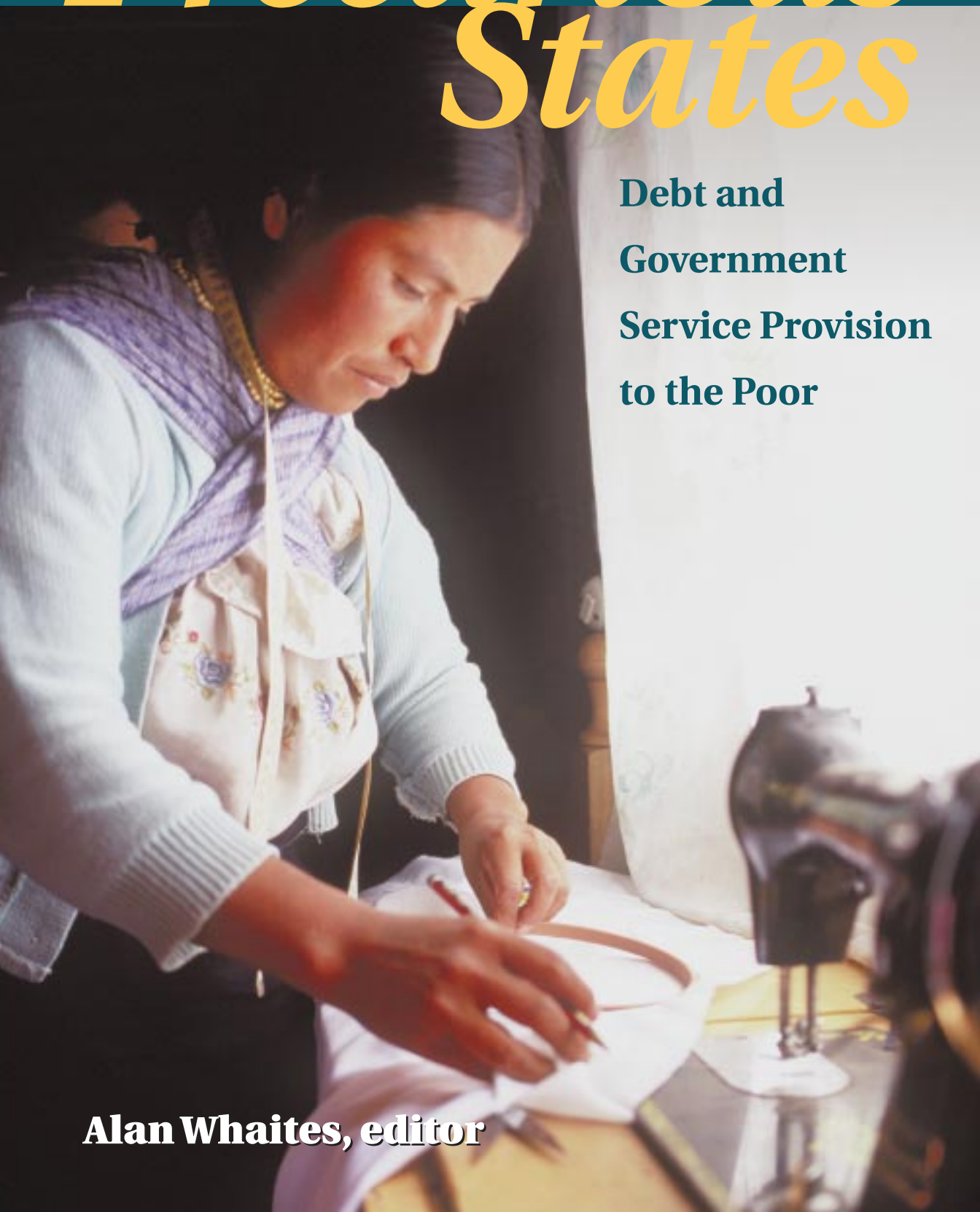


Precarious States

**Debt and
Government
Service Provision
to the Poor**

Alan Whaites, editor



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*Debt and Government Service Provision
to the Poor*

Edited by

Alan Whaites



The following is a translation of a case study commissioned by World Vision Ecuador to assess the impact on local development activities of external debt.

The case study attempts to portray accurately real impacts on communities and is therefore based on assessments offered by community members themselves. Numbers do not always agree with World Bank figures or government assessments. The data and programme descriptions used in the case are raw and this adds to the overall interest of the piece.

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Introduction

Alan Whaites

The pages of this report tell striking stories of the consequences of debt. Stories about real communities who benefited from programmes designed to aid their fight against poverty. Communities who were left to watch as these initiatives slowly withered and died. For World Vision the publication of *Precarious States* is the latest in a series of reports addressing the issue of World Bank/IMF macroeconomic conditionality and its impact on the poor.¹ Reports that we believe have been complemented by publications dealing with the erosion of state capabilities in many low-HDI countries.²

Precarious States now brings together these powerful themes by looking at the impact on families of the cause-effect relationship between conditionality derived economic policies and the fragile position of the state. It focuses on service-provision, those areas of direct support the poor receive from the state. Service-provision includes the key areas of education, health and basic infrastructure, but also involves numerous small scale local programmes intended to generate income, help farmers and support marginalised social groups. In Ecuador these programmes varied enormously across the three community areas studied.

The use of a case study from Ecuador is intended to help move the debate on debt, conditionality and state capacity away from an isolated focus on Africa. The evidence suggests that wherever debt cripples national budgets it not only entrenches poverty, but also robs the poor of access to the services, and the accountable state, that they desire. The evidence from Ecuador underlines the conclusions of studies such as *voices of the poor*.³ Put simply it shows that the poor realise they have been significantly and negatively impacted by the dynamics of conditionality on the state. The opportunity cost of fiscal reform has been felt not just in terms of local services not provided, but also and, perhaps, mainly, in the declining quality of the provision that remains.

In many poor countries, debt payments exceed the combined funding of health and education programmes. In 1999 one study on the global condition

of children suggested that advances made over the last 20 years could be “eradicated” by the “catastrophic” impact of debt.⁴ As has been the case in Ecuador often the negative effect of debt on health has been a consequence of the need to cut or reduce social programmes to pay servicing costs. Estimates suggest that 3 million child deaths could be prevented in seven poor countries over seven years if debt payments were redirected toward human needs.⁵

The original basis of the loans made to countries such as Ecuador vary greatly. Some were intended to support Third World economies facing increased oil prices while the prices of their major exports were falling (Ecuador is an oil exporter). Other countries, with healthier economies, were still encouraged to borrow and take advantage of the cheap finance available in a system awash with petro-dollars. For most developing countries dependence on a small number of agricultural or mining exports means economic vulnerability in the face of fluctuating world-wide demand for basic commodities. In recent decades the effect of price decreases have been devastating.

Precarious States illustrates the chain effect of the resulting debt as it deprives resources to national governments and in turn to local health clinics and schools. The consequences for local communities and ordinary families are severe. Tanzania is an interesting case in point. By the end of the 1990s Tanzania had suffered a prolonged period of constrained development due to the burden of debt. In 1997 debt service falling due amounted to US\$275 million, about 35 percent of export earnings. By the end of the 1990s debt servicing accounted for over 40 percent of government revenues, with serious negative implications for service provision to the poor.

In April 2000 the World Bank’s IDA arm committed US\$1.2 billion to debt relief for Tanzania “over time,” by some estimates this will lead to a fall in debt servicing of 70 percent. Overall, World Bank calculations suggest, that HIPC debt relief for the country will cut servicing by a half in the period 2001-2003 and a third thereafter.⁶ It is important to be clear, however, that the benefit of this action is based on reducing “over time” the drain of Tanzania’s own precious development resources from the country. The limited and late debt relief being put in place by HIPC does not guarantee the new development funding necessary to achieve long term development goals, nor does it guarantee the rebuilding of lost state capabilities and services.

The damage done to states such as Tanzania by debt cannot be corrected simply through debt relief or new “social” conditionality. Government services take time to rebuild and the problems caused by the loss of skilled staff and established services are often acute. In the case of Tanzania a recent report from World Vision captured the situation on the eve of HIPC debt relief:

To make matters worse, privatisation requires cost-sharing for most basic services. Free secondary school education was abolished starting in the early 1990s. This contributes quite significantly to the low enrolment that we have currently in Tanzania. Furthermore, like many other services, school monitoring by District and Regional Educational authorities has been greatly hampered by the recurrent budget constraints.

In the health sector, the Central Government cannot provide enough budget for immunisation, equipment, essential drug kits as well as extension services. In some project areas, drug kits from the government last only four days a month. Many times, NGOs like World Vision have found it necessary to fill some of the gaps in drug and service extension.

In a number of districts, the government is able to supply immunisation vaccines to District Hospitals. District Administrations have found themselves unable to transport the vaccines to lower levels (i.e. Division, Ward and Village levels). Communities are also urged to contribute to the cost of kerosene necessary for running refrigerators used to preserve the vaccines.⁷

As a result of its impact on government budgets the long term damage caused by debt is particularly pronounced in relation to opportunity costs for the provision of health and education services. The Uganda Debt Network has provided an example in relation to health. The network calculated what could be achieved if debt were cancelled and suggested that it might, for example, prevent the deaths of over 15,000 women in childbirth.⁸

For those countries that are still waiting to reach their HIPC decision point⁹ the burden of debt continues to create long-term problems of eroded services and lost opportunities. The human development initiatives that have been foregone so that debt payments could be made has led UNICEF to state:

Debt remains a crisis, particularly for the most severely indebted countries—and for many of their people who struggle every day to feed their families, pay for critical medical treatment or send their children to school. It is a crisis whose other face is disease, illiteracy and early death. Until the world realises that we are globalised and dependent on the well-being of poorer nations, the struggle for resource reallocation will remain an uphill one.¹⁰

The recurrent theme in all discussion of the impact of debt on human development is that human capital formation is worst affected. In essence countries lose the ability to develop their own people towards economic productivity and self-fulfilment. The reason for the problem is simple: the services crucial to human development are invariably provided by the state

and yet as the examples of Tanzania and Ecuador show, it is the state that crumbles first under the burden of debt.

For the World Bank and IMF the curtailing of the state was intended to facilitate macroeconomic stability and move resources from unproductive sectors to areas that could better spur economic growth. As so often in the past, the orthodoxy of the IMF's theory was mismatched when translated into the realities of the developing countries concerned. The drive to fiscal balance inevitably hit areas seeking to invest in human capital early, and hit hard. But, it also quickly led to the flight from the state of capable staff. Perhaps more worryingly policies such as privatisation fuelled corruption and eroded the ability of the state to balance social forces. Just as the Bank and Fund were urging the carve up of state resources among competing elites they were also pushing for the shrinking of the states' ability to regulate the ensuing *melée*.

Time has shown that the pieces of the developing country state were easier to take apart than to put back together. Ecuador's experience simply serves to underline that the problems of more widely studied contexts, such as Tanzania and Uganda, do not stand in isolation. Indeed, Ecuador makes clear that the issue of lost government services and the marginalisation of the poor are still very real and have become an acute concern for those working with the poor. In June 2000, Ecuadorian civil society groups travelled to Washington to protest a new US\$150 million Structural Adjustment loan. The protest pointed to the disenfranchisement of Ecuadorian society from the Bank's Country Assistance Strategy. Ultimately their plea was for renewed recognition of the ownership of the state and its people. The coalition stated that:

Taking into account the tremendous, negative impact of the foreign debt on the Ecuadorian economy, the World Bank's country office in Ecuador should dedicate greater efforts to working with the government, the parliament and citizens' groups in order to develop alternatives that seek a progressive and considerable reduction of the debt.¹¹

Debt and Government Service Provision: Throwing out the Baby

The roots of the problem of debt and the state lie primarily in the policies of the IMF. In the late 80 and early 90s development political science was awash with literature seriously debating the internal dynamics of state-society forces.¹² Based on solid research and analysis these publications ensured that those issues that would later be seen as central to the problem of governance were laid out for all to see. Oblivious to the available warnings

the Fund decided to march steadfastly towards privatisation, market provision and state marginalisation. Critics might suggest that the policy was premised solely on the optimism brought by the Fund's own naivety. This approach was possible because the Fund is institutionally bereft of serious social science capacity, or even specialists in political science. Remarkably for a body that seeks to shape the macro-policies of scores of developing states its thinking is based on theory rather than pragmatic political-economy.

In this instance the theory of the Fund flew in the face of experience. In successful developing countries the provision of services by government has been part of the process of achieving pro-poor growth. Ironically while the structural adjustment programmes imposed on Africa during the 1980s were gradually eating away at the capability of the state much attention was also focusing on the part played by governments in the success of the NICs. The Bank and the Fund were late to recognise the role of what has been termed "the developmental state" in Asia. It was not until the mid-1990s that the World Bank was willing to acknowledge that the state did have a part to play. Even so, that part was a grudgingly defined and peripheral one at best.¹³ Neo-liberals sought to point to extenuating circumstances for Asian states, including the relative autonomy of government from society. This view of Asia as free from clientelistic and patrimonial forces betrayed a weak grasp of the underlying cultural factors, rudely exposed by later business/state problems in S.Korea, Japan, Indonesia and Thailand.

The myth of extenuating circumstances has been accompanied by a suggestion that the success in human development of some Asian states is evidence that market-driven economic growth is inherently poverty alleviating. Islam and Chowdhury have done much to dispel the myth that the labour-intensive nature of export orientation alone was sufficient to foster social development.¹⁴ True, increased employment does hold the potential of enabling the poor to purchase key social development needs such as education and health care, but, more critical in NICs was the role of the state as a service-provider. Even in the most *laissez-faire* of the NICs considerable state intervention has taken place to promote education, health care and in several cases public low-cost housing.

Intentional government policy was the counterweight to the fact that growth does not necessarily create the access and opportunity for social development. At an IMF sponsored conference in June 1998, Amartya Sen reminded the audience that even possession of incomes on the part of the poor does not create adequate conditions. Some guarantee must exist that the necessary services are available and to the standard and degree of consistency necessary for the promotion of growth. Decent health care and education can not be left to the chance of the market.¹⁵

This role of the state as a provider of poverty reducing measures has reinforced the often noted tendency of NICs to exhibit relatively good patterns of income distribution (I make the assumption that more equal distribution is at least morally good). Although the income distribution picture has changed as these economies have matured, the initial role of distribution has usually been seen as an important factor both in achieving progress in human development and accelerated economic growth.¹⁶

The state, through service-provision, therefore played a crucial role in the success of the NICs, despite problems of corruption, occasional political crisis, periods of fiscal deficit and tendencies towards industrial planning. Actions by the state (and in some cases old colonial powers) also created beneficial patterns of income distribution. The state invested in education and health. It was the state that pursued growth promoting policies (low inflation, monetary stability, and the promotion of domestic savings) and encouraged export based industries to grow.

There is no guarantee that in the 1980s and 1990s other developing country governments would have been as effective if unhampered by the burden of debt. A sound policy framework is essential if pro-poor growth is to take place and, in many states (including Ecuador), mistakes were made. What is clear is that debt had opportunity costs in terms of what could have been achieved in contexts where states did opt to follow a pro-poor approach. Equally it is true that factors other than debt may still have derailed progress. In Ecuador the debt issue was seriously compounded by lower prices for oil, bananas and shrimps. The border war with Peru also had economic impacts and the country has suffered from high levels of capital flight. Debt has, however, continually set parameters around the means to address wider economic issues and crisis.

Governments, Service Provision and Globalisation

The erosion of the state's ability to act as a service-provider in many parts of the developing world therefore stands as one of the greatest development disasters of recent years. In their defence the IMF and World Bank have queried the extent to which these dynamics can be ascribed to the conditionality they have imposed. The Bank and Fund point to the haphazard respect shown to many conditionality programmes as evidence that their role is overstated, Ecuador, for example, in a 20 year period has only completed two out of seven IMF programmes. In fact the stop-start nature of Structural Adjustment often reflected the failure to contextualise the programmes within the realities of the states concerned. Political unrest at the ending of subsidies or elite conflict due to shrinking state budgets

derailed adjustment programmes, and led to breaches of conditionality. Equally, however, this instability and conflict only served to further diminish the service-provider role of the state.

Sam Jones has described the process through which conditionality gradually weakened the resources and capabilities of the state in all areas, including service provision to the poor.¹⁷ His wide-ranging paper has charted the often invidious and unintended problems that conditionality brought to poor country governments. Some political scientists have seen the loss of services and resources suffered for the poor as only part of a wider crisis. Several have suggested that the dynamics of erosion lie at the heart of trends weakening the very integrity of the polities involved. Bayart and others have suggested that it has helped to criminalise the African State.¹⁸ While writers from the Weberian school have viewed the overall Western approach as leading to nothing less than the debilitation of the developing state.¹⁹

In mitigation some have suggested that forces such as globalisation have made the role of the IMF and World Bank in the erosion of the developing state, marginal or tangential at most. Globalisation is often portrayed as inexorably reducing the role of all states. In reality even those changes we associate with the globalising trend have important conditionality elements, creating cycles of weak states pressured to take actions that only serve to weaken their resource base further.

The experience of countries such as Ecuador show that globalisation in the south has not been the primary agent eroding the state, but has served rather as a smoke screen for a longer term process already under way. Indeed for the states of the south globalisation is a very different beast to the process under way in the rich OECD north. The technological/communications change and trade/financial liberalisation that lie at the heart of the socioeconomic forces we term globalisation are market driven in the north but often conditionality pushed in the south.

For rich elites in developing states changes in technology, communications and trade do have a very real impact, shown at its superficial level by the sprouting of television satellite receivers in many Third World cities. The impact of conditionality-driven trade and financial liberalisation has, however, been fundamentally more important to the long-term interests of the poor. Brett Parris has highlighted the inability of poorly resourced southern states to take advantage of the Trade Rules to which they have been pressured to ascribe. Parris shows, in particular, the complexity involved in making a system such as the WTO respond to inequalities in trade relations between richer and poorer states. The net result is that poor states are forced to open their markets to their more powerful donors and creditors while northern markets remain closed.²⁰

Ecuador's experience in trying to gain access to EU markets for its bananas is a telling example of the struggles faced by developing states in seeking to use international systems to good effect. Unequal relations entrench economic vulnerability for the poor who must absorb the human impact of stagnation or decline. In 1999 real GDP in Ecuador fell by 9 percent, the official unemployment rate rose to 17 percent and inflation by February 2000 was touching 90 percent. For poor families unemployment and high prices translate into increased risk of malnutrition, disease and exploitation. Concerns over economic insecurity have led the World Bank to call on Latin American governments to strengthen their social protection programmes.²¹

Ironically this call makes heavy assumptions regarding the capacities of the states concerned to implement change. A ray of hope has been offered by the World Bank and IMF, at least for those states due to benefit from the HIPC2 process (Ecuador is not a HIPC country). The social conditionality attached to HIPC2 debt relief has introduced a new requirement for each state to draft a Poverty Reduction Strategy Paper (PRSP). This PRSP will at least be notionally locally owned. It is intended that national governments will lead the process of preparing a PRSP and that the additional capacity needed by the state to implement the strategies involved will be seriously reviewed.

PRSPs, Service Provision and Government Ownership

It is important both to welcome the overall aims of PRSPs and also remain conscious that ultimately they are a part of the conditionality process.²² The stated aim of national ownership and the development of PRSPs by states themselves is balanced by the "close collaboration"²³ that the Bank and Fund will provide. The reality of the Bank/Fund's guiding hand is equally clear in the decision taking process involved, approval for the PRS Papers will come from Washington D.C. The PRSP literature makes clear that receiving this approval will be easier for those states that give due regard to past points of economic conditionality.

PRSP are not meant to indicate any softening in the dominant neo-liberal ideology. The approach as currently defined, particularly in relation to the IMF's new Poverty Reduction and Growth Facility, embraces a thoroughly traditional economic formula for growth. Sadly that formula is only weakly linked to the need for service-provision and growth with equity. The continued emphasis on: "generating higher savings, reducing inflation, accelerating key structural reforms,"²⁴ suggests that poverty reduction policy will be derived within the constraints of a fixed set of macroeconomic parameters. It further suggests that budgets, no matter how iterative, will be constrained within inflexible boundaries.²⁵

Sadly, although the PRSP process seems to genuinely want to offer the state a new opportunity for ownership of economic policy it falls short of a fundamental change. The IMF fails to take the opportunity to assert that poverty reduction itself must be made *the* central objective of macroeconomic policy.²⁶ The PRSP Sourcebook, a guide for implementing the new strategy, also follows a traditional, ideological approach.²⁷ Notably the Sourcebook chapter on Public Spending is the least convincing of all with regard to participation and stresses restraint over redistribution.

At best the PRSP initiative signals an increased awareness on the part of the World Bank and IMF of the crisis that exists in the service-provision capability of developing states. The new processes, however, do not represent a commitment to fundamentally rebuild service-provision capability in the south. PRSPs may create more effective strategies for poverty reduction, but their focus is still on the immediate needs of external donors/lenders (in this case for social conditionality post-Jubilee2000) rather than long-term state resources. As a means to reduce poverty the new approach may, therefore, miss one of the most basic aspects of poverty. The inability of the poor to be served by the state or to hold that state accountable for the provision it provides.

Political Poverty

Building the capacity of the state as a service provider is integral to poverty alleviation. It is also integral to the overcoming of political poverty, the disempowerment of the poor. The dangers of state erosion fall into both political and development categories. At the political level there are serious questions of accountability. The decline of the state as a service-provider in education, health and income-generation activities has helped to reduce the presence of government functions within communities. The study in Ecuador illustrates the ways in which local families have seen state funded programmes disengage from their immediate area. This retreat of the tentacles of government diminishes both the direct experience of citizens of their government's efficiency and also their level of vested interest in the performance of the state.

The reduction of the capability of the state as a service provider therefore serves to remove an important impetus to democratic participation on the part of the poor. This is not to say that the presence of government services necessarily means that accountability will follow. Sadly the presence of the state and creation of participatory systems for governmental accountability is no guarantee that the voice of the poor will be heard. Nevertheless the separation of government from its people is not conducive either to overcoming any existing disenfranchisement of the poor or to strengthening a participatory system.

For the poor the issue of accountability is not just an academic exercise or a question of human and political rights. Accountability is a critical factor in economic development and a key determinant of the overall situation of poor communities. Accountability offers at least some hope to communities that they will be able to improve the wider conditions that shape and mould their own efforts at local development. The ability of citizens to choose governments and to remove the incompetent from office is important. This “democracy enhances efficiency” argument was adopted in the early 1990s by the World Bank as well as western donors.²⁸ By 1995 this view had become an orthodoxy with James H Michel, then of the OECD-DAC, stating:

Both long term evidence and the growing commitment of citizens in all parts of the world support the existence of a positive correlation between the quality of political and civil rights in a society and economic and social well-being. The capacity of any country to formulate, implement and sustain sound policies over time is enhanced by that country’s capacity for good governance and the ability of its citizens to participate in the processes and decisions that affect them.²⁹

Some may view the platitudes with scepticism but, the role of government as a service-provider is inevitably the root through which most citizens experience their state. Addressing political poverty therefore means working to provide the poor with the state and the services they want, something that the World Bank’s *voices of the poor* only reinforced.³⁰ Addressing the decline of service provision has become an essential challenge in nurturing a conducive and democratic environment for popular political action.

Government vs. Private Provision

One constituency that has special cause for concern at the decline of the state as a service-provider to the poor are NGOs. The loss of state provision can place an unrealistic burden of expectation and pressure on development agencies, but more seriously it can also lead to the fragmentation of development assistance within the areas concerned. Sectors such as education and health care benefit from some form of unified approach (common curriculums, a workable referral system for the sick etc). The role of NGOs has traditionally been to work around state services to enable the poor to gain maximum benefit and to model new and innovative approaches. The retreat of state-provision has, however, left NGOs facing a scale and comprehensive degree of need for which they are ill-equipped.

.....

If we accept that it is desirable for the state to have some degree of effectiveness at the local level then we must be aware of the real issues surrounding the replacement of state provision by NGO activities within communities. Christy Cannon and Mark Robinson³¹ provide a useful overview of the reasons why NGOs should beware the long term consequences of gap filling. NGOs have felt forced to replace those services they can in order to ensure continuity of provision to the poor—in the process inadvertently making it easier for conditionality that shrinks the state. SAPs have tended to emphasise the drastic reduction of fiscal deficits, in situations where tax receipts are traditionally low. The resulting cuts in health and education spending led to both the evils of user charges and strong encouragement to NGOs to replace the state in basic provisions, typified by the PAMSCAD style safety-net programmes of the World Bank.³²

Of course there will still be those who think that keeping the state out of development appropriate. Such ideas are not restricted to neo-liberals, there have been many who would agree with James Midgley's comment that "since the least organised and marginalised section of society have little opportunity to influence government, their interests are not likely to be served by state involvement in community participation. Non-governmental organisations are not only more likely to serve the interests of the poor but they are capable of initiating schemes that increase the organisational power and consequently the political pressures that can be exerted by poor people."³³

Such views reflect the reality that development actors are caught in the paradox of seeing the state as part saviour, a vehicle for social change and equality, and part villain, an intrusive monolith with a propensity to lose sight of the real common good in pursuit of its own bureaucratic agenda. However, on whichever side in this dilemma an observer ultimately stands there is no escape from the need for some form of effective governmental structure. An underlying relationship exists between the effectiveness of state functions and both political stability and the viability of sustainable democracy. Although other institutions (including civil society) may be able to imitate the state as a vehicle for local development and change they are rarely in a position to arbitrate between competing social groups or to administer a process of popular choice in the selection of government.

Governments and the Poor

Migdal's typification of the weak state³⁴ can be criticised, but in essence his account of the vulnerability of the weak state, being held ransom by powerful social groups is borne out by past experience in a number of countries

including: Nigeria, Brazil, The Philippines and Pakistan. Just as de Tocqueville saw civil society as a buffer against the state the logical extension of his theory is that the state must be capable of performing the more Hegelian role as a safeguard against competing social groups. For political scientists the classically weak state, unable to perform this refereeing function, has often been seen as an especially African phenomena, giving rise to Donal B. Cruise O'Brien's famous quote, "Between the ambitions of the elite and the survival stratagems of the masses, the state often appears to survive essentially as a show, a political drama with an audience more or less willing to suspend its disbelief."³⁵ Sadly the impact of debt and conditionality has made this an increasingly global phenomena.

The show of state leaves vacuums of power that elite groups are usually more than happy to fill. The weak state therefore brings the potential for a series of scenarios that have placed substantial new obstacles in the way of development. Claude Aké has provided a salutary outline of the impact on development of the weak and suborned state.³⁶ The result has too often been a competition for domination and control devoid of democratic niceties, a phenomena which has given rise to many of the classics of development politics such as Huntington, Clapham and Kohli.³⁷ For those worst affected the results are not just the loss of services from the state, but the steady slide towards the manipulation of primordial identities and conflict.

Conclusions

The conclusion to the study of the impact of debt on service provision in Ecuador points to the need for a new approach to investment in the human capital of the poor. Programmes designed to enable the poor to generate income, overcome disease or reach their full potential can not function without stability of resources and a commitment to the long-term. Equally the quality of those services will deteriorate if the agencies involved are unable to develop their own capacity and adapt to the lessons of failure and success. The poor want effective services from the state and are conscious of the consequence of their loss.

The experience of communities in Ecuador is, however, a pointer to a more profound global problem of development. The Structural Adjustment Programmes of recent decades have intentionally impacted service provision capabilities in the south. The weakening of the ability of the state to perform key functions for the poor has flown in the face of experience in more successful states and has created opportunity costs from the lost benefits of a healthier, more educated population. For the poor the loss of state

services has also entrenched the political poverty they already face, weakening accountability and contact with the state. At worst it has also fuelled corruption and eroded the stability of the polity itself.

For the World Bank and IMF the new initiative of PRSPs may represent a limited recognition that a new approach is needed with respect to the developmental role of government's in the south. The transition in their policy, however, must go beyond the limited ownership that PRSPs are intended to confer. The capacity of the state in service-provision must become an objective in itself for lenders and donors alike, coupled to renewed commitment to encouraging genuine accountability to the poor. Creating the context for pro-poor growth will mean enabling the state to again facilitate the process of human capital formation and economic policy making.

Notes

¹ See *NGOs and the World Bank: Critical Engagement*, discussion paper no. 3 (Milton Keynes: World Vision UK, 1996); *African Voices on Advocacy*, discussion paper no. 4 (Milton Keynes: World Vision UK, 1997); Alan Whaites and Don Brandt, *Urgent Issues for the Children of the New Millennium* (Monrovia, Calif.: World Vision, 1999); Warren Nyamugasira and Bill Walker, *The Poor Can't Wait: Poverty and Debt Relief*, Working Paper no. 1 (Monrovia, Calif.: World Vision, 1999).

² See Sam Jones, *Stolen Sovereignty: Globalisation and the Disempowerment of Africa* (Milton Keynes: World Vision UK, 1997).

³ *Voices of the Poor* is a three-part study published by the World Bank. See especially Deepa Narayan et al., vol. 2, *Crying out for Change* (New York: Oxford University Press, published for the World Bank, 2000), chaps. 9 and 10. Available online at www.worldbank.org/poverty/voices/reports.htm.

⁴ UNICEF, *Progress of Nations 1999* (available at www.unicef.org/pon99/); see also, "Africa Facing AIDS Plague," *The Financial Times*, 23 July 1999.

⁵ Oxfam, *Education Now* (Oxford, UK: Oxfam, 1998).

⁶ Figures taken from correspondence by the World Bank to World Vision, 8 August 2000.

⁷ *Ibid.*

⁸ *Jubilee Justice*, *Voices*, World Vision Canada 1999, and Uganda Debt Network, *Jubilee 2000 Uganda Brief*, no. 1 (Kampala 1998).

⁹ Only nine have done so at the time of writing.

¹⁰ UNICEF, *State of the World's Children 1999*, 84 (also available at www.unicef.org/sowc99/).

¹¹ The Ecuadorian delegation was made up of representatives of the Ecuadorian Central of Free Trade Unions (CEOLS), the Center for Economic and Social Rights (CDES), and the Structural Adjustment Participatory Review International Network (SAPRIN). The quotation is from a press release, Quito, 26 June 2000.

¹² See Joel Migdal, *Strong Societies and Weak States: State Society Relations and State Capabilities in the Third World* (Princeton, N.J.: Princeton University Press, 1988); Jean-Francois Bayart, *The State in Africa* (London: Longman, 1993); James Manor et al., *Rethinking Third World Politics* (London: Longman, 1991).

¹³ See World Bank, *World Development Report 1997* (New York: Oxford University Press, published for the World Bank, 1997) (summary available at www.worldbank.org/html/extpb/wdr97/english/wdr97eng.pdf).

¹⁴ Iyanatul Islam and Anis Chowdhury, *Asia-Pacific Economies: A Survey* (London: Routledge, 1998), 120.

¹⁵ Amartya Sen, "Economic Policy and Equity: An Overview," in *Economic Policy and Equity*, ed. Vito Tanzi et al. (Washington, D.C.: IMF, 1999), 30.

¹⁶ For an overview of the relationship between equity and growth, see *The East Asian Miracle: Economic Growth and Public Policy* (New York: The World Bank/OUP, 1993), chap. I, esp. 28–30; Danny M. Leipziger and Vinod Thomas, *The Lessons of East Asia: An Overview of Country Experience* (Washington D.C.: World Bank, 1993); *Equity and Growth in Developing Countries: Old and New Perspectives on the Policy Issues*, Policy Research Working Paper 1563 (The World Bank, 1995); K. Griffin and A. Ickowitz, *The Distribution of Wealth and the Pace of Development* (UNDP, 1998); Klaus Deiniger and Lyn Squire, "New Ways of Looking at Old Issues: Inequality and Growth," *Journal of Development Economics* 57/2 (1998): 259–87; Dani Rodrik "Democracies Pay Higher Wages," *Quarterly Journal of Economics* 114/3 (August 1999): 707–38; Branko Milanovic, "True World Income Distribution, 1988 and 1993: First Calculation Based on Household Surveys Alone," World Bank Policy Research Working Paper 2244 (1999); Kwan Kim, "Income Distribution and Poverty: An Interregional Comparison," *World Development* 25/11 (November 1997), 1909–24.

¹⁷ Sam Jones, "Stolen Sovereignty: Globalisation and the Disempowerment of Africa" (Milton Keynes: World Vision UK, 1997).

¹⁸ Jean Francois Bayart, et al., *The Criminalisation of the State in Africa*, African Issues (Bloomington, Ind: Indiana University Press, 1999).

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Ecuador

Background

World Vision Ecuador commissioned this study as part of a series of documents related to the impact of the current economic situation on the poor. Originally prepared in Spanish, the paper has been adapted for use with an English-language audience.

World Vision believes civil society ought to seek insight into the ways in which macroeconomic conditions translate into effects on real communities and families. Development NGOs share a duty to communicate the realities they face daily as they work alongside the poor, and to base critiques of policy on real experience. It seemed critically important to World Vision, therefore, to study the true affects of foreign debt upon some of its project areas. This report looks at the impact of debt particularly in relation to public investments, influence on priorities for government expenses and the effect that presence or absence of these public investments has had on the well-being of people from those zones.

Work methodology

Analysis was based upon study of base line variables included in community evaluations conducted by World Vision and on social indicators from the Sistema Integrado de Indicadores Sociales del Ecuador (SIISE) and INFOPLAN. Information regarding social expenses processed by the Department of Social Development (SEDES) in 1999 was also used.

Calculation was also made on public investments, which are related to foreign debt. This information was found in the Ministry of Finance's database. Investment and outcome indicators were elaborated for the studied areas.

Field elaboration

The study planned to explore the communities' opinions regarding government programmes and investments in general, and the impact these produced in their lives. This information was compared to indicators found in the diagnosis conducted by World Vision, as well as in some studies conducted by SEDES related to evaluations of the current social-protection system in which ADY Projects participated. In this context, World Vision selected three communities from three Area Development Projects.

Pujilí	85 families
Maquipurashun	60 families
Cebadas	55 families

In each community, ADY Projects held workshops to obtain qualitative information related to the following variables regarding both government and non-government interventions:

- Education
- Health, sanitation
- Nutrition
- Public Services
- Infrastructure
- Agriculture
- Commerce
- Employment and Migration

People knowledgeable about the community's history over the last 10 years, current leaders, former leaders, female groups (representing at least 30 percent of women) and other community members participated in the workshops. Appendix I shows the guide used in the workshops.

Foreign debt and its relation to the current situation in studied zones

It is evident that one significant problem faced by the Ecuadorian government is a high level of internal and external debt. Nevertheless, to frame the subject, it is important to establish a theoretical foundation defining the problem and its consequences in a precise and accurate way.

Debt generally becomes a government problem when low income levels combine with overspending against that income. This is partly a product of

Figure 1
Debt analysis: example

CONCEPT	YEAR					
	1	2	3	4	5	6
1.- INCOME SOURCE	21	21	21	21	21	26
<i>1.1. Petroleum</i>	10	10	10	10	10	10
<i>1.2. Fuels</i>	5	5	5	5	5	10
<i>1.3. Taxes</i>	5	5	5	5	5	5
<i>1.4. Transfers</i>	1	1	1	1	1	1
2.- EXPENSES	30	31.2	32.55	34.2	36	38.1
<i>2.1. Wages</i>	10	10	10	10	10	10
<i>2.2. Services</i>	5	5	5	5	5	5
<i>2.3. Supplies</i>	5	5	5	5	5	5
<i>2.4. Investments</i>	10	10	10	10	10	10
<i>2.5. Interests</i>	0	1.2	2.55	4.2	6	8.1
= SURPLUS (+) o DEFICIT (-) [1-2]	-9	-10.2	-11.55	-13.2	-15	-12.1
=DEFICIT FUNDING OR SUPERAVIT						
APPLICATION [3 - 4]	9	10.2	11.55	13.2	15	12.1
3.- FUNDING*	9	10.2	11.55	14.2	17	14.1
3.1. Internal Credit	2	2	2	2	2	2
<i>3.1.1. National Banks</i>	1	1	1	1	1	1
<i>3.1.2. Government Bonuses</i>	1	1	1	1	1	1
3.2. External Credit	6	7	9	11	14	11
<i>3.2.1. Multilateral Organisations</i>	4	4	4	4	4	4
<i>3.2.2. Governments</i>	1	1	1	1	1	1
<i>3.2.3. Foreign Banks</i>	1	2	4	6	9	6
<i>3.3. Floating Debt</i>	1	1.2	0.55	1.2	1	1.1
4.- MORTGAGES	0	0	0	1	2	2
<i>4.1. Internal Debt</i>	0	0	0	1	1	1
<i>4.2. External Debt</i>	0	0	0	0	1	1
5. DEBT BALANCE UNTIL THE END OF THE PERIOD	9	18.2	28.55	41.2	55	66.1
<i>5.1. Internal Debt</i>	2	4	6	7	8	9
<i>5.2. External Debt</i>	6	13	22	33	46	56
<i>5.3. Floating Debt</i>	1	1.2	0.55	1.2	1	1.1

* Disbursements

Remarks: Interest Rates = 15%; No debt is assumed in year 0

the fact that when an explosive increase in debt occurs it is usually adding to a preexisting weight of debt.

A similar situation has occurred in Ecuador. The government has had high public expenses exceeding the amount of incoming funds. Therefore, internal and external debt has grown. This has increased the debt burden over the national budget, which has reached as much as 50 percent of total national income in 1999.

The payment burden

The first observation derived from the above information has to do with the real burden represented by internal and external debt in the national budget-fund assignment process. Loans cannot be considered as income (because they need to be paid back). Credit mortgages also cannot be considered as expenses. When payment capacity is exceeded and payments cannot be made when the payment period expires, new loans are solicited to comply with the payments that are pending.

A state may choose not to increase its debts, but this requires balancing income and expenses (including the payment of interests), which in turn requires new funding for paying back the main portion of the debt, i.e., the capital initially borrowed. This has happened throughout history. More recently Ecuador has experienced four such instances of renegotiation of foreign debt, starting in 1982. The first two occurred through acquisition of additional loans with the implementation of adjustment programmes aimed at increasing a surplus in fiscal accounts and in the payment balance—all of which has turned out to result in recession politics.

Two additional renegotiations occurred as a result of worry among creditors: the so-called Baker and Brady Plans. The first introduced a series of refund measures in addition to new adjustments. The second proposed drastic reductions, including adjustment processes, warranties and more strict payment conditions against the “new” debt.

How debt funds have been used

Although Ecuadorian laws establish that debt funds can only be used to fund investment activities, money entering public accounts have no specific purposes and are used to fund all payments made by the government without any further considerations. A high level of public expenses in

investment and general expenses generate a deficit covered by means of external and internal loans that increase the public debt.

Public debt acquisition has been aimed at strengthening the so-called modern nucleus of the economy in terms of territories and sectors. For instance, special importance has been placed on projects for construction and improvement of large infrastructure such as roads, electrical supply, potable water (in big cities especially) and irrigation and flood control, all of which have not generated a flow of resources to pay back the loans.

Although it is clear that debts have become the most serious problem conspiring against national development, it is also true that some Ecuadorians gained from the debt acquisition process undertaken by the government.

Quality of expenses

If contracted debts invested in public projects were aimed at supporting national development *and* took into consideration the importance of improving people's living conditions, production capacity and economic growth, then the dynamics of the economy would allow the state to recover investments and increase its payment capacity.

In the Ecuadorian case, public expenses could have been significantly more closely targeted to benefit the most deprived sectors. Instead, use of debt has created a situation that fosters deeper social differences and hinders development opportunities. In general, only 20 percent of contracted funds have been invested in projects aimed at improving social conditions.

From a historical point of view, analysis of the burden of debt upon the national budget clearly indicates that actions need to be taken to stop the debt from growing and to generate capacity to pay interest. A traditional neo-liberal argument is that this calls for dramatic increase in government income and severe cuts in expenditure. The most frequent measures taken to achieve this goal are to increase the price of goods supplied by the government (fuel, electricity and other basic services) and to reduce expenses.

Pragmatically, the main question is whether these measures allow for fair and equal costs and benefits, keeping in mind that the beneficiaries and the most favoured sectors of society have a responsibility toward those who are in need.

As previously mentioned, the impact of debt on the well-being of a specific group should be measured by taking into account all previous and current support the group has received from the government. Furthermore, impact can be more specifically measured through analysis of public expenses.

The following hypotheses can be elaborated after further analysis

- Poor rural sectors, especially those with a majority of indigenous people, have been historically excluded from many benefits provided by the state. This is why the impact of fiscal restrictions necessary to pay contracted debts on possible government programmes are difficult to measure. It is not possible to know whether said resources were originally going to be invested in these sectors. Nevertheless, price increases do affect these sectors; people are no longer able to afford goods and basic services as they could in the past.
- Despite the difficulties mentioned in point 1, we can state that under-investment in important parts of the budget—especially of funds obtained from debt contracting—in human and productive capital aimed at supporting the poorest sectors in the country has resulted in only a small percentage of said resources being invested to help deprived sectors.

The first hypothesis refers to the general effect on people of a continuous lack of internal state resources, fiscal deficit, inflation and high interest rates resulting from the economics of debt crisis. Ecuadorians have become poorer, especially those belonging to the most vulnerable sectors. Some figures depicting this situation are provided in the following section.

The second hypothesis, more deeply analysed throughout this case study, refers to use of funds at local, national, provincial and canton levels. This analysis is based on both secondary data and workshops conducted in various parishes or zones. Data from these areas is of a qualitative nature.

Brief analysis of the debt burden

Ecuador has been highly dependent on foreign capital for two decades. Such capital has been the main funding source for investment projects. Internal funds obtained from national savings have been insufficient, making new projects completely dependent on fluctuations from external net funding. Internal savings in the 1990s reached 14 percent of internal national production.

This dependence on external funding has resulted in accumulation of a large external debt. Servicing of external debt reached 26 percent of the national budget by the beginning of 1990, and 33 percent at the end of the decade (total internal and external public debt represented 50 percent). Since 1982, Ecuador has been facing economic problems resulting from the rapid growth of its external debt. Payment has involved changes in politics and re-orientation of resources. Faulty debt contracting processes that do not take payment capacity into consideration, as well as conditions and misuse of funds, have resulted in payment deferment and endless debt accumulation affecting the national budget.

Figure 2
Ecuador: Burden of public debt over the economy

Year	Service to External Debt/ INP	Service to External Debt/ Budget	Service to Public Debt Total/Budget
1989	4%	26%	34%
1990	5%	30%	37%
1991	4%	28%	33%
1992	4%	28%	33%
1993	3%	20%	25%
1994	4%	22%	27%
1995	9%	37%	42%
1996	5%	21%	37%
1997	7%	28%	45%
1998	5%	23%	40%
1999	3%	33%	51%

Source: Banco Central del Ecuador

The country was greatly affected during the last debt renegotiation, especially for changing old debts for new ones (due to variable interest rates and warranty amounts that had to be given). Debt conversion resulted in immense benefits for private sectors without necessarily helping the country's economy. In fact, the Brady Plan provided a renegotiation for US\$6,000 million. The extremely strict conditions of the Brady Plan resulted

in a “default” declaration from the Ecuadorian government reflecting its inability to comply with these payments.

The debt contracting process has resulted in a continual loss of capital and lack of encouragement for making internal investments. This is the consequence of an excess of currency in the market and a surplus that is always transferred abroad. The growing burden of debt in the national budget reduces the manoeuvrability of fiscal politics and opportunities to achieve balanced government accounts. The fiscal deficit in 1995 reached 5.5 of the Internal Gross Product. Its financing through internal debt contracting provoked an excessive increase of interest rates and inflation (60 percent at the end of the year). This in turn led the currency to lose its purchase capacity and accelerated growth of poverty and extreme poverty (from 19 percent in 1995 to 30.2 percent in 1998 in urban areas, and from 55.6 percent to 66.8 percent overall in Ecuador. Extreme poverty grew from 4.3 percent to 7 percent in urban areas and from 22.7 percent to 30.2 percent overall in Ecuador in 1998).

Finally, it should be mentioned that effective reduction of Ecuadorian foreign debt has not yet occurred, in spite of all the renegotiation processes. Ecuador needs to double its Internal Gross Product in order to pay off its foreign debt.

Figure 3
Ecuador: Debt balance compared to Internal Gross Production

Year	%
1989	117%
1990	114%
1991	110%
1992	101%
1993	90%
1994	82%
1995	69%
1996	66%
1997	64%
1998	67%
1999	100%

Source: Bank Central del Ecuador

It is important to reduce foreign debt in view of the country's inability to pay back its loans and the negative effect this has over the economy, via fiscal deficits and lack of manoeuvrability caused by use of resources. Nevertheless, it is important to make sure funds obtained from such a debt-reduction process would be used and focused on development of the country.

Orientation of resources related to foreign debt

Until the first half of the 1990s, most credit funds came from private banks, as this sector had plenty of incentives to invest capital in Ecuador. This situation came to an end when the debt payment crisis became a structural problem. Between 1990 and 1994, some 52 percent of government projects were funded by private banks under conditions established by the market with better payment conditions than those granted to other borrowers.

In this period, the main beneficiaries were the cities of Quito and Guayaquil, for infrastructure projects including potable water supplies, telephones, electrical supplies, public transportation and environmentally sound sanitation. Highways were also built in and around these urban centres. Big electricity projects including dams were built, but in many cases without conducting feasibility studies prior to construction.

In the years that followed, infrastructure projects continued, and the debt was transferred to regional development organisations such as CEDEGE, CRM, COPEFEN and the Ministry of Public Works. Again, the main beneficiaries were urban areas through their municipalities and provincial councils.

According to the Department of Public Credit, the number of projects undertaken since 1980 up to the present date is 98, most of which have been funded by credit organisations such as the BID, World Bank, CAF and FIDA. The main lender is the BID. At present, contracted loans since 1980 reach US\$3,400 million (see Figure 4).

The social sector receives 20.5 percent of foreign funds. At present, 40 percent to 50 percent of the resources have already been disbursed, while 5 credits have been partially discontinued. It should be mentioned that inside this sector, the Ministry of Education became the biggest debtor in 1999 (see Figure 5).

Figure 4
Ecuador: Contracted projects with foreign credit 1990-99 (US\$ thousands)

Sector	BID	World Bank	CAF	FIDA	Private Banks	Governments	Suppliers	TOTAL
Infrastructure	186,106	73,000	522,314	0	40,411	531,611	0	1,353,442
Financial sector	138,890	0	0	0	0	70,049	0	208,939
Sanitation	176,800	16,050	0	0	7,016	0	0	199,866
El Niño phenomenon	148,200	60,000	25,000	0	0	0	0	233,200
Social	223,710	333,200	69,500	31,647	0	0	40,000	698,057
Agriculture	116,900	61,000	0	0	0	5,000	0	182,900
Modernisation	95,900	66,700	0	0	0	0	0	162,600
Science and technology	21,500	0	0	0	0	0	0	21,500
Electricity projects	0	0	59,600	0	0	133,570	0	193,170
Promotion of exports	0	0	150,000	0	0	0	0	150,000
TOTAL	1,108,006	609,950	826,414	31,647	47,427	740,230	40,000	3,403,675

Source: Ministerio de Finanzas, Subsecretaría de Crédito Público, 2000

Figure 5
Ecuador: Condition of projects related to foreign debt in the social area 1990-99
(\$US thousands)

Sector	BID		World Bank		CAF		FIDA		Suppliers		TOTAL	
	Total	To be used	Total	To be used	Total	To be used	Total	To be used	Total	To be used	Total	To be used
Education	87,510	43,065	89,000	7,425					40,000	14,000	216,510	64,490
Health			135,200	66,007							135,200	66,007
Social Welfare	45,000	42,804	84,000	12,534	24,500	1,181	17,286	8,531			170,786	65,050
Housing	62,000	57,317									62,000	57,317
Infrast.	29,200	11,222			45,000	34,412					74,200	45,634
Indigenous people			25,000	19,065			14,361	14,158			39,361	33,223
TOTAL	223,710	154,407	333,200	105,031	69,500	35,593	31,647	22,689	40,000	14,000	698,057	331,721

Source: Ministerio de Finanzas, Subsecretaría de Crédito Público, 2000

The principal investor in the social area is the World Bank. Resources have been used for rural development (PRONADER project), education in urban areas (EB-PRODEC), infrastructure and health equipment (FASBASE), modernisation of health services (MODERSA), and development of indigenous communities (part of the PRODEPINE project).

Analysing the debt balance, one can see that the amount of resources used in the social sector remains the same. The balance of the debt share used in this sector represents 20.5 percent of the country's Internal Gross Production.

Figure 6
Estimated condition of debt funds invested in social sectors

	Balance 1998	Disburse- ments	Mortgages	Interests and commissions	Adjust- ments	Balance 1998	Balance plus. delayed int.
Total debt	13,061.4	865.4	545.0	622.6	-9.1	13,372.8	13,759.9
Social Sector	2,677.6	177.4	111.7	127.6	-1.9	2,736.4	2,820.8
Other sectors	10,383.8	688.0	433.3	495.0	-7.2	10,631.3	10,939.1

Source: Ministerio de Finanzas, Subsecretaría de Crédito Público, sistema SIGADE 1.5

Funds from debts contracted this year will be invested again in large infrastructure projects such as the transfer of the Portoviejo and Chone rivers known as the CRM project. Other projects include construction of four large crude-carrier vessels for FLOPEC, restoration to alleviate damage caused by El Niño and, finally, roads and credit lines for imports and exports. Unlike credit contracted at the beginning of the decade, payment terms today are much shorter (10–30 years in 1989–1991, but 5–18 years in 1999) and interest rates are variable depending on conditions found in international markets, which increases the country's vulnerability in terms of payment possibilities.

Quality of resources related to foreign debt

Social investments in the country have suffered steady reductions during the last five years, except for 1998 when social expenses increased by 5 percent compared to 1997; nevertheless, a big budget deficit was produced that year (see Figure 7).

Figure 7
Ecuador: Evolution of Social Expenses by Sectors
(\$US million)

Years	Social Expenses Total		Education		Health		Social		Labour		Direct Transfers		Province Governments	
1996	930.29	13%	608.8	9%	197.6	4%	113.8	69%	10.1	44%	0.0		0.0	
1997	814.27	-12%	566.5	-7%	184.7	-7%	53.5	-53%	9.6	-5%	0.0		0.0	
1998	851.11	5%	624.0	10%	180.0	-3%	37.5	-30%	9.6	1%	0.0		0.0	
1999	791.98	-7%	388.6	-38%	120.6	-33%	95.5	154%	6.4	-34%	177.6		3.3	
2000	766.64	-3%	376.1	-3%	116.7	-3%	92.5	-3%	6.2	-3%	172.0	-3%	3.1	-3%

Source: ODEPLAN, Ministry of Finances

In spite of these expense reductions throughout the years, especially in 1999, between January and November 1999 the budget execution in these sectors was extremely low (35.9 percent as average), especially in public projects and investment expenses.

Figure 8
Social Investments in Latin America (averages)

Some countries	Social investments per person (Dollars 1997)	Social Investment/ Investment/ IGP	Social Expenses / Total Public Investments
Average and average-high social investments	975	19.5	60.8
Argentina	1.570	17.9	65.1
Chile	725	14.1	65.9
Costa Rica	550	20.8	65.1
Average social investments	353	10.5	43.4
Colombia	391	15.3	38.2
Mexico	352	7.8	52.9
Ecuador	203	12.1	47.7
Low Scale investments	109	7.7	38.4
Peer	169	5.8	40.9
Paraguay	148	7.9	47.1
Bolivia	119	12.0	44.2
Regional average	457	12.4	47.2

Source: SEDES, *documentos técnicos*, 1999

In other countries, although less money is invested in social sectors than is invested in Ecuador's social sectors, the final outcome is better (see Figure 9).

The above indicators show important inequalities at the national level. When it comes to poverty levels, in the most depressed areas, 9 out of 10 people are poor, while in less depressed zones the average is 5 out of 10. Indicators measuring the number of health staff (1.51 × 1,000 inhabitants against 38.8), the percentage of homes with toilets (16 percent against 58.6 percent) and the percentage of homes with access to piped water supply (4.7 percent against 46.7 percent) have special importance.

Figure 9
Human development-comparative trends

	Ecuador	Costa Rica	Colombia	Paraguay
Life Expectancy (Years)				
1960	53.1	61.6	56.5	63.9
1995	69.5	76.6	70.3	69.1
Infant mortality rate (x 1000 born children)				
1960	124.3	84.5	98.7	66.0
1996	31	13	26	28
People who have a potable water supply (%)				
1975–80	36	72	64	13
1990–96	68	96	85	60
Children under 5 suffering from malnutrition (%)				
1975	20	10	19	9
1990–97	17	2	8	4
Literacy rate for adults (%)				
1970	74.7	87.7	80.8	81.0
1995	90.1	94.8	91.3	92.1
School matriculation rate (gross)				
1980	69	55	53	49
1996	72	68	70	62

Source: *Agenda Social Ecuador Siglo XXI, SEDES, technical documents, 1999*

Human development in Ecuador¹

In 1998, according to data gathered by applying the consumption method, poverty affected 46.4 percent of the population. Incidence in rural zones was twice as high as in urban areas (69 percent—30 percent). Poverty rates reached 29 percent in rural areas compared to 9.2 percent in cities. Poverty levels were higher in the Amazon region than in the Coastal and Sierra regions (53 percent, 46 percent and 47 percent respectively): the Sierra region had the lowest level of urban poverty. The highest urban poverty was found in the Coastal region because of very rapid growth, especially of mid-size cities (Santo Domingo, Machala and Manta). Shortages of basic infrastructure (housing and services) reach high levels when urban

growth is rapid and local governments are inefficient. Rural areas of the Sierra region are most affected by extreme poverty: 34.3 percent against a national average of 17 percent in 1998. These difficult social conditions result from concentration of land ownership, soil erosion, lack of credit lines and technical assistance, and unemployment. Many zones in the Sierra countryside have a large indigenous population, enduring extreme living conditions. Indigenous people suffer poverty rates of 86 percent against 45 percent among non-indigenous people.

Figure 10
Poverty indicators per region and area in 1998
(indirect-consumption method)

Region	Area	Poverty		Indigence	
		Extreme Poverty	Gap	Incidence	Gap
Coast	City	34.9	10.8	8.3	2.0
	Countryside	70.0	26.8	26.2	6.6
	Total	46.7	16.2	14.3	3.6
Sierra	City	22.0	6.4	4.8	0.9
	Countryside	69.1	31.7	34.3	11.9
	Total	45.6	19.0	19.5	6.4
Amazon region	City	27.7	7.2	4.8	1.3
	Countryside	58.6	23.2	25.4	6.2
	Total	52.5	20.0	21.3	5.2
Total	City	30.2	9.2	7.0	1.6
	Countryside	68.8	29.0	30.2	9.2
	Total	46.4	17.5	16.8	4.8

Source: SIISE 2000, ECV 1998

According to the same source, however, measuring basic needs that are not met, poverty in 1998 reached 55.5 percent of the population. The basic needs method of measuring poverty is less vulnerable to short-term fluctuations and therefore allows more accurate analysis of structural elements of poverty and chronic needs that are not met. This measurement shows that 93 percent of indigenous people were not able to have at least one of the following basic needs met: education, health, nutrition, housing, urban services and job opportunities.

Massive poverty in Ecuador is not only the result of a shortage of resources or limited growth, but also of weak capacity to distribute implemented development strategies among the population and, above all, of deep social inequalities between the rich and the poor. In 1997, 20 percent of the poorest urban population received only 4.2 percent of income while the wealthiest sectors received 54 percent. During the last decade, income distribution further deteriorated: the Gini coefficient against distribution of urban income went up from 0.44 in 1989 to 0.49 in 1997.

Although empirical information regarding poverty evolution is fragmentary and many discrepancies arose between several investigations, it is clear that urban poverty increased overall during the 1990s. The slight economic recovery in the first half of the 1990s (decreasing inflation and growing wages) may have had an effect upon stabilisation and on a moderate reduction of urban poverty until 1997. In the context of the current crisis—worsened by the El Niño phenomenon, low crude oil prices and the crisis of private banks with a negative impact over productive sectors—growth of poverty is clearly evident at rural and urban levels. The El Niño disaster caused rural poverty to grow between 1995 and 1999, with the Coastal region most seriously affected.

Figure 11
Poverty in Ecuador, 1995–1999 (Income method)

	Incidence			Poverty gap		
	1995	1998	1999	1995	1998	1999
National	32%	38%	43%	13%	16%	20%
Urban	18%	24%	31%	6%	8%	13%
Rural	53%	57%	59%	24%	26%	30%
Coast	29%	37%	44%	11%	15%	19%
Sierra	35%	38%	41%	16%	17%	21%
Oriente	38%	44%	n.d.	18%	21%	n.d.

Source: Vos Rob, INEC, ECV 1995, 1998, 1999

Reduction in social investments, besides inflation and unemployment, transfers the crisis to families. Reduction of fiscal income resulting from the fall of crude oil prices and contraction of economic activities affected social investments, falling from 36 percent in 1996 to 29 percent in 1998 and, finally, to 26 percent in 1999. Nutrition and childcare programmes

were therefore reduced. Poverty does not affect all of the population in the same way, as some social sectors are extremely vulnerable. As mentioned before, indigenous people are most seriously affected by poverty. Another risk group is young children. In fact, while poverty among children 0–17 years of age reached 53 percent in 1998, it affected 54.7 percent of children 1–14 years old and 60 percent of infants younger than 1. Extreme poverty was endured by 25 percent of children under 1 year old, in comparison to the national average of 16.8 percent.

Other factors influencing poverty conditions are low levels of scholarship, limited access to land ownership and inadequate employment conditions. The poorest workers are those who perform agricultural labour, non-waged family workers and small farmers/peasants. Poverty among the latter is explained by *minifundio* or ownership of very small plots of land. According to the World Bank, there is a close relation between poverty and lack of land. Poverty rates go down as land ownership levels increase.

As shown above, the negative impact of government investments is closely related to factors other than the sums of money invested. In fact, the way the funds are used plays a larger role.

Development-aimed investments and outcomes in the investigated fields

Education

Investments corresponding to large educational projects funded with external loans reached US\$20 million in 1998 and \$22 million in 1999. The biggest, addressed to rural areas, is the so-called *Redes Amigas*, a continuation of the PROMECEB project (creation of matrix education centres) (see Figure 12).

Government investments in education are related to creation of school infrastructure (a portion of which was funded by the EB-PRODEC project in urban areas exclusively, and by the FISE) and to provision of educational services by teachers hired by the Ecuadorian Ministry of Public Education. These expenses increased the Ministry's investment budget to US\$300 million.

The investment rate in the zones studied is very low. Only 1 percent of large education projects have been carried out in the provinces of Cotopaxi, Chimborazo and Imbabura (where the investigation was conducted), and

Figure 12
Education projects and programmes

Project	Executing unit	Funding organisation	Start date	Comp. date
Funded through foreign debt				
Improvement of basic education	MEC	BID	1990	1999
Educational support in rural areas— PROMECEB (REDESAMIGAS)	UCP / MEC	BID	1999	2002
Reconstruction of schools destroyed by the El Niño	EB PRODEC	Banco Mundial	1997	1999
Not funded through foreign debt				
School education to benefit working children	INNFA		1997	

Source: PAI 99–2000/Ministry of Finances PGE

only 0.29 percent reach their cantons (Pujilí, Riobamba, Guamote and Otavalo).

On the other hand, only 2.38 percent of the Ministry of Education's "regular" budget was to be invested in infrastructure and services used at the local level, through transfers made to provincial departments of education, and 0.021 percent was invested in schools located in the cantons studied.

Coverage of these programmes in relation to the total number of beneficiaries (children) reached 13.33 percent. Such low coverage, in addition to inefficient execution, make programme costs go up to US\$8.32 per child per year. The most expensive programme is the Redes Amigas.

Coverage of the PROMECEB programme reached 18.7 percent in the province of Cotopaxi; the school lunch programme covers 45.8 percent of children. There are no programmes aimed at benefiting working children, and no EB-PRODEC programmes either. It should be mentioned that the two first programmes are being widely implemented in Pujilí canton.

The PROMECEB project has lower coverage in the province of Chimborazo than in Cotopaxi—23.15 percent—whereas the school lunch programme has a coverage of 70 percent, especially in Chambo and Guamote cantons. There is very low coverage of the PROMECEB programme in these two cantons.

Coverage in the province of Imbabura is lower than in the other cantons: 8.16 percent for the PROMECEB programme and 37.1 for the school lunch programme.

Social welfare and infrastructure

The amount invested in 1998 in this field through external loans reached US\$56.7 million. Investment was reduced to US\$40 million in 1999. Nevertheless, investments in social welfare have grown dramatically thanks to implementation of the Solidarity Bonus, reaching US\$194.6 million.

The most important programmes in this field focus upon children, indigenous people and rural development projects.

Figure 13
Social-welfare projects and programmes

Project	Executory unit	Funding	Start date	End date
Foreign debt programmes				
School food programme	MEC	PNUD-PMA	1996	
PACMI—Improvement of nutrition in favour of vulnerable groups	MSP	Banco Mundial	1992	2000
Fund for Emergency Social Investments	FISE	BID-CAF	1994	2009
PRONADER—Rural Development	MBS	B.Mundial	1991	2000
Esperanza Plan	MBS	CAF	1998	2000
Community nutrition programmes to benefit the elderly	MBS	CAF	1999	
Development in benefit of indigenous and black people	CODENPE	B.Mundial	1998	2002
“Our Children” Programme	MBS	BID	1999	2002
Non-foreign debt programmes				
Solidarity Bonus	M. Finanzas		1999	
Children Development Programme—ORI	INNFA-MBS		1988	

Source: PAI 99–2000/Ministry of Finance, PGE

Besides these national programmes, specific programmes are being carried out with funding from the World Bank in the studied provinces and cantons. They are:

Cotacachi Rural Development	Imbabura province 1999–2000
Rural Development	Cotopaxi province 2000

As in the above case, a low ratio of resources and funds are invested in the studied provinces. Only 1.5 percent of large national projects are located

in the provinces of Cotopaxi, Chimborazo and Imbabura and 0.5 percent to their cantons. Only 0.2 percent of the Ministry's "regular" budget for infrastructure projects are addressed to local programmes to benefit elderly and handicapped people.

A high level of intervention occurs in this field, especially in poor areas and cantons. In the studied cantons, for instance, we found the ORI, FISE and some projects run by PRONADER and PRODEPINE. Nevertheless, the Nuestros Niños programme, designed to protect children, and the INNFA have low coverage in the zone. Nuestros Niños coverage in the province of Cotopaxi reached 15.2 percent. The Pujilí canton received the highest level of attention. INNFA programmes in the province have a coverage of 5.06 percent, with 2.2 percent coverage in the Pujilí canton.

The ORI has coverage of 9.5 percent (20 percent in Pujilí). FISE's coverage (stage 1 and 2) reached a high level in this province, averaging 58 percent. Nevertheless, coverage varies widely between cantons. For instance, coverage in Pujilí exceeds 100 percent, whereas ORI is not present in the Pangua canton.

In Chimborazo, child protection programmes have a coverage of 5 percent, with INNFA's coverage lowest. Highest coverage occurred in the Riobamba canton, whereas such coverage does not exist in Guamote, except for the ORI, with a coverage of 25.7 percent in that canton.

As per the FISE, coverage reaches 21.9 percent in Chimborazo. Most of the investments are focused in the city of Riobamba. Coverage in Guamote reaches 27.1 percent. Here we can also appreciate a lack of logical intervention strategies, as 5 out of 10 cantons in the province have not been benefitted by this project.

Imbabura has very low coverage for child healthcare. An average of 2 percent of all the cantons are actually covered, with INNFA lowest. Otavalo averages are a little higher, whereas in cantons such as Urququi there is no coverage at all (except by the ORI).

Coverage of the FISE reaches 49.8 percent in the province. In this case, Otavalo provides better care, whereas Urququi has no coverage at all.

With regard to rural development, the ORI Guamote project was completed in 1994. Impact produced by the PRONADER project is also being assessed. This means that currently, no important rural development projects are under way in the studied zones. The Cotopaxi rural development project is to be started by PRODEPINE but outcomes won't be assessed for some time to come.

PRODEPINE has additionally supported these zones with forestry projects, irrigation, production development and training since 1998. Impact should soon be measurable.

Out of the government's regular budget, an important investment is the Solidarity Bonus, which uses funds from different sources (taxes, internal debt, elimination of subsidies, and so on). Cost per person of this programme comes to US\$116 each year. This figure includes operational and management costs. Coverage provided by the programme in rural areas is low in comparison with urban areas. In the provinces studied, coverage reached 17 percent in Cotopaxi, 19 percent in Chimborazo and 22.5 percent in Imbabura, all of which are provinces where rural populations represent the majority.

Note

¹ Taken from the documents "Estudio de población de país: Ecuador", Políticas de población y desarrollo, Informe de desarrollo Humano, 1999 realizados por DYA para la ODEPLAN-SEDES-Banco Mundial.

Health

The MODERSA project, started in 1998, invested US\$14.6 million. The same programmes were continued in 1999 but funding increased. Small amounts are used in specific projects (Otavalo Hospital and health centres in Imbabura) reaching a total of US\$18.11 million.

Figure 14
Health projects and programmes

Project	Executory Unit	Funding	Start date	End date
Foreign debt				
Portable surgery rooms	FASBASE-MSP	Banco Mundial	1999	2001
Infrastructure in zones affected by El Niño and poor zones	FASBASE-MSP	Banco Mundial	1992	2000
Modernisation of Health Service Networks—MODERSA	MODERSA	Banco Mundial	1998	2002
Health and Development—FASBASE II	FASBASE-MSP	Banco Mundial	1992	2000
Non-foreign debt				
Epidemics control programme	MSP	Presup.		
Vaccination programme	MSP	Presup.		
Free maternity attention	MSP	F. Solidaridad		

Source: PAI 99–2000/Ministry of finance, PGE

Health and the other social fields have endured low investment rates. Nevertheless, preventative health programmes such as vaccination and epidemics control have been implemented. Annual investments reached an average between US\$1.7million and \$2.0 million. Coverage has been satisfactory and has followed according to yearly goals and objectives established by the Ecuadorian Ministry of Public Health.

Of funds invested at local levels, from the total of funds to be used in large national projects, 1.33 percent was invested in the provinces studied and 0.46 percent in the cantons evaluated in this analysis. Of the national budget, 1.19 percent was invested in this zone, especially in health centres and medical staff; 6.2 percent of the total invested in infrastructure projects was invested in these provinces.

At the local level, only FASBASE is working in this zone. Mobile medical unit programmes are to start working in the poorest cantons, according to official poverty rankings that were recently elaborated. The programmes

will be implemented in Guamote, Pujilí and Otavalo cantons. Some difficulties in initial implementation of this programme can be attributed to the country's political instability and periodic changes of authorities.

The FASBASE programme provided opportunities for rehabilitation of 30 hospitals throughout the country. Investments in the studied provinces were made in the main hospitals (Latacunga Hospital in Cotopaxi, Riobamba Hospital in Chimborazo and San Vicente Paul Hospital in Imbabura). Clinic laboratories were also equipped in health centres from Pangua, Salcedo, Pujilí and Zumbahua in Cotopaxi; Alausí, Guamote, Chunchi and Colta in Chimborazo; San Luis, Asdrubal de la Torre and Atuntaqui in Imbabura. This programme's coverage has been high (70 percent as per evaluations from lenders); nevertheless, coverage at local levels has been sporadic.

A recent investigation by the Department of Human Development identifies amounts invested in some social protection programmes at the local level. For instance, local investments have reached higher levels in programmes such as the FISE and the school lunch programme, although neither is adequately focused on the most impoverished sectors. Health and education programmes have limited coverage in the poorest sectors. Children's support programmes have limited coverage as well. Appendix 2 shows some investigation results in detail.

Agriculture and cattle-breeding activities

Investments in this sector reached US\$18.26 in 1998. Investments in 1999 suffered a big reduction due to lack of funding for this sector; the total that year was US\$11.55.

Figure 15
Agriculture and cattle-breeding projects and programmes

Project	Run by	Funded by	Start date	End date
Foreign debt funded projects				
Modernisation of agricultural services	MAG	BID/ Banco Mundial	1996	2002
Agricultural and cattle-breeding sector	MAG	BID	1994	1999
Agricultural sectoral programme	MAG	BID	1994	1999
PAT irrigation programme	MAG	Banco Mundial	1994	2000
Agricultural census	MAG	Banco Mundial	1998	2002

Source: PAI 99–2000/Ministry of Finance, PGE

Except for large irrigation programmes and regular technical assistance programmes (although not present in all the zones), the Ministry of Agriculture and its branch departments have not undertaken programmes in direct support of agricultural activities in the country. A key bank is going through bankruptcy and will probably close this year.

The PROMSA project is focused upon technological development that favours small- and middle-size farms. The project demands a minimum income per farmer, as well as minimum plot occupation, for farmers to be allowed in the programme. This prevents many farmers from participating in the programme, especially poor farmers. However, a parallel training programme was recently created to provide direct services to small farmers through NGOs.

As part of the PAT irrigation programme, 28 irrigation systems were transferred to user boards. Among these is the Cebadas project (US\$10), which has fulfilled and exceeded all set goals.

At the local level, the following projects have been identified:

- Licto 1999–2000 irrigation project
- Chambo-Guano maintenance project
- Rehabilitation of irrigation streams in Chimborazo 1999–2000
- Rehabilitation of irrigation streams in Cotopaxi 1999–2000
- Irrigation programme Ambuquí Bajo Imbabura 1999–2000

These programmes represented US\$1.4 million invested in 1999. Estimated investment for the year 2000 was US\$0.77 million. Impact of the programmes cannot be assessed yet, as they have only recently been started. The total of funds will be invested at the local level.

In calculations regarding local coverage, 0.14 percent of funds invested in large programmes at the national level are used in the provinces studied and 0.05 percent in the analysed cantons (these figures correspond almost exclusively to irrigation programmes). A very small amount of the national budget is invested in technical assistance, animal sanitation, and so forth.

Communication and roads

The main projects executed in the zone are first-class roads built in the provinces studied.

Figure 16
Communication and road projects and programmes

Project	Executory unit	Funded by	Start date	End date
Rural telephone programme	EMETEL	Eximbank	1996	1998
Reconstruction of roads damaged by El Niño	MOP-COPEFEN	Several organizations	1997	2002
Improvement of the Licto-Pungala road	MOP	PGE		
Roads on countrywide level	MOP-Municipios	CAF	1994	1998
Guamote-Macas road	MOP	Gov. Papers		
Victoria bridge over the Tahuando River	MOP	PGE		
Ibarra—San Lorenzo road	MOP	Gov. Papers		

Source: PAI 99–2000/Ministerio de Finanzas, PGE

Investment in 1999 reached US\$115.39 million, 50 percent of which was spent to rebuild roads in the coastal region.

The impact of first-class roads is quite significant for improved communication between production areas and markets and for transportation of people and goods between rural and urban areas. Nevertheless, this impact will be reduced if no second-class roads are built and maintained. Currently, funds invested in these kinds of roads have not yet been evaluated, but it is evident that any such investments are low, according to opinions of local residents.

Figures show 0.1 percent of large road construction projects located in the provinces of Cotopaxi, Chimborazo and Imbabura. No investment in road construction was evident in the cantons studied. Of the budget invested by the Ministry of Public Works, 17 percent was used for maintenance projects for first- and second-class roads in the studied provinces; 2.98 percent of sectional projects (construction and improvement projects in specific zones) were located in the studied provinces.

Urban development, Environmental Sanitation and Housing

Only one housing project was administered in 1998 with foreign funding, in the amount of US\$1.9 million. In 1999, in addition to the housing programme, sectional projects were also administered. The total invested reached US\$3.06 million.

Additionally, the Ministry of Urban Development and Housing works with an assigned budget for urban projects, sanitation projects and housing programmes in poor areas.

Figure 17
Environment sanitation and housing projects and programmes

Project	Executor unit	Funded by	Start year	End year
Projects funded through foreign debt				
Housing	MIDUVI	BID	1998	2002
Potable water and sanitation project in benefit of rural communities and small urban areas in Ecuador—PRAGUAS	MIDUVI	Banco Mundial	1999	
Projects not funded through foreign debt				
Water and sanitation programme PROMASAN	MIDUVI		2000	

Source: PAI 99–2000/Ministerio de Finanzas, PGE

PRAGUAS and PROMASAN projects are aimed at improving the efficiency of potable water systems and sanitation by investments in infrastructure that will be managed by users directly. Users will therefore receive training and organisation support. This programme is currently in preliminary stages.

Regarding local programmes, information was obtained from the Investments Annual Plan, showing a relatively low investment of US\$300,000 in 1999.

The following programmes were administered:

- Rehabilitation of 12 potable water systems in Cotopaxi.
- Potable water JATUNPAMBA—Guamote—Chimborazo.
- Potable water TZALARON—Chimborazo.
- Rehabilitation of 21 potable water systems in Chimborazo.
- Rehabilitation of six potable water systems in Imbabura.

Of the national projects, 2.69 percent are located in the studied provinces; 0.93 percent are programmed at a local level. These projects are executed with a minimum of 0.04 percent of the total budget assigned to the provinces studied.

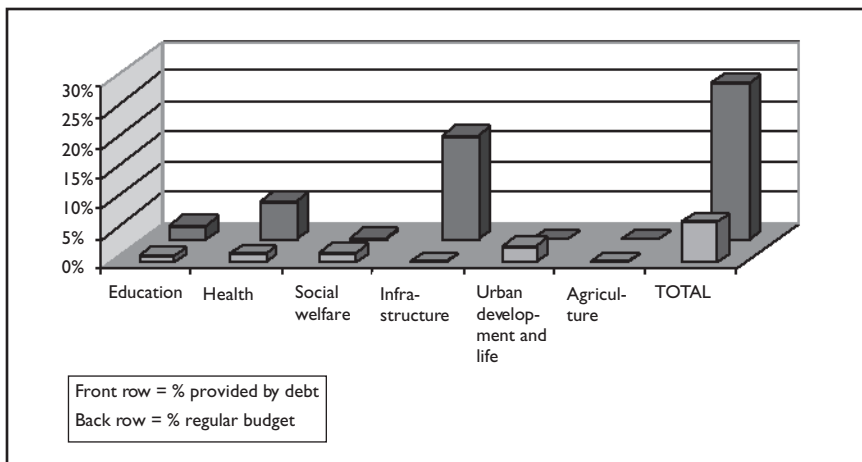
Sectional development

The aforementioned investments include transfers made to municipalities according to a law establishing that 15 percent of the national budget will be given to sectional governments. These funds have no specific purpose, so use depends on decisions made by the municipalities.

US\$232.93 million was distributed in 1999. Investment in 2000 will reach US\$178.88 million. Distribution of these funds corresponds to population criteria and to some indicators of municipality capacity (municipality development rate). Additionally, local funds exist, such as FODESEC, which had a budget of US\$4.1 million in 1999, and FODEPRO (funds for provinces) with US\$19.8 million for 1999. Specific assignments for each province and canton cannot be established from information provided by the Ministry of Finance.

An important project started in 1991 and now coming to the end is the programme for municipal development, contracted with the Banco Interamericano de Desarrollo for US\$38 million. The project funded infrastructure for provision of potable water, environmental sanitation and proper handling of solid waste. The project also supported municipalities through training and organisational development. Unfortunately, the project was almost exclusively focused on urban municipalities with payment capacity. Project focus was specifically on urban municipalities in order to afford and recover investment costs. Low levels of public investment in the studied provinces and cantons are evident, especially regarding education and infrastructure.

Figure 18
State investment in studied provinces



NGOs and intervention in “public” affairs

The presence of NGOs and their role of substituting the government (although not completely) in intervention and investment in these zones is growing with the communities. NGOs have been working in isolated capacity, as few policies guide activities conducted by public and private agents. There are also no international co-operation policies. Activities conducted by some NGOs have been duplicated by other non-governmental efforts, resulting in narrowed overall impact.

One reason for current high levels of non-governmental intervention is the inability of government to reach the most needy population with solutions for unmet needs. This has been a consequence of reduced public funding and steady loss of efficiency.

The government, through the different ministries, lost technical capacity to design and execute programmes aimed at overcoming poverty conditions as most of their best technicians left, because of the reductions and modernisation process undergone by the state. Some offices and departments have been practically dismantled. They do not need to be modernised but completely restored.

Workshop participants felt that NGOs have benefited them during the last decade more than the government. Benefits yielded from NGOs are more closely related to their reality.

NGO participation has been very important in consolidation of complete local evaluation procedures and to the rendering of specific services to meet community needs. Additionally, these organisations have played an important role in the acquisition and regularisation of land (the FEPP case throughout the rural Sierra region) and in development of micro-enterprises, sustainable productive development, training, organisation-strengthening, participation of women, and so on. Support supplied by NGOs for nutrition and natural medicine issues has been very important in the case of the studied zones Jambi Mascari, Jambi Huasi, ADP.

NGO support is sought after by the communities themselves, and specific programmes require significant local participation and effort. This has helped the communities improve capacities and has produced a change in attitude regarding non-paternalistic support.

Evaluation of work conducted by NGOs from beneficiaries' point of view identified achievements such as: (1) improved living conditions benefiting the poorest groups and strengthened organisation of these groups; (2) awareness regarding key social topics; (3) initiatives in the definition and

approval of laws; (4) collaboration for improved knowledge of Ecuadorian society, and (5) use of internal and external resources to overcome poverty and promote sustainable development.

After evaluating principal actions undertaken in the zones studied in this report, it is evident that there is not a single, all-sufficient intervention methodology. At times NGOs intervene in emergency relief or to meet chronic needs. But overall, people are quite aware of support received from NGOs and deem their work as highly positive.

The following pages show NGO intervention matrixes in the studied zones. NGOs work in the Pujilí zone in several fields: loans for land purchases, agricultural supplies, cattle breeding, irrigation infrastructure (at the beginning of the 1990s). Most recent support is aimed at creation of micro-enterprises, training and handicraft manufacturing programmes.

The Cebadas zone shows trends similar to those in the Pujilí canton. NGOs conducted infrastructure and sanitation projects at the beginning of the decade. In more recent years, training and production programmes aimed at achieving self-sufficiency have become more common. Timing of programme implementation differs between some communities.

No detailed information was obtained in the Maquipurashun zone regarding early non-governmental interventions. There have been support programmes in health and assistance in family spacing, as well as loans for infrastructure construction and production activities. In recent years support has increased for production programmes and formal education.

Generally, improvement of nutrition and sanitation in order to benefit community residents has come about thanks to the work of NGOs. Governmental efforts aimed at installing basic infrastructure five to ten years ago. Since then, there have not been additional and adequate environmental sanitation and health programmes.

NGOs have also helped these communities through forestry projects and in creation of micro-enterprise. People have been trained in micro-enterprise management, as well. Governmental support in this field is non-existent. True assessment of progress through these efforts cannot be made unless a specific study on income, consumption rate and productivity is conducted within the zone.

Figure 19
Presence of NGOs in studied communities during the last decade

Year	Organisation	<u>Zona Pujilí</u>		
		Rumipungo	Batán La Quesera Batán N. Amanecer	Yanahurco
1991	WorldVision			Credit for cattle breeding
1993	World Vision			Construction of classrooms
1993	C.C.F.	Irrigation channel		
1994	C.C.F.	3 classrooms and 40 family latrines		
1996/97	PNUD	72 family houses and 1 communal house		
1996	God Saves Church	Loan for purchase of lambs in benefit of women groups.		
1997	ADP	Training in agriculture		
1996/97	Care Promusta/ FECD	Plot		Construction of 22 houses and 22 latrines 1 greenhouse for tomato and babaco production 1 trout pool Enlargement of piped water system Training in manure production Training in waste disposal
1996/97	Esquel Foundation El Hoy Newspaper Coca Cola			5 hectare plot 19 houses 1 communal house Access road to the community
1999	PDA/ FEPP			Training in organic agriculture

Continued on page 32

Year	Organisation	Rumipungo	Batán La Quesera Batán N.Amanecer	Yanahurco
1999	PDA		Improvement of small animals Commercialisation Training in shoemaking, hat-making and hairdressing	1 community micro-enterprise cheese plant Scholarships for community leaders Training for women in pregnancy control, family planning and waste disposal Technical assistance and provision of vegetable seeds
1999	FEPP			Construction of a classroom
1997	FASE			Enlargement of piped water system Support to 105 families

Source: *Community workshops, DYA Projects, 2000*

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Zona Cebadas

Year	Organisation	Vía Oriente	Tablillas	Bazan-Grande
1988	IEOS / USAID	Potable water with active participation of residents through voluntary work		
1988	IEOS / USAID	Latrine provision		
1989	CESA		Community house	
1990			Community grocery store	
	World Vision	Loans granted to heads of family for purchasing lambs		
	World Vision	Training in soil preservation and implementation of natural fertilisers. Improvement of pastures.		
1996–97	CESA / COICE			Provision of medicines and oral serum to be sold in the community. Creation of a fund.
1997	Comunidad Europea MAG			Ala project. Provision of looms in favour of female groups.
1998	PDA			Training in nutrition, health, first-aid procedures, medicinal plants and food preparation.
1998	Fundación Belga	Construction of greenhouses and training in agriculture. Implementation of 3 bee farms.		
1998	PDA		Provision of one lamb per family (sponsorship to children)	
	PDA		Training in proper use of plants and pastures (1 person)	

Continued on page 34

Year	Organisation	Via Oriente	Tablillas	Bazan-Grande
1998-99	World Vision/ADP	Model plots (strawberry and blackberry) Theory training		
1999	World Vision / CEDEIN	Donation of plants		

Source: *Talleres comunitarios, DYA Proyectos, 2000*

Continued on page 35

Zona Maquipurashun

Year	Organisation	Gualapuro	Cutambi	Achupallas
1996	Jambi Mascari— Médicos sin Fronteras			Preventative health
1996	Jambi Huasi			Training in health issues
1996	Médicos sin Fronteras			Family vegetable gardens
1997	Jambi Mascari— Médicos sin Fronteras	Assistance with family spacing		
1998	PNUD	Pregnancy advice		
1998	FEPP—PUCE	Credits for construction of 20 houses		
1998	PUCE— CODESA—DED	Vegetable gardens cultivated by women		
1997	WorldVision, Maquipurashun project			Training in crop rotation and association
1998	WorldVision, Maquipurashun project	Scholarships to 10 students from primary school and 10 from secondary school Credit for a grocery store Seeds for family vegetable gardens Training in environment sanitation		Training in dressmaking for women's groups
1998	DED	Credit for seed purchases		
1999	WorldVision, Maquipurashun project		Training in weaving 7 latrines	

Source: *Talleres comunitarios, DYA Projects, 2000*

Impact of government investments in studied zones from beneficiaries' points of view

Peasant indigenous zones in the Sierra region, especially those studied, endure extreme poverty conditions and government negligence. These communities show high rates of malnutrition, illiteracy and lack of basic services.

Improvements in some welfare indicators have been seen in this decade. Illiteracy has been reduced, and sanitary conditions in households have improved. Child mortality rates have fallen as a result of better education and awareness among the population. Nevertheless, poverty and extreme poverty rates continue to be very high and, in some cases, have grown since 1990.

Figure 20: Indicators in the studied zones

Indicator	Cebadas	Guamote	Licto	Pujilí	Quichinche
Poverty rate/90%	97.0	87.5	89.3	73.3	80.3
Poverty rate/98%	92.45	84.91	84.48	79.51	89.04
Extreme poverty rate/90%	71.2	57.4	34.6	27.9	32.4
Extreme poverty rate/98%	68.56	63.43	52.86	17.55	65.6
Cronic malnutrition/90%	70.35	69.58	70.23	65.02	68.29
Children's mortality rate x 1000 /90	122.63	122.63	102.12	99.48	83.78
Illiteracy rate/90%	50.13	41.83	46.29	28.04	45.62
Houses with piped water/90%	1.96	15.09	46.29	28.04	45.62
Houses with sewage system/90%	15.26	15.75	88.36	88.32	81.83

Source: SIISE, INFOPLAN, 1999–2000

Government intervention and its relation to foreign debt

Foreign debt, as explained in the introduction, has been contracted as an alternative to the state's inability to generate its own resources.

As summarised in Figure 20, living conditions of people from the studied zones have not improved during the last decade, except for a few specific indicators. Ecuadorian governments have been subject to changes in funding availability throughout the years. For instance, funds proliferated by the end of the 1970s, thanks to crude-oil exportation. But progress was halted by the mid-1980s when the debt crisis was produced by capital attracted to Ecuador as a result of its oil-exporting boom.

Funds obtained from oil exports and through foreign-debt contracting were used to create a huge and concentrated government apparatus that hired a large number of employees and executed social, production, infrastructure, electricity, housing and infrastructure programmes in a direct manner.

Lack of resources, originating in the debt-contracting process, worsened through fiscal management that included inadequately planned state modernisation that emphasised number over quality. The government steadily reduced production, sanitation and road-construction projects. It still works in health and education programmes, although current rendering of services is different and has been taken over by project execution units. Society is now in charge of executing and managing services, as in the case of projects such as the MODERSA and PROMECEB-Redes amigas, whose policies are very different from traditional government-intervention policies. These projects have usually succeeded but in some cases require greater support in favour of community representatives and local governments.

Additionally, provincial bilingual departments from the Ministry of Education were created with the purpose of protecting vulnerable groups, but these actions have not succeeded. Programmes such as the ORI (not in all the communities) and Solidarity Bonus, created to help the poorest families afford basic needs, constitute government “type” actions but do not respond to any general strategies of development.

Zona Pujilí

Workshop attendees confirm scarce government investment in these zones, especially when it comes to programmes funded through external credit. They also pointed to reductions in direct support to the communities, creating a void that has not been filled by actions undertaken by NGOs.

Education

The current situation of education, compared to ten years ago, has improved. Illiteracy and school drop-out rates have steadily declined until 1999, when the economic crisis resulted in an increase in the school drop-out rate. Parents were no longer able to afford their children’s education, or children needed to start working to help the family.

Schools funded by the government were opened in three communities by the end of 1980. Children’s education improved, although teaching-learning conditions were not adequate (one classroom and teacher for three or

four grades). New classrooms were funded by the government through the FISE project or by NGOs. This has helped increase educational coverage.

Support given by the government to literacy centres in two communities was partial. The Ministry of Education implemented the infrastructure and paid teachers' wages. Teaching materials had to be obtained by the communities from NGOs.

In spite of these improvements, schools are incomplete and the quality of education is poor. Large educational projects funded through foreign credit are not located in the zones studied. The classroom installed by the FISE was the only educational infrastructure project conducted between 1993 and 1999.

With regard to the school lunch programme, most children in the community benefit. Government investment in this field has been completely justified. Community leaders ask for this service because the new system has delegated food delivery to provincial education departments, which carry it out according to their own schedule.

Health and Nutrition

Large health projects funded through foreign credit have not been implemented in this field. According to community residents, health conditions in the area are the same as a decade ago. The only difference is that health services are now minimal. Regarding nutrition, workshop feedback indicates that the quality of food eaten by the population two or three years ago has been reduced due to higher prices. No health centres exist in any of the communities in the studied zone. Healthcare is provided in emergency cases in health centres in Pujilí, Cusubamba and Latacunga, or when diseases cannot be treated with medicinal plants. These health centres are funded completely by the government and have been working for more than 15 years. If they were opened through credits, these have been fully paid back.

Many people do not attend these health centres except in extremely serious cases. They do not feel they receive good treatment (especially women), and they have to buy their own medication. Therefore it is commonly believed that this service does not help indigenous people from the communities.

Pregnant women are cared for by women who have "inherited" their skills; some have also received training. Only a few women go to hospitals or health centres, and, if they do, they go only when deliveries are complicated.

Training in disease prevention, family planning and reproduction is generally offered in health centres, although coverage, as mentioned, is very limited. More people in the communities obtain information provided by NGOs.

Regarding children's vaccination, the Ministry of Public Health runs campaigns in each community once or twice a year, which is not enough, according to workshop participants. People are not instructed about the importance of vaccination for their children, and children usually do not receive booster vaccines. Mothers are afraid to take their children to be vaccinated in health centres because they think that the children will become ill. Many times mothers have their children vaccinated once because they need a vaccination certificate to enter a child in the civil register.

Although health coverage is provided at health centres and hospitals, and includes vaccination services, quality of care is poor and people are neither well informed nor aware regarding the benefits and importance of such vaccinations.

In the past health centres would give milk and oats to children, a service no longer provided. Withdrawal of the government from agricultural production areas, lack of training and funding, lack of land, and so on have caused agriculture to lose its influence over family sustenance, resulting in high malnutrition levels in the communities. The last project funded through foreign debt that was implemented in rural zones was PRONADER, which generated immediate outcomes but lacked sustainability.

Families in the communities studied said they benefit from peasant social security. Newly married people must become affiliated. The entire family benefits from this service at a low cost. Some 30 percent of families from the El Batán community benefit from the programme. People over 18 must become affiliated; if they do not, they are penalised.

The Children's Rescue Programme (ORI) benefits mothers, who can leave their children in nursery centres while they are working. Their children are cared for and fed. There are cradles, mattresses, teaching materials and plenty of food for the children. Additionally, nursery centres in the communities constitute employment opportunities for many women, who receive a wage from the government.

Sanitation

Government support has been very poor in this field. The Ministry of Human Development has provided latrines as part of its basic sanitation programmes. Funding for these have been obtained from the ministry's

regular budget. Nevertheless, only one of the three communities has benefitted. The rest of the communities have been helped by NGOs.

People are completely aware of the importance of latrines to avoid diseases, especially among children. People are also aware of the importance of environmental sanitation, and they observe garbage-disposal methods taught to them by external sources instead of the government.

Infrastructure

Second- and third-class access roads to the community are in bad condition, especially the Yanahurco Road. Again, lack of government funds make it necessary to repair roads by voluntary work conducted by community residents. The provincial council built a sports field in the community of Rumipungo. The municipality repaired the Cachi-Rumipungo Road. Community offices, as classrooms and housing programmes have been constructed exclusively by NGOs.

This sector most clearly demonstrates the impact of government withdrawal from rural areas. Communities find it very difficult to integrate themselves into the development experienced in other areas, because they are too distant and have no access to markets and services. Government withdrawal from road maintenance activities is a very serious situation, as no other organisations have taken over this activity. Delegation to municipalities or provincial councils has not solved the problem.

Again, no large projects are being implemented within the zone. The PRAGUAS project, focused on small rural municipalities, is expected to change this situation.

Production Development

The last project undertaken by the government in production was PRONADER, which, according to residents, had no direct influence upon the zone. The FODERUMA was present before; it helped the Rumipungo community by giving out loans to purchase cattle. Reports suggest that currently, the repayment rate is very low.

Regarding other funding sources, there are no beneficiaries of the National Banco de Fomento or of other formal sources, as community members studied are not credit subjects.

Support of NGOs is evident as an alternative to government and traditional banks, as NGOs offer access to loans with better conditions.

Solidarity Bonus

Although the solidarity bonus is not funded through foreign debt, the deficit it will produce to the Internal Gross Product will have to be covered in the future through debt contracting. It is important to talk about this direct subsidy, since people consider it to be positive. This programme helps people to cover basic needs such as electricity and water bills.

Coverage of the bonus is low in the studied areas if compared to national averages. It is also high in relation to the studied cantons (see above figures). It covers 45 percent of young women and 5 percent of the elderly population.

Depending on community location, cashing the bonus requires expenses that exceed the bonus itself. Some people prefer not to enter themselves in the beneficiaries' list. Others do not receive the bonus despite the fact that their names are on the list; they never get to know the reason for this. Another problem is a lack of coverage for teenage mothers.

Public Services

In this field, government investment was not maintained or increased. The municipal electricity company provides services to 95 percent of the population from the communities. New houses usually do not have this service. Obtaining it implies community work and the purchase of meters, for which there are not enough funds. Electric networks in the communities of La Qusera and Nuevo Amanecer were enlarged through funding provided by NGOs.

Government investments and funds obtained through foreign debt have never reached the zone. The population's problems and general situation have not changed significantly in the last ten years. Small positive changes and improvements made by the end of the 1980s were possible thanks to government investment in rural development, health and education projects, besides additional reinforcement efforts made by NGOs. There is better coverage of infrastructure, sanitation and other public services due to support obtained from NGOs and to the communities' own efforts.

Figure 21
Communities from the Pujilí zone: Government presence 1990–99

Sector	Period	Rumipungo	Batán- La quesera	Yanahurco
Education	1990–95	2	2	2
	1996–99	2	2	
Health	1990–95	2	2	2
	1996–99	2	2	
Social welfare	1990–95			
	1996–99	2	2	2
Infrastructure	1990–95	1		
	1996–99	1,2		
Production development	1990–95	1		
	1996–99			
Housing	1990–95	2		
	1996–99			
Services	1990–95	2	2	2
	1996–99			

Source: Matrix developed in community workshops.

Notes: 1 = Foreign credits 1990–99

2 = Regular budget (probable external funding)

The following pages show government intervention in the zone.

Figure 22

Rumipungo Community

Organisation	Area	Actions	Outcomes	Beneficiaries
Agreemento/ DINEIB Army's Patria Brigade	Education	Construction of a school	School in the community Children attending school People do not spend money on transportation fares More teachers and classrooms needed	70 children grades 1–6 They do not receive school lunch Actions being taken to get it.
Ministry of Social Welfare	Children's rescue Operation (ORI)	Implementation of a nursery school	Women are able to work Better children's nutrition Skilled teachers and nurses Requires better organisation	70 children benefit 7 women have stable jobs
Ministry of Public Health	Health and Nutrition	Vaccination campaigns aimed at school children Vaccination against rabies Coverage of maternity expenses Assistance with family spacing	Disease prevention in children They grow healthy and strong Do not receive all the vaccines Now and then women do not go to health centres or hospitals "for assistance with family spacing or delivering babies" * Medications are not free	Number of vaccinated children not provided *About 30% of women from the community
Provincial Council	Infrastructure	Sports field	* Recreation in benefit of the communities	
Electricity Company	Public Services	Electricity supply	Children can do their homework People can work at night Not everybody has benefitted	7% of community inhabitants lack electricity supply (young couples)
Ministry of Finance	Social Services	Solidarity Bonus	Used to pay for electricity and butane gas Relieves transportation and food expenses	5% of elderly men 45% of young women 5% of elderly women
Foderuma (I)	Agriculture	Loans for cattle purchase	Improvement of families' economic conditions Did not benefit all the people	88 heads of family

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Organisation	Area	Action	Outcome	Beneficiaries
Environment	Basic Services	Latrine provision	Disease prevention	78 families
Sanitation			Improved hygiene Bad quality	
Pujilí Municipality	Roads	Carchi-Rumipungo Road Improvement	Products can be taken to the markets. Require maintenance	480 persons

(1) Investments related to foreign credits

El Batán Community-La Quesera

Organisation	Area	Action	Outcome	Beneficiaries
Agreemento DINEIB/ Italian volunteers	Education	Construction of a school, teaching materials, a teacher	Most children attend school in the community	18 children
Agreemento DINEIB/ADP	Education	Literacy centre	Adults learn to read and write Illiteracy is overcome Need for paperwork	22 people (more women than men) age 15–40 years of age
Ministry of Social Welfare	Children's Rescue Operation (ORI)	1 nursery school	Children are cared for while mothers work Food for children Preparation for school	36 children Training to caretakers
Municipality from Pujilí	Public Services	Public water pipeline	Provision of a water pipeline	Entire community
Ministry of Public Health	Vaccination campaigns		Children remain healthy Campaigns twice a year	
Ministry of Finances	Social Services	Solidarity Bonus	Helps to pay electric bill	

Note: As stated before, these programmes do not use foreign funding.

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Yanahurco Community

Organisation	Area	Action	Outcome	Beneficiaries
DRI/DJC/MEC	Education	School construction MEC provision of 2 teachers	Availability of education for children Teachers are not punctual Inefficient education	68 children
Agreement MEC/PDA	Education	Literacy centre	Improvements in the community Greater number of opportunities	16 women, 2 men age 14-45
45 Electricity Company/ Community	Public Services	Electricity supply	Things are more well-lit High bills	94 families
Ministry of Social Welfare	ORI	Nursery school	Children learn how to play Mothers can work Promotion for women, good training Low wages paid to caretakers	60 children
Ministry of Public Health	Health	Vaccination campaigns	Disease prevention Children remain healthy	Almost everybody (supposedly)
DINEIB	Handicrafts	Training in dressmaking	Job opportunities	
Ministry of Finances	Social Services	Solidarity Bonus	It is not enough Bonus cannot pay electric bills Teenager mothers do not have access to bonus	13 mothers

Zona Cebadas

The situation in this zone is similar to the others described. However, development indicators and the general situation of the people are even worse, especially with regard to health and nutrition. Yet government presence is higher in this zone in terms of services and infrastructure.

Education

The Vía Oriente community does not have a school, due to its proximity to the Cebada parish, a one-hour walk away. There, 70 children attend a school built by the provincial council and currently in poor condition. The number of students has grown 60 percent in the last decade; the drop-out rate has reached 3 percent. The inscription rate is very low (2 percent approximately), because many children migrate with their parents or stay at home helping them.

Children's nutrition is offered by the government using third parties to provide services. Children get their snacks from the Catholic church. Coverage is complete for all the children who attend school. There is no need for negotiations between the community and teachers or staff from the Ministry of Public Education. This is the only service provided with funding obtained from foreign credits.

The DINACE built a school in the community of Tablillas in 1995. Education is public, mixed, and bilingual. The school has six grades and is run by two teachers hired by the government. The number of students has grown from 32 in 1993 to 70 in the year 2000. The school lunch programme is supported by organisations such as the DINEIB/MEC. A literacy centre is supported through an agreement between the DINEIB and ADP. It is attended by 35 adults 14 to 45 years of age.

Bazan Grande has a school built by the CESA. The Ministry of Public Education collaborates with two bilingual teachers, and the Ecuadorian army hired one more teacher. The school is attended by 75 children. Children receive breakfast in co-ordination with the Ecuadorian Ministry of Education.

Partial government intervention is evident here; however, it does not have micro-regional characteristics. NGOs fill the void. A common problem can be seen in all the rural areas: both governmental and non-governmental organisations participate, but adequate co-ordination and joint programming are lacking.

Health and Nutrition

No health centres exist in most of the communities. People have to leave the community to get medical attention in the nearest city or parish. People from these three communities use traditional medicine to treat diseases. They go to the Riobamba hospital or to the health centre in Cebadas only in the case of serious illness. The health centre was built by the Ministry of Public Health and is run by a physician, a dentist and two nurses. Healthcare is free, but medication must be purchased by the patient. There are no government investments in health for the communities.

In Vía Oriente, no health, sanitation or nutrition projects are supported by the government. Women deliver their babies at home, helped by people without adequate training. They go to the hospital in Riobamba only in cases of emergency.

The Ministry of Public Health conducted vaccination campaigns in the communities. Most children from Vía Oriente and Bazán Grande are vaccinated, but the situation is different in Tablillas. People are now aware of the importance of vaccination for their children. If not, they know they need the vaccination certificate to enter their children in the civil register.

Nutrition in these three communities has been inadequate due to poverty conditions and poor nutritional habits. Residents eat a lot of carbohydrates, products exchanged for the products they grow on their farms. The government has not conducted education programmes regarding proper use and combination of products.

Peasants' social security covers a large percentage of families from the communities. Nevertheless, quality of services rendered is very poor. Residents seem to prefer health services offered by social security over those obtained from the Ministry of Public Health.

In short, with the exception of vaccination campaigns, the government does not invest any funds in health services for this zone.

Water and sanitation

As mentioned at the beginning, government presence in this field has been more prominent in these zones than in other sectors. A small part of the funds obtained from foreign debt contracting has been invested in this field. Any justification behind the greater governmental presence in these

particular zones instead of neighbouring ones is difficult to explain; it is also difficult to decode the mechanism by which the government prioritises implementation of its programmes.

Some of these zones have had a piped water supply for some time. The government installed this service through the IEOS (now the Department of Environmental Sanitation) and by using community workers. The same occurred with latrine provision programmes. A large project was implemented in the community of Tablillas: FASBASE, a project that supported the installation of piped water in co-ordination with the IEOS. Water supply covers the entire community and is of good quality. FISE has supported the community through a latrine provision programme. Users complain that the latrines are all destroyed because of their poor quality.

The FASBASE project has also been present in the Bazan Grande community, working on piped water and latrine provision projects in co-ordination with MIDUVI. Community residents have a positive opinion regarding these programmes. People agree that a piped water supply has helped improve living conditions and reduced diseases. Moreover, they no longer need to bring in water from far away. Water in the Via Oriente community is piped and potable. This service covers 90 percent of the zone.

There has been no support from the government for garbage disposal. There has not been any training or access to garbage-collection sites. Training was only provided by the MIDUVI on waste disposal and garbage sorting to the community of Bazan Grande. This training was obtained by the communities upon request, in co-ordination with NGOs, since the MIDUVI lacked in the planning of local projects, especially of those involving small investments.

Public services

Electrical supply in the three communities was installed by the electric company and the community. There are no telephone or sewage systems in these communities. Lack of government attention to improving living conditions within the zone is evident.

Social welfare

The Children's Rescue Operation programme (ORI), sponsored by the Ministry of Social Welfare, operated in the three communities with the

implementation of three nursery schools to care for children while mothers fulfil their daily agricultural work. The nursery schools provide food to children and are equipped with cradles and mattresses.

Community women are hired as caretakers, which generates job opportunities in the communities. Mothers feel relaxed and calm knowing that their children are cared for while they are at work. No other programmes are addressed to children.

In regard to the solidarity bonus, coverage is very low in Tablillas and Vía Oriente. Coverage in Bazan Grande reaches 60 percent. Nevertheless, the benefit of the bonus is reduced as prices go up.

Infrastructure

Irrigation channels have been installed with support from INERHI in Vía Oriente and DRV in Tablillas. Crops and pastures have been improved. This is a long-term benefit resulting from adequate investment focusing. The Guamote DRI project represented 2.3 percent of the overall amount invested in rural development between 1980 and 1991. An additional US\$10 million was invested in an irrigation project belonging to the PAT programme from the World Bank in Cebadas.

Agricultural and cattle sector

Small loans have been granted by the Banco de Fomento to support this field. These loans have been difficult to obtain. This has encouraged NGOs to implement forestry training and follow-up programmes, seed supply programmes, and so on (see NGOs chart). No important investments occurred in production programmes in the zone. The government has invested in basic services. General coverage of these projects is low, with poor impact.

Figure 23
Communities in the Cebadas zone: Government presence 1990–99

Field	Period	Tablillas	Vía Oriente	Bazan Grande
Education	1990–95	2	2	
	1996–99	1,2	1	
Health	1990–95	2	2	2
	1996–99	2	2	2
Social Welfare	1990–95	2		
	1996–99	2	2	1
Infrastructure	1990–95	2		
	1996–99	1,2		
Production development	1990–95	1	2	
	1996–99			
Housing	1990–95	1,2		
	1996–99	2		
Services	1990–95	1,2	1,2	1,2
	1996–99	1,2		

Source: Matrix elaborated in community workshops.

Notes: 1 = External credits 1990–99

2 = Regular budget (probable foreign funding)

The following pages show the government intervention matrix.

Figure 24
Vía Oriente Community

Organisation	Area	Actions	Outcome	Beneficiaries
IEOS/USAID Community volunteer work	Public services	Potable water	Improved hygiene conditions Improved health conditions Monthly payment of 1000 sucres per family to the water board to cover the operator's wage and for a community fund	52 families
IEOS/USAID Community volunteer work	Public services	Latrines	Avoids diseases Better hygiene Children's education and sanitation Not everybody has these	50% of community population
Guamote municipality	Infrastructure	Community house	Place where meetings and training events are held Equipment is required: stove, door, chairs, desk	Entire community
MIDUVI	Infrastructure	Credit for housing	Own house Convenient cost Convenient fee (180,000 sucres every 6 months)	Entire community
INERHI CORSICEN	Infrastructure	Irrigation channel	Improved soil conditions Improved crops and animals Shifts are not always respected	Entire community
MOP/Army	Infrastructure	Cebadas-Macas road	Availability to transport goods Sick people can get to the hospital faster	Entire community
Guamote municipality	Public Services	Electricity supply	Children can study at night Community meetings and workshops can be held at night Television	50% of the community

Organisation	Area	Actions	Outcome	Beneficiaries
Ministry of Finance	Social services	Solidarity bonus	People can buy more food The bonus is used to pay electricity, water bills, etc. People spend too much money to cash the bonus (transportation, lunch)	2 people

Tablillas Community

Organisation	Area	Actions	Outcome	Beneficiaries
DINACE	Infrastructure	School construction	Better children's education A school near the community Children do not have to walk long distances Better opportunities for their future Not enough teaching materials More teachers needed (only 2 for 6 grades) More furniture also needed	70 children
DINEIB/MEC	Social services	School lunch	Children receive better nourishment Nutritional supplement to benefit children	70 children and 2 teachers
DINEIB/PDA	Education	Literacy centre	To benefit adults People learn how to read and write	35 people 15–50 years old
Ministry of Public Health	Health	Vaccination campaign	Protects children's health Not all children receive vaccination Most people vaccinate their children because they need the certificate to enter children in the civil register	80 % of children receive full dosage
Ministry of Public Health	Health	Assistance with family spacing	Just a few pregnant women go to health centres They receive pregnancy advice from unskilled people in the community	

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Organisation	Area	Actions	Outcome	Beneficiaries
FASBASE/IEOS ¹	Infrastructure	Piped water	Protects people's health Clean water supply Improved sanitation and comfort	All families
DRI/GUAMOTE	Infrastructure	Irrigation channel	Water for animals Plots have been improved Animal feed improvement Three hours weekly of watering There is a water council Everyone does not benefit	50% to 70% of users
MUNICIPIO DE GUAMOTE/ Empresa Eléctrica	Public Service	Electric Energy	Children do their homework To work at night For the cheese store For the bread store To listen to news on the radio	90%
FISE ¹	Infrastructure	Latrines	Protect against illnesses Better sanitation Poor construction Almost all are destroyed	90%

Bazan Grande Community

Organisation	Area	Actions	Outcome	Beneficiaries
MEC/CESA	Education	School construction Teachers from the Ministry of Education	School is close to community Reduced illiteracy rate More classrooms required	75 children
MEC—PMA ¹	Social Services	School breakfast	Better nutrition for children There is no continuity	75 children

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Organisation	Area	Actions	Outcome	Beneficiaries
Ministry of Social Service	ORI	Nursery school	Mothers are able to work Children receive nourishment and care Lack of own building Three skilled caretakers	35 children
Ministry of Public Health	Health	Vaccination campaigns	Disease prevention Healthier children	110 children
FASBASE/MIDUVI ¹	Public services	Piped water	Water supply Clean water	65 families
FASBASE/MIDUVI	Public services	Latrines	Better sanitary conditions Improved family hygiene	80%
MIDUVI/ SANEAMIENTO AMBIETA	Sanitation	Training in garbage disposal	Cleaner conditions in communities Reduced disease rate Correct use of manure	68 families
Empresa Eléctrica	Public services	Electricity supply	People are able to work at night and to carry out household chores	84 families
Ministry of Finance	Social Services	Solidarity bonus	Helps people afford the electricity bill and buy some things Is not enough A lot of money is spent on transportation to go to the bank to cash the bonus	25 women

¹ Investments supported by external credits

Maquipurashun Zone

Education

The first stage of the service projects is usually started by community residents themselves. The government and NGOs sometimes support the communities in initial efforts. This rarely occurs in urban centres, where people feel that the government and municipalities are supposed to render the services without their collaboration. Rural areas have based their development upon their own resources and organisation.

In Maquipurashun, people asked the provincial council for construction of new classrooms to handle increasing numbers of students. They also asked the Ministry of Public Education for teachers. A new classroom was built in Achupallas four years ago. Another teacher is needed, as there is only one teacher for the three grades.

Gualapuro does not have a school and may never have one; children from this community attend school in the Samag community, in La Esperanza and in Otavalo. Five percent of the children do not complete primary school because their parents cannot afford it.

Maquipurashun is currently supporting 10 children from Gualapuro with scholarships, uniforms, schools supplies and food. The school drop-out rate is therefore being reduced. A literacy centre in Gualapuro 12 years ago was part of the Leonidas Proaño project. It was not maintained by people from the community, so it was closed down.

Children benefit greatly from the school snack programme, because there are times when they go to school without having breakfast. The programme was supported by the Catholic church in the past. Now it is funded by the government. This is the only programme funded through foreign debt in the zone.

Cutambi has a kindergarten attended by 18 children. Teachers receive training and economic support. The kindergarten was installed by co-ordination of the PRONEPE and Maquipurashun projects. This programme, sponsored by the Ministry of Public Education, works with regular funding.

Health and nutrition

Currently, especially in the Gualapuro community near Otavalo, families go to the hospital or to private physicians only when they cannot treat

themselves with medicinal plants. People from the communities of Cutambi and Achupallas go to the Gualsaqui health centre. Coverage of health services is more extensive than in other zones.

There are people in charge of helping women during pregnancy and delivery. They are recognised and respected. Their knowledge is based on experience. Some of them, especially in Gualapuro, have received training from the Ecuadorian Ministry of Public Health, the Jambi Huasi and Jambi Mascari. They have been receiving additional training since 1998 from the United Nations on deliveries and assistance with family spacing. They are in charge of training the community.

The Ministry of Public Health is in charge of vaccination campaigns, conducted three or four times a year. Mothers currently have their children vaccinated to prevent diseases. As in the rest of the studied zones, the only permanent investment is aimed at vaccination.

Another important source of medical care is Peasant's Social Security, which provides wide coverage but inefficient services.

Basic Services

Piped water supply is provided by several government organisations, like the IEOS in Gualapuro and Cutambi. Water provision is considered to be a very important benefit. Nevertheless, people from Gualapuro think that piped water is dirty and polluted with faeces. They need more water, because they use the same system to irrigate the crops. These are old government investments, made 10 years ago.

Electric supply has also been obtained by governmental organisations. People are now able to participate in many activities that were impossible in the past. They can even listen to radio broadcasts in order to know what is happening in the world.

Most houses have latrines, but these are not always used due to water shortages and poor quality. They were installed by the FASBASE project.

Social services

The solidarity bonus benefits only 10 people. It is no longer enough.

Infrastructure

Due to the approach adopted towards setting priorities, government programmes are too few, with very low coverage.

Nevertheless, housing programmes, although very scarce, are considered to be a major benefit by families, especially young couples or families whose houses have been destroyed. MIDUVI built some houses in Cutambi, and a 3,500,000 sucres loan was granted in Gualapuro by FEPP with a 10-year term and a 4 percent interest rate.

Production Development

Small but periodical support was provided by the Ecuadorian Ministry of Agriculture in the Gualapuro community by means of technical assistance for animal vaccination to benefit half of the families in the community.

Figure 25
Communities in the Maquipurashun Zone: Government intervention 1990-99

Field	Period	Gualapuro	Achupallas	Cutambi
Education	1990-95		2	1,2
	1996-99	1		1,2
Health	1990-95	2	2	2
	1996-99	2	2	2
Social Welfare	1990-95		2	
	1996-99	2	2	2
Infrastructure	1990-95	1		
	1996-99	2		
Production development	1990-95			
	1996-99	2	2	
Housing	1990-95	1,2		2
	1996-99			2
Services	1990-95	2	2	2
	1996-99			

Source: Matrix elaborated in programmes

Note: 1 = Foreign loans 1990-99

2 = Regular budget (probable foreign funding)

Following is the matrix regarding government intervention in the zone.

Figure 26
Gualapuro Community

Organisation	Area	Action	Outcome	Beneficiaries
Provincial Council / Roads	Infrastructure	Roads	People can get to the main road easily In bad condition, poor maintenance	Entire community
FASBASE ¹	Sanitation	Latrines	Improved hygiene conditions, shortage of water Built by the community	46 families
Ministry of Agriculture	Agriculture	Technical assistance for vaccination of animals every four months	Reduces animal disease rate Different rates are charged according to the type of animal	20 families
Ministry of Social Welfare—DRI ¹	Infrastructure	Irrigation channel	Favours communities closer to water sources	No beneficiaries
MEC-PMA ¹	Education	School snacks	Better nourishment, replaces breakfast	All children
IEOS	Sanitation	Piped water	Saves time Poor quality	All houses except 5
Ministry of Public Health	Preventative healthcare	Vaccination campaigns four times a year	Diseases are prevented All children do not receive full dosage Coverage rate reaches 90%	Entire community
	Health attention services	Healthcare in the San Luis Hospital	Low coverage Expensive medications	A few communities
Peasants' Social Security/ Campesino	Health	Medical assistance	Medical attention Tests are free Families benefit greatly People are forced to participate in strikes Poor quality healthcare	10%

Organisation	Area	Action	Outcome	Beneficiaries
Ministry of Social Welfare—ORI	Social services	Nursery school	More spare time Gives job opportunities to caretakers All the children receive the same nourishment Some children are undernourished	43 children
Electric company (Emelnorte)	Public services	Electricity supply	Families can do household chores at night Children can do their homework at night Community meetings Television broadcasts	35 families
Ministry of Finance	Social services	Solidarity bonus	People use it to pay their electric and water bills They need to spend money on transportation to cash it People get used to receiving the bonus	10 people

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Achupallas Community

Organisation	Area	Action	Outcome	Beneficiaries
Provincial Council	Education	Classroom construction	Improved children's education More teachers are required (there is only one for three grades)	40 children
Ministry of Social Welfare	Social services	Nursery schools/ children's nutrition Training to mothers	Mothers able to work This service was discontinued in 1994 due to inefficient management	15 children
IEOS	Sanitation	Piped water	Clean water People no longer need to go get water Water is not potable	23 families (3 do not have this service)
Ministry of Public Health	Preventative healthcare	Vaccination campaigns four times a year	Disease prevention	Entire community

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Organisation	Area	Action	Outcome	Beneficiaries
	Health services	Healthcare in the San Luis Hospital	Emergency cases Care is free, but medicine is not	A few families
Peasants' Social Security	Health	Health services	A big benefit Helps all families	2 people
Electricity company (Emelnorte)	Public services	Electricity	People can listen to radio broadcasts People can have electric appliances The community has to buy meters; they cannot afford them	50%, 13 families
Ministry of Finances/CONAM	Social services	Solidarity bonus	The high cost of living means that people stop regarding it as adequate support	30% women

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Cutambi Community

Organisation	Area	Action	Outcome	Beneficiaries
Provincial Council	Education	School construction	Improved children's education	28 children
FISE ¹	Education	A new classroom and school furniture	Improved children's education	60 children
MEC-PRONEPE (support to Maquipurashun)	Education	Preschool education	Children are well prepared to attend school	18 children
MEC-PMA	Education	School snacks	Better nutrition	60 schoolchildren
IEOS (92) Provincial Council (complete)	Sanitation	Piped water	Cleaner water Time is saved as people no longer need to get water Improved children's hygiene	43 families (2 still have no water supply)

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Organisation	Area	Action	Outcome	Beneficiaries
Ministry of Public Health	Preventative healthcare	Vaccination campaigns four times a year	Disease prevention	Entire community
	Primary health attention	Health centre (Gualsaqui)	Attention to emergencies	A few families
Provincial Council	Sanitation	Latrines	Disease prevention In bad condition due to lack of water	
MIDUVI	Housing/ sanitation	20 houses with latrines	Houses available for young couples Latrines in bad conditions (there is no water)	20 families
Electric company (Emelnorte)	Public services	Electricity supply	People can do household chores at night Children can do their homework at night	45 families
Ministry of Finance	Social services	Solidarity bonus	High cost of living means people regard it as insufficient	25 women

¹ Investments funded through foreign credits

Conclusions

The following hypotheses have been verified:

No direct measurements have been made of the true effect of foreign-debt contracting upon inflation given the current situation of the communities. Nevertheless, negative changes are evident in income and poverty levels as a result of the crisis.

It can be argued that state actions have not been focused on the neediest population, although it is also clear that state resources have been severely limited by debt. Reduction in the foreign-debt payment burden could potentially benefit the most vulnerable and impoverished sectors and thus be considered as a benefit to the people.

The key to such developments would be both the freeing up of resources through debt cancellation and the building up of the ability of the state to implement and target effective programmes. There must be a two-pronged approach to the problem. The state does have the potential to benefit the communities, but it must be able to make efficient use of the resources it receives.

The following are conclusions from the investigation:

1. The country has been involved in a debt-contracting process since 1970. This has resulted in an extremely heavy burden that cannot be alleviated.

2. The amount of funds used to pay for foreign debt and the inability to generate additional income has resulted in a permanent deficit that has been resolved by contracting new credits. The deficit has impeded the government's ability to focus efforts in a better and more efficient way.

3. One consequence of this problem has been an unstable economic situation and high inflation rates in the last decade. This has provoked a rise in poverty and extreme poverty.

4. Debt payments have a close correlation to poverty, primarily through opportunity cost. They severely affect the poor when funds could otherwise have been invested in development projects in an efficient manner. The purpose of resources is the variable that makes impacts positive or negative.

5. Traditionally, foreign-contracted loans have funded large infrastructure projects such as road construction, dams and urban services to

benefit large cities. Electricity and irrigation projects have been funded as well.

6. The main beneficiaries have been the cities of Quito and Guayaquil, large farms through irrigation projects, heavy industry (through electric and water supplies) and commerce through the construction of roads linking the Coastal and Sierra regions.

7. Funding for health, education, children's welfare, small infrastructure, rural development projects, and so on, started being implemented by the end of the 1980s. Infrastructure sectors continue to be the main beneficiaries, including municipalities and regional development organisations.

8. Funds invested in development projects have not been adequately focused on the neediest population. Social programmes have poor coverage, because they require high investment and foreign-debt contracting. Enabling better targeting and implementation of projects would greatly increase the state's ability to reduce poverty.

9. The main projects related to foreign debt within the social sector represent 80 percent of overall government investment. Nevertheless, they have a poor economic and poverty-reducing record. The largest projects currently in motion within the sector are FISE and the school snack programme. Their activities are not adequately focused.

10. At a local level, no more than 3 percent of funds invested in government programmes is addressed to the provinces and no more than 1 percent to the studied cantons. This means that 150 percent at the provincial level and 200 percent in the cantons is taken away from these sectors.

11. Only 3.5 percent of the government's general budget is invested in the studied provinces. An average of 2 percent of the ministries' and government organisations' projects is invested in the studied zones.

12. There has been a continual withdrawal of the government from the studied zones in terms of the provision of social services, especially related to infrastructure and production. This gap has not been filled by other organisations. This has resulted in very vulnerable conditions affecting indigenous people, who are extremely dependent upon changes in the economic system. Old programmes and systems have been steadily dismantled.

13. Although programmes are administered on a nation-wide level, they are not offered in these specific zones, except for FISE, FASBASE, school snacks and ORI, which are in charge of installing nursery schools. This programme is being restructured through a loan granted by the BID and is part of the Nuestros Niños project, which is still not in effect. Moreover, ORI nursery schools have not been up and running for one year.

14. The outcomes of these interventions have been similar in the studied communities. Schools funded by the Ministry of Public Education and some NGOs have a significant impact on the reduction of illiteracy rates and an increase in attendance. Nevertheless, the school drop-out rate continues to go up in times of economic crisis. FISE has also built some classrooms and community houses.

15. The same outcomes occur with literacy centres when government intervention is reduced. These centres were built after the schools.

16. The government also works in the health area through the construction and maintenance of health centres (not present in the studied zones but in other areas). The Ministry of Public Health uses its own budget at a local level. People do attend health centres, although their coverage is limited. A very good programme is the children's vaccination campaign.

17. Important health aspects, such as nutrition, have been covered by NGOs.

18. FASBASE has built latrines and provided piped water and supplies to health centres. Its presence is most evident in the Chimborazo zone. Evaluation regarding its presence varies from one community to another, depending upon the availability of complementary services.

19. Funds from the government's general budget have been invested in projects to supply piped water, irrigation, electricity and sanitation (which was provided several years ago but lacked maintenance). These services are inefficient and provide low coverage. Nevertheless, people feel that they have benefitted from these programmes because they have no basis of comparison.

20. The cost of programmes related to foreign debt is very high, yet they provide low coverage. The presence of these programmes at the rural level is very low or has been blocked due to political instability, changes in authorities or a lack of disbursement.

21. The survey of communities suggested that people in general feel unhappy about the level and quality of services. There are some areas where

the government has been the sole participant, making it impossible to establish any comparison or evaluation. Additionally, people have become more interested in NGOs which are closer to them, although NGOs are not able to meet all unmet needs either.

22. At the local level and in the poorest and most impoverished sectors, those not in close contact with formal sectors (for example, those who lack identity cards, land ownership papers, etc.) find that access to programmes is extremely difficult.

23. The poorest rural sectors (represented by the studied communities) have remained outside of the benefits yielded by a wide range of public investments. Large investments were made 10 years ago. Current projects are not present in the zones studied. Any improvements in their situation have been the result of their own efforts, in contrast with public services installed in urban centres without any effort from local residents.

24. Debt-contracting options should be analysed very carefully in the near future, in order to make profound changes in the basic services-provision system, and thus focus efforts on people's needs. Investments should be long term. Such a process will become a real investment in human and production capital for the achievement of sustained outcomes in order to reduce poverty levels in the long term.

25. Additional options should be considered. For instance, funds from renegotiation of foreign debt could be assigned to social programmes. There should also be a strong relationship between the government's social and economic politics.

In summary, we can say that in spite of the foreign debt contracted, the credits themselves did little to generate growth or poverty-alleviating interventions for the poor. The consequence of the debt instead has been a significant reduction in resources for essential programmes. Interests must be paid (thanks to international conditionality) with no regard to internal problems such as changes of authorities and politics, programme delays, and the like. The opportunity cost of debt has been the foregoing of education, health and income-generation programmes that might have significantly helped the poor. Ability to implement such programmes has been reduced not only by lack of funds but also by the shrinking of the state's direct role in the communities. At a time when action was needed to improve the state's targeting and implementation of programmes, the state instead lost the resources to implement projects of any kind.

Appendices

Appendix 1: Workshop Guide

Goals

- To identify public investments made in the communities located in the zones selected by World Vision to be studied.
- To identify changes in each zone as a result of public investments related to foreign debt during the last decade.

Participants

A workshop was held in each community in the areas of Pujilí, Maquipurashun and Cebadas. A maximum of 25 people participated per community. Among the people who participated were women, men, former leaders, current leaders and a teacher from the community. Communities that participated were:

Zona Pujilí

Rumipungo community
El Batán community
Yanahurco community

Zona Cebadas

Vía Oriente community
Bazan community
Tablillas community

Maquipurashum Zone

Cutambi community
Gualapuro community
Achupallas community

Workshop methodology

Introduction

Objectives of the investigation were explained in great detail. Community participants and the investigative team were introduced. Work programmes and methodologies were also explained. Work groups were created according to the number of participants present.

Community mapping

Two maps were drawn to explain the difference between the current situation in the community and the situation 10 years ago. The objective was to identify the actions that were carried out by public funding and the changes they brought to the communities.

Group work

Group work was done with the same groups formed earlier. Colour cards were handed out (yellow for organisations, pink for components, blue for actions, green for outcomes, white for beneficiaries). The maps were used in this activity. The resulting matrix allowed us to make an analysis of the government support process and whether the process benefitted the communities.

The matrix included the following points:

- Organisation
- Components or activities
- Actions developed
- Outcomes (achievements, qualitative, quantitative)
- Population benefited

Work groups were supported by a member of the investigation team and by the person in charge of the zone.

Plenary: Group exposition and analysis

Conclusions were obtained through an interactive game.

Contents

General Information

Place: Pujilí, Cebadas y Maquipurashum
Communities that participated: 3 from the zone
Number of participants: 25 people per workshop
Workshop co-ordination: Matilde Camacho
Co-ordination assistant: Paquita Troya
Start time: 9:00 A.M.
Duration: 5 hours

Activities*Community situation map*

Participants: 2 groups

Materials: Paper, markers, masking tape

Staff: Matilde y Paquita

Procedure. Two working groups were formed. Each group included men and women, a current community leader and a former one. Each group drew two community maps. The first one depicted the community 10 years ago and the second map was an indication of the current situation in the community.

A smaller group was then selected from the first one. They were in charge of working out the maps and analysing the whole process since 1989.

Indicators**Group 1*****On education***

School, type of school

Number of grades

Classroom construction

Type of construction

Classroom condition

Number of teachers

School

Literacy centre

Growth of school population

School drop-out rate

Projects and programmes undertaken by government organisations

Scholarships

Health, sanitation and nutrition

Health centre or post

Staff

Equipment and supplies

Most frequent diseases.

Assistance with family spacing, deliveries

Family planning

Vaccination campaigns

Training in preventative health and sanitation

Health, sanitation and nutrition programmes that have been held by government organisations
Children's nutrition
Water use
Garbage and waste disposal

Public services

Government programmes to implement public services
Water: population benefitted
Electric supply
Telephones
Social protection (nursery schools)
Sewage systems
Solidarity bonus
Latrines

Group 2

Infrastructure

Housing loans
Irrigation canals
Roads
Community houses
Sports fields
Projects and programmes to be used in infrastructure

Agriculture

Technology and technical assistance
Greenhouse installation
Seed donations
Credits
Training
Increased production
Improved soils

Commerce

Handicrafts
Agriculture and cattle breeding
Community micro-enterprises
Government programmes to support micro-enterprises

Employment and migration

Migratory trends at national level
Temporary or permanent migration. Destination
Migrant groups (men, women, children)
Employment outside the community
Employment in the community
Type of employment

Materials

Paper, masking tape, colour markers

Staff

Matilde y Paquita

Duration

2 hours

Analysis of the community's current situation in relation to public investments***Participants***

2 groups per workshop

Procedure

This subject was discussed with former groups in order to measure the impact of government investments on the communities. Each group was handed materials (paper, boards and markers).

Matrix design for work***Contents***

- a. organisation
- b. components: education, health, sanitation, nutrition, public services, infrastructure, agriculture, commerce, employment and migration . . .).
- c. actions carried out
- d. outcome achieved
- e. beneficiaries

Materials

Paper, masking tape, colour markers

Staff

Matilde y Paquita

Duration

2 hours

Questions/guides for the facilitators

1. What was the community like 10 years ago?
2. Name the organisations that have been helping the community within the last 10 years.
3. Name the projects undertaken by these organisations. What agreements were signed by the community?
4. Who were the beneficiaries in the community? (women, men, children, etc.)
5. What are the outcomes of the projects?
6. What organisations are supporting the community at present? What programmes are being implemented?
7. Has participation in the organisations increased? Why?
8. What group is receiving the most benefits? (women, men, children or the family in general)?
9. Do you think the projects have met community needs?
10. What organisation or project is the most important for the community?
11. Compare actions-outcomes of NGO interventions.

Conclusions

Workshop conclusions were obtained through an interactive game played with the participants.

Programme

- 9:00–9:30 A.M. Participants' introduction and explanation of the workshop objectives

9:30–11:30 P.M.	Elaboration of community situation maps Group activity
11:30–1:00 P.M.	Description of outcomes
1:00–2:00 P.M.	Lunch
2:00–3:30 P.M.	Analysis of the current situation of the community (group work)
3:30–5:00 P.M.	Outcomes discussion and evaluation Conclusions

Appendix 2: Some indicators of social protection programmes through 1999

PROVINCE	COTOPAXI						
	Canton	Latacunga	La Maná	Pangua	Pujilí	Salcedo	Saquisilí
Population in 1999	122,637	21,857	17,534	46,241	47,262	13,378	19,243
Schools PROMOCEB network	00	33	27	62	23	00	03
Students in the PROMOCEB network	00	1,725	1,347	4,720	2,710	00	74
Children attended to by the ORI	522	00	105	1,186	275	172	330
Children attended to by the INNFA	657	293	00	133	75	161	00
Children attended to by the Pronepe	687	00	00	443	290	421	00
Children benefitted by the school snack programme	4,575	568	3,036	5,680	1,149	1,315	488
EB/PRODEC students	0	0	0	0	0	0	0
FISE projects 1999	5	0	0	9	5	3	4
Poverty rate %	57.8	75.9	82.9	78.5	72.9	72.8	90.7
Poor population 1999	70938	16600	14531	36292	34468	9738	17445
Poverty rate 1-4 years old %	66	81	89	86	80	80	94
Poor children 0-6 years old	12,034	2,613	2,298	5,917	5,612	1,581	2,680
Poor children 0-4 years old	3,853	837	736	1,894	1,797	506	858
Poor children 0-5 years old	11,751	2,552	2,244	5,777	5,480	1,544	2,616
Beneficiaries Fise I	34,350	1,677	81	53,117	16,595	3,708	1,732
Invested amount Fise I S/.	5,686,463,976	302,641,627	47,587,745	2,367,452,335	2,445,417,050	937,465,621	813,037,848
Executed projects Fise I	87	9	9	53	43	34	55
Beneficiaries Fise 2	2,130	2,000	00	2,695	378	2,096	474
Invested amount Fise 2 S/.	402,929,336	411,117,276	00	521,313,962	158,624,598	227,489,266	179,925,673

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Canton	Latacunga	La Maná	Pangua	Pujilí	Salcedo	Saquisilí	Sigchos
Executed projects Fise 2	4	1	0	7	3	2	4
Coverage Fise 1	48.4%	10.1%	0.6%	146.4%	48.1%	38.1%	9.9%
Coverage Fise 2	3.0%	12.0%	0.0%	7.4%	1.1%	21.5%	2.7%
Coverage Innfa	5.5%	11.2%	0.0%	2.2%	1.3%	10.2%	0.0%
Coverage ORI	4.3%	0.0%	4.6%	20.0%	4.9%	10.9%	12.3%
Poverty gap %	19	28	29	33	26	28	44
Coverage school snacks programme	35.2%	15.1%	93.8%	78.2%	18.2%	65.6%	14.7%
Coverage FISE 1 y 2	51.4%	22.2%	0.0%	153.8%	49.2%	59.6%	12.6%
Dollars invested per person Fise 1999	9.9	8.5	8.4	9.1	8.7	9.0	8.8
Beneficiaries (Solidarity Bonus)	14,891	1,556	2,001	7,307	5,036	1,870	1,664
Bonus coverage	21.0%	9.4%	13.8%	20.1%	14.6%	19.2%	9.5%
Coverage PROMOCEB	0.0%	29.0%	29.9%	44.1%	26.1%	0.0%	1.9%
Coverage ORI/INNFA	10.0%	0.0%	0.0%	22.8%	6.4%	21.6%	0.0%

PROVINCE**CHIMBORAZO**

Canton	Riobamba	Alausí	Colta	Chambo	Chunchi	Guamote	Guano	Pallatanga	Penipe	Cumandá
Population in 1999	183,082	43,942	53,174	10,578	15,080	31,365	41,479	10,600	7,912	7,933
Schools PROMOCEB network	00	14	48	00	25	20	51	15	13	00
Students in the PROMOCEB network	00	561	3,164	00	1,311	2,073	3,327	599	813	00
Children attended to by the ORI	1,629	460	641	50	30	1,126	00	00	87	00
Children attended to by the INNFA	635	54	1,502	00	00	00	258	93	00	55
Children attended to by the Pronepe	568	210	00	170	20	00	222	00	00	90

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Canton	Riobamba	Alausí	Colta	Chambo	Chunchi	Guamote	Guano	Pallatanga	Penipe	Cumandá
Children benefitted by the school snack programme	6,455	4,566	6,507	1,356	1,249	5,805	2,806	1,109	190	1,420
EB/PRODEC students	0	0	0	0	0	0	0	0	0	0
FISE projects 1999	11	3	5	3	1	1	4	0	1	1
Poverty rate %	48.1	82.6	88.4	69.7	76.0	91.7	76.7	84.1	79.7	76.4
Poor population 1999	88061	36299	46996	7378	11,465	28754	31820	8915	6304	6064
Poverty rate 1–4 years old %	59	91	91	81	84	94	83	90	88	81
Poor children 0–6 years old	15,993	5,929	7,140	1,268	1,884	4,382	5,086	1,411	1,034	949
Poor children 0–4 years old	5,122	1,898	2,286	406	603	1,402	1,629	451	331	304
Poor children 0–5 years old	15,617	5,789	6,973	1,238	1,839	4,278	4,966	1,378	1,010	927
Beneficiaries Fise 1	98,234	6,152	22,572	00	1,361	7,143	5,471	1,350	1,596	00
Invested amount Fise 1 S/. (in thousands)	5,765,071	1,393,709	3,421,792	00	543,148	1,809,622	1,226,857	346,839	443,368	00
Executed projects Fise 1	102	58	72	0	8	71	35	3	5	0
Beneficiaries Fise 2	190	960	00	00	3,200	652	1,201	00	00	00
Invested amount Fise 2 S/. (in thousands)	68,606	217,213	00	00	124,613	340,954	352,567	00	00	00
Executed projects Fise 2	3	1	0	0	2	10	4	0	0	0
Coverage Fise 1	111.6%	16.9%	48.0%	0.0%	11.9%	24.8%	17.2%	15.1%	25.3%	0.0%
Coverage Fise 2	0.2%	2.6%	0.0%	0.0%	27.9%	2.3%	3.8%	0.0%	0.0%	0.0%
Coverage Innfa	4.0%	0.9%	21.0%	0.0%	0.0%	0.0%	5.1%	6.6%	0.0%	5.8%
Coverage ORI	10.2%	7.8%	9.0%	3.9%	1.6%	25.7%	0.0%	0.0%	8.4%	0.0%
Poverty gap %	17	40	38	25	33	52	28	36	28	27
Coverage school snacks programme	46.3%	69.2%	77.4%	124.4%	57.8%	89.5%	60.7%	63.7%	20.4%	97.1%

Continued on page 78

Canton	Riobamba	Alausí	Colta	Chambo	Chunchi	Guamote	Guano	Pallatanga	Penipe	Cumandá
Coverage FISE I y 2	111.8%	19.6%	0.0%	0.0%	39.8%	27.1%	21.0%	0.0%	0.0%	0.0%
Dollars invested per person Fise 1999	9.5	8.4	7.9	8.4	8.3	8.3	7.9	7.8	7.1	8.1
Beneficiaries (solidarity bonus)	24,088	5,621	4,227	991	1,520	2,602	5,312	685	1,233	3,979
Bonus coverage	27.4%	15.5%	9.0%	13.4%	13.3%	9.0%	16.7%	7.7%	19.6%	65.6%
Coverage PROMOCEB	0.0%	5.9%	28.3%	0.0%	38.1%	26.7%	49.0%	25.3%	58.2%	0.0%
Coverage ORI/INNFA	14.5%	8.9%	30.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

PROVINCE

IMBABURA

Canton	Ibarra	Antonio Ante	Cotacachi	Otavalo	Pimampiro	Urcuquí
Population in 1999	135,912	31,137	37,819	64,020	17,469	15,623
Schools promeceb network	18	00	43	34	00	00
Students in the PROMOCEB network	771	00	3,281	1,808	000	0
Children attended to by the ORI	307	65	346	250	00	105
Children attended to by the INNFA	328	97	76	86	00	00
Children attended to by the Pronepe	260	65	285	432	255	65
Children benefitted by the school snack programme	5,394	573	1,474	6,421	578	537
EB/PRODEC students	0	0	0	0	0	0
FISE projects 1999	8	4	2	6	1	0
Poverty rate %	47.4	53.2	78.4	62.7	80.4	81.3
Poor population 1999	64,448	16,577	29,656	40,111	14,047	12,709
Poverty rate 1-4 years old %	57	63	86	72	88	87

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Canton	Ibarra	Antonio Ante	Cotacachi	Otavalo	Pimampiro	Urcuquí
Poor children 0–6 years old	11,428	2,920	4,804	6,780	2,275	2,005
Poor children 0–4 years old	3,660	934	1,538	2,171	728	641
Poor children 0–5 years old	11,160	2,850	4,691	6,621	2,221	1,958
Beneficiaries Fise 1	29,254	3,749	18,673	52,526	3,002	2,036
Invested amount Fise 1 S/.	3,778,449,221	535,343,877	2,148,950,663	4,972,134,374	259,338,043	1,651,621,766
Executed projects Fise 1	30	11	49	68	2	19
Beneficiaries Fise 2	1,240	2,008	1,425	4,418	700	00
Invested amount Fise 2 S/. (in thousands)	307,603	568,432	577,451	1,229,455	262,096	00
Executed projects Fise 2	2	5	5	6	1	0
Coverage Fise 1	45.4%	22.6%	63.0%	131.0%	2.1%	173.4%
Coverage Fise 2	1.9%	12.1%	4.8%	11.0%	5.0%	0.0%
Coverage Innfa	2.9%	3.3%	1.6%	1.3%	0.0%	0.0%
Coverage ORI	2.7%	2.2%	7.2%	3.7%	0.0%	5.2%
Poverty gap %	17	19	34	24	33	32
Coverage school snacks programme	61.5%	22.2%	25.6%	63.1%	26.5%	24.9%
Coverage FISE 1 y 2	47.3%	34.7%	67.8%	142.0%	7.1%	0.0%
Dollars invested per person Fise 1999	9.7	9.4	8.4	9.0	7.6	7.5
Beneficiaries (solidarity bonus)	18,180	4,787	5,408	11,154	2,029	2,210
Bonus coverage	28.2%	28.9%	18.2%	27.8%	14.4%	17.4%
Coverage PROMOCEB	2.3%	0.0%	38.2%	8.5%	0.0%	0.0%
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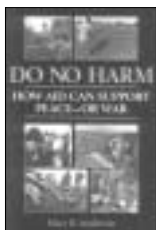


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