 4,300 sanitary systems will be constructed and/or repaired; 191,000 hectares of land will have legal titles; 134,000 hectares of land will be under natural resources management plans; and more than 28 local governments will be strengthened.

## US Financing in Thousands of Dollars

Ecuador

518-011 Southern Border Development	<b>ESF</b>
<b>Through September 30, 2003</b>	
Obligations	15,392
Expenditures	12,350
Unliquidated	3,042
<b>Fiscal Year 2004</b>	
Obligations	1,988
Expenditures	2,485
<b>Through September 30, 2004</b>	
Obligations	17,380
Expenditures	14,835
Unliquidated	2,545
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	1,488
<b>Total Planned Fiscal Year 2005</b>	
Obligations	1,488
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	2,000
Future Obligations	632
Est. Total Cost	21,500

## Data Sheet

<b>USAID Mission:</b>	Ecuador
<b>Program Title:</b>	Democracy and Conflict Prevention
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	518-012
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$8,250,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$615,000 DA; \$4,600,000 ESF
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** Ecuador's crisis of democratic legitimacy continues. USAID is strengthening the justice reform process, building participatory, effective local governance, fighting corruption, and supporting free and fair elections. In September 2004 new efforts were undertaken to combat trafficking in persons.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Justice Sector/Legal Framework (\$1,550,000 ESF). USAID will provide technical expertise and training to the National Justice Reform Commission; the Supreme Court, National Judicial Council, Prosecutor General's Office, Judicial Police, and the Public Defender's Office; train at least 60% of criminal justice sector operators in the application of Criminal Procedures Code reforms; help implement the National Training Plan for Justice Operators; fund small grants to civil society organizations for innovative justice reform projects; promote legal reforms, judicial independence and impartiality with support of civil society justice networks; and provide technical expertise, training, and equipment to implement legal, institutional, organizational, and administrative priorities of the National Adjustment Plan to improve Criminal Reform. Prime grantee is Fundacion Esquel.

Protect Human Rights and Equal Access to Justice (\$800,000 ESF). USAID will train public defenders to enhance their capacity to implement the Public Defense System; assist in the design and implementation of an Action Plan for this system; support 10 civil society legal defense centers for vulnerable groups, including poor prisoners; disseminate the reformed Criminal Procedures Code and related laws to victims; promote the enforcement of political rights of women, youth, indigenous people, and Afro-Ecuadorians through technical expertise and training. Prime grantee is Fundacion Esquel.

Support Democratic Local Government and Decentralization (\$1,900,000 ESF). USAID will provide technical expertise and training to local governments, public institutions, and communities to advance decentralization policy, citizen participation and oversight, and local government management strengthening. New areas of intervention will include the Galapagos and several other provinces with emphasis on rural district councils and indigenous local governments. Prime contractor and grantees include Associates in Rural Development Inc., CARE, and Fundacion Esquel.

Promote and Support Anticorruption Reforms (\$2,000,000 ESF). USAID will provide technical expertise and training to leaders and viable public sector and civil society institutions within the Ecuadorian Anticorruption System (SAE) to develop policy dialogue; improve investigative methods; increase public awareness and oversight to reduce corruption; promote the access of SAE institutions and civil society to the best practices and expertise in the world; improve SAE institutional capacity for transparency and accountability in government planning, budgeting, procurement, and sensitive operations such as customs. Prime contractor is Management Systems International.

Reduce Trafficking in Persons (\$300,000 ESF). Grants to U.S. and local civil society organizations will help the Government of Ecuador eradicate trafficking in persons through prevention, control, prosecution, and protection efforts. Prime grantees are Fundacion Esquel, International Defense of Children, and Geneva Global, Inc.

Promote and Support Free and Fair Elections (\$1,700,000 ESF). USAID will support domestic observation of the 2006 national elections; civic and voter education campaigns; quick vote counts; monitoring of campaign spending and enforcement of electoral reforms; new constitutional and electoral law reforms; electoral dialogues and the third series of the Democratic Values Survey; implementation of the Electoral Tribunal's reforms and strengthening of the training commission; and key Ecuadorians' visits to the U.S. in support of USAID's Democracy Program components. Prime grantees are Participation Ciudadana, Vanderbilt University, and State's Public Affairs Section.

**FY 2006 Program:** Improve Justice Sector/Legal Framework (\$800,000 ESF). With the results of the second evaluation of the criminal accusatory system, the updated Integral Justice Reform Plan, and the National Training Plan expected by the end of 2005, USAID plans to support the application of key institutional, legal, administrative, and organizational reforms and initiatives by public and judicial institutions; provide support to civil society justice networks and coalitions for application of the accusatory justice system and strengthening of the public defense system; and assist the new Supreme Court President to enforce constitutional and justice reforms. Grantees to be determined.

Protect Human Rights and Equal Access to Justice (\$305,000 DA, \$200,000 ESF). USAID plans to expand assistance to legal centers, public defenders, and university professors. USAID will also provide technical assistance to improve rehabilitation policies and services to promote and monitor application of legal and political rights of vulnerable groups, including trafficking in persons. Grantees to be determined.

Support Democratic Local Government and Decentralization (\$1,100,000 ESF). USAID will continue to further decentralization policy, promote and expand citizen participation and oversight, and local government management strengthening in an expanded geographical range within Ecuador. Contractor and grantees to be determined.

Promote and Support Anticorruption Reforms (\$900,000 ESF). USAID will review the progress of Ecuador's Anticorruption System to determine the feasibility of continuing this program component, as well as an approach that will attain best results in the future. Contractor to be determined.

Reduce Trafficking in Persons (\$310,000 DA). USAID plans to provide assistance to the government and civil society to sustain reduction of trafficking in persons in Ecuador. Grantees to be determined.

Promote and Support Free and Fair Elections (\$1,600,000 ESF). USAID plans to promote democratic values and civic education campaigns. It may also promote new leaders to participate in subnational elections and electoral reforms and monitor enforcement of electoral legislation. Grantees to be determined.

**Performance and Results:** USAID support has been critical to the improved application of the criminal justice system. Civil society groups have made key contributions to judicial independence and transparency. The civil society group Participation Ciudadana has become the major actor in the oversight of electoral processes and the promotion of civic and democratic practices nationwide. USAID support, closely coordinated with other donors, has been the foremost contributor to decentralization policy reforms, citizen participation, and oversight of local governments. Exchanges to and from the United States have contributed to results in each of the democracy program components.

By program completion, justice sector operators will have a thorough understanding of the reformed Criminal Procedures Code and judicial institutions will have improved their coordination and collaboration efforts to better respond to the victims. Decentralization policy will have advanced, local governments will be stronger and more participatory, anticorruption initiatives will be yielding visible results, and free and fair national elections will have been held in 2006.

## US Financing in Thousands of Dollars

Ecuador

518-012 Democracy and Conflict Prevention	DA	ESF
<b>Through September 30, 2003</b>		
Obligations	6,557	21,641
Expenditures	6,511	9,820
Unliquidated	46	11,821
<b>Fiscal Year 2004</b>		
Obligations	220	7,423
Expenditures	220	7,713
<b>Through September 30, 2004</b>		
Obligations	6,777	29,064
Expenditures	6,731	17,533
Unliquidated	46	11,531
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	0	8,250
<b>Total Planned Fiscal Year 2005</b>		
Obligations	0	8,250
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	615	4,600
Future Obligations	0	0
Est. Total Cost	7,392	41,914

## Data Sheet

<b>USAID Mission:</b>	Ecuador
<b>Program Title:</b>	Northern Border Development
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	518-013
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$14,880,000 ACI
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$11,540,000 ACI
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** USAID's Northern Border Program is aimed at containing the spread of a coca/cocaine economy into Ecuador by strengthening northern border communities through preventive alternative development, consisting of: 1) social infrastructure and local democratic governance improvement; 2) productive infrastructure and licit productive activities; and 3) communications and public diplomacy.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Develop and Expand Alternative Development (\$14,880,000 ACI). The program will be implemented through the following subcomponents:

Social Infrastructure and Local Governance Improvement (\$7,750,000 ACI). USAID will fund social infrastructure and local government development with stronger citizen participation in decisions about priorities for location and management of such infrastructure. Construction or rehabilitation of water and sanitation systems for 20 communities will serve approximately 30,000 beneficiaries in six provinces, with increasing emphasis in the Amazonian provinces of Napo and Orellana. Specialized technical advisory services and training will build community capacity for the sustainable operation, maintenance, and management of these systems. At least ten local governments will be assisted in participatory planning, financial management, and transparent contracting in public services. USAID will expand community organization strengthening activities by building the capacity of local indigenous, Afro-Ecuadorian groups, and other community based organizations. The prime grantee is International Organization for Migration (IOM), and the subcontractor is CARE.

Productive Infrastructure and Licit Productive Activities (\$6,630,000 ACI). To promote licit income and employment opportunities, USAID will fund the construction of roads, bridges, and irrigation canals; technical support, training, and grants for agricultural crops; and land titling for individual farm families and indigenous communal titling. An estimated 20 new bridges, at least two small irrigation systems, and at least two rural road improvements will be completed. New product clusters (e.g. fruit pulp, fine woods, cassava, and plantain) will create permanent employment for an additional 2,000 families. The prime grantee and contractor are International Organization for Migration and Associates in Rural Development, Inc.

Communications and Public Diplomacy (\$500,000 ACI). USAID will support a media and communications strategy to underpin the other elements of the program and educate the Ecuadorian public about the potential coca/cocaine threat, and build awareness about the efforts by the U.S. Government and the Northern Development Unit to address the multiple spillover effects from Colombia. Prime contractor and grantee are Futures Group and State's Public Affairs Section.

**FY 2006 Program:** Develop and Expand Alternative Development (\$11,540,000 ACI). The amounts listed below include administrative expenses associated with managing the alternative development program. The program will be implemented through the following subcomponents:

Social Infrastructure and Local Governance Improvement (\$4,340,000 ACI). USAID will continue to assist the construction and rehabilitation of water and sanitation systems in six provinces aimed at

demonstrating to the population that their government works and provides useful services. Some 16 water systems and 10 new sanitation systems will be built. Local democratic government and civil society participation strengthening activities will be expanded to cover an additional eight local governments. During FY 2006, there will be continued technical and financial assistance and training to solidify the planning, budgeting, oversight and participation activities initiated in ten local governments in 2005. USAID will also expand its technical support for municipal water system operation and maintenance to an eleventh municipality. Prime grantee and subcontractor are the same as above.

Productive Infrastructure and Licit Productive Activities (\$7,000,000 ACI). To continue promoting licit income and employment opportunities USAID will fund productive infrastructure that will include another 15 to 20 bridges, small irrigation systems, and farm to market roads. USAID will also consolidate licit jobs and income activities of the selected crop, wood, and other agro-forestry sectors, and set up supply-demand contracts between producers and buyers, the organization of agri-business enterprises, the development of appropriate business skills, and sustainable development. An additional 3,000 families will benefit. Prime grantee and contractor area the same as above.

Communications and Public Diplomacy (\$200,000 ACI). Expanded support for the public awareness and communications activities initiated in FY 2005 is proposed, as a national effort to multiply the efforts of successful campaign techniques and methods. Opinion surveys to guide message development and evaluate program impact on attitudes and beliefs regarding narcotics-related violence, security, and development will continue. Prime grantee and contractor are the same as above.

**Performance and Results:** The Government of Ecuador partners with the U.S. Government's and other partners' assistance continues to successfully contain the expansion of coca in Ecuador. Official estimates report that only minor fields of less than five hectares were discovered and eradicated; however, studies show increasing impact of sales of precursor chemicals and drug transshipments, which will require continued long-term U.S. Government assistance to combat, through both development and security assistance. Social and productive infrastructure construction resulted in the construction and rehabilitation of 13 water systems, seven sanitation systems, and 17 bridges, across all six northern border provinces. A Regional Inspector General audit of the program was very positive, and found all infrastructure projects sustainable. The licit income and employment activities began in FY 2004 under the cocoa, coffee, and horticultural sectors. Through these activities the program was able to create nearly 300 new jobs and reach an average annual gross income per family of \$428.

By FY 2007, the spread of the coca/cocaine economy into Ecuador will be contained, and the lives of thousands of people along the northern border will have improved as a result of USAID's assistance. More than 120 potable water systems, 40 sanitation systems, and around 90 bridges will be constructed and or repaired. Also more than 12,000 families will be incorporated into the licit jobs and income program.

## US Financing in Thousands of Dollars

Ecuador

518-013 Northern Border Development	ACI	Plan Colombia
<b>Through September 30, 2003</b>		
Obligations	25,896	8,000
Expenditures	8,316	8,000
Unliquidated	17,580	0
<b>Fiscal Year 2004</b>		
Obligations	14,912	0
Expenditures	12,591	0
<b>Through September 30, 2004</b>		
Obligations	40,808	8,000
Expenditures	20,907	8,000
Unliquidated	19,901	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	14,880	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	14,880	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	11,540	0
Future Obligations	2,772	0
Est. Total Cost	70,000	8,000



## Data Sheet

<b>USAID Mission:</b>	Ecuador
<b>Program Title:</b>	Economic Opportunities
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	518-014
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,980,000 DA; \$4,646,000 ESF
<b>Prior Year Unobligated:</b>	\$616,000 DCA
<b>Proposed FY 2006 Obligation:</b>	\$2,485,000 DA; \$2,400,000 ESF
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** The program is targeted at reducing both rural and urban poverty through a two-pronged approach. The first intervention aims to help improve tax policy and administration, promote sound budget management and transparency of accounts, and facilitate global trade (especially a free trade agreement, or FTA, with the United States), investment, and competitiveness. The second intervention aims to develop a strong and sustainable microfinance sector in Ecuador, increasing access to financial services by urban and rural microentrepreneurs. Activities focus on institutional strengthening of microfinance service providers and the creation of a facilitative regulatory and supervisory framework with adequate prudential norms and supervision to protect the financial sector, including deposits.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Improve Economic Policy and Governance (\$1,430,000 ESF). Institutional strengthening and capacity building of Ecuador's Internal Revenue Service will continue, with a particular focus on controlling tax evasion by the largest businesses and largest contributors, and the respective supervision and audit capabilities. An ethics training program will also be undertaken. If political will is firmly demonstrated, USAID will provide assistance to the Ecuadorian Customs Corporation to solidify a tamper-proof, automated customs processing and information system, a reform which is key to a FTA. Technical assistance to the Ministry of Economy and Finance, the leading economic entity, will improve its processes and personnel and information systems and facilitate rightsizing. The prime contractor is Development Alternatives, Inc. (DAI).

Increase Participation in Global Trade and Investment (\$2,000,000 ESF). In preparation for a FTA, USAID will fund technical assistance to help adapt Ecuador's laws and institutions to and train government officials in the new rules of free trade. Outreach activities, negotiation games, and workshops will continue to inform Ecuadorians about the benefits and opportunities of having more open borders. The prime contractor is DAI.

Increase Private Sector Growth (\$924,000 ESF). USAID will support the establishment of a market intelligence system that will broker deals between buyers and producers, identifying new market outlets to bypass the traditional middlemen. The prime contractor is DAI.

Strengthen Financial Sector's Contribution to Economic Growth (\$1,980,000 DA, 292,000 ESF, and \$616,000 DCA carryover). Activities include the development of new financial products for microentrepreneurs; technical assistance to the 2nd largest bank for a full-scale microfinance program; and institutional strengthening to credit unions to qualify for formal supervision by the Superintendency of Banks (SBSE). Assistance for share branching will continue to expand the network of cooperatives performing financial transactions for any member of the network, including extension of the share branching system to the United States for one credit union. Support to the SBSE will continue to modernize regulatory norms, support private sector credit bureaus, upgrade insurance norms, and implement a risk-based supervision system as required by the Basel Accords. DCA prior year funding will be used to guarantee 50% of the loan principal of a commercial loan. Funds will expand access by small and medium exporters to financial services, especially new and existing exporters who are expanding their market share. The funds will finance plant modernization and provide security for additional funding

sources to complement overseas financial backing and promissory notes from importers. The prime contractor is DAI and prime grantee the World Council of Credit Unions.

**FY 2006 Program:** Improve Economic Policy and Governance (\$800,000 ESF). USAID plans to focus on consolidating the audit and administrative capacities of Ecuador's Internal Revenue Service, as well as the Ministry of Economy and Finance restructuring program. USAID will oversee implementation of the reforms and support the GOE in any needed adjustments. Contractors and grantees to be determined.

Increase Participation in Global Trade and Investment (\$1,500,000 ESF). USAID assistance will help move forward reforms required as conditions for the FTA and help Ecuador engage more successfully in trade-related activities. USAID plans to continue outreach activities for different audiences to promote greater broad-based support as the FTA begins to take effect. Contractors and grantees to be determined.

Increase Private Sector Growth (\$800,000 DA). USAID will support competitiveness at various production stages for selected product sectors. Successful outcomes on selected activities will depend on efforts to reform leadership and on the progress of trade agreement negotiations. The contractor will remain the same.

Strengthen Financial Sector's Contribution to Economic Growth (\$1,685,000 DA, \$100,000 ESF). Activities to support the SBSE include: a Credit Bureau law to provide stability to the private credit bureaus; new regulatory norms for the insurance sector; new norms for the rating agencies; the adoption of a new financial law to protect insolvencies and creditors' rights and remedies; and a bankruptcy law to permit reorganization of corporations, partnerships, and individuals with large debts to find ways to catch up on past due payments. Assistance will be provided to develop new financial products to support export-oriented and small businesses. Financial products to capture remittances will be developed to support economic growth activities. The prime contractor and grantee will remain the same.

**Performance and Results:** Positive macroeconomic results obtained to date depended upon the government's will for change. Assistance to Ecuador's Internal Revenue Service is bearing fruit, particularly in the area of controlling tax evasion through transfer pricing. Tax revenue collections annualized for 2004 represent 16.8% of the gross domestic product, exceeding the planned target of 14.5%. Support to prepare the country for FTA negotiations has been successful, evidenced by the satisfaction expressed by Government authorities as well as private sector officials.

During FY 2004, USAID signed two loan guarantee agreements to leverage \$12.4 million to expand the microfinance programs of two institutions. As a result of USAID support for a credit bureau system, there are six private credit bureaus operating in Ecuador. Assistance was also provided to develop updated "Risk Norms" that identify market, credit, operational, and performance risk. An initial assessment of the insurance sector has been conducted to review and update the regulatory norms, develop manuals, and train supervisors. The microfinance network included five additional partners for a total of 22 institutions. By September 2004, the number of credit clients had increased by 30% to nearly 260,000 in just nine months. The number of saving clients also increased 22% to more than 388,000. Portfolios with late payments more than 30 days remained at a low 3.9%, while the overall average for the microfinance industry in Ecuador is 6.1%.

By program completion, at least 30% of the microenterprises in Ecuador will have access to financial services, the SBSE will implement systems required by the Basel Accords (an initiative to align capital with risk faced by banks). GOE institutions will have implemented modern administrations systems and procedures, and the FTA requirements will be met.

## US Financing in Thousands of Dollars

Ecuador

518-014 Economic Opportunities	DA	DCA	ESF
<b>Through September 30, 2003</b>			
Obligations	4,692	0	12,575
Expenditures	2,679	0	3,364
Unliquidated	2,013	0	9,211
<b>Fiscal Year 2004</b>			
Obligations	530	884	3,050
Expenditures	306	0	5,545
<b>Through September 30, 2004</b>			
Obligations	5,222	884	15,625
Expenditures	2,985	0	8,909
Unliquidated	2,237	884	6,716
<b>Prior Year Unobligated Funds</b>			
Obligations	0	616	0
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	1,980	0	4,646
<b>Total Planned Fiscal Year 2005</b>			
Obligations	1,980	616	4,646
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	2,485	0	2,400
Future Obligations	0	0	0
Est. Total Cost	9,687	1,500	22,671