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Report No. P-3320-EC

REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
TO THE
REPUBLIC OF ECUADOR
FOR A
SECOND VOCATIONAL TRAINING PROJECT

May 14, 1982

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CURRENCY EQUIVALENTS

Ecuador implemented a system of multiple exchange rates on March 3, 1982. The exchange rate for the petroleum sector remains at US\$1 = S/ .25, that for non-oil exports is US\$1 = S/. 30. The exchange rates for non-oil imports are US\$1 = S/.28 for essential imports (e.g., food, raw materials) and US\$1 = S/. 30 for all other imports. There is also a free market rate that has been fluctuating around US\$1 = S/. 40.

Currency Unit: Sucre (S/.)

	<u>Calendar 1981</u>	<u>May 1, 1982</u>
US\$1	= S/. 25	= S/. 30
S/. 1	= US\$0.04	= US\$0.03
S/. 1,000	= US\$40.00	= US\$33.33

FISCAL YEAR

January 1 to December 31

ABBREVIATIONS

SECAP	Servicio Ecuatoriano de Capacitacion Profesional (Ecuadorian Training Service)
CONADE	Consejo Nacional de Desarrollo (National Development Council)
IDB	Inter-American Development Bank
USAID	United States Agency for International Development

REPUBLIC OF ECUADOR

SECOND VOCATIONAL TRAINING PROJECT

LOAN AND PROJECT SUMMARY

Borrower: Republic of Ecuador

Amount: US\$16.0 million equivalent, including a capitalized front-end fee of approximately US\$0.24 million.

Terms: Payable in 17 years, including 4 years of grace at 11.6 percent interest per annum with a front-end fee of 1.5 percent.

Project Description: This project would help the Ecuadorian Training Service, SECAP, to carry out the next phase of its long range development plan by: (i) increasing output of its centers and mobile units annually to about 2,800 new skilled workers and by upgrading skills of about 13,400 workers; (ii) improving quality of instruction through equipment installation, teacher training and instructional materials production; and (iii) strengthening SECAP's planning, supervision and evaluation ability. Ten new training centers would be built and equipped, two existing centers would be expanded and another re-equipped, five mobile training units would be acquired, and a facility for instructor training and materials production would be provided. Technical assistance and training for SECAP staff would improve the capacity of the institution to plan and deliver training programs.

Special Risks: Management and local cost financing problems affected the first vocational training project, but these difficulties have been substantially resolved by the present Government, which strongly supports skills training. These risks are expected to be minimal under the second project. SECAP's current management has been successful in advancing the first project and would be supported by technical assistance and additional staff to assure efficient execution of the proposed project.

<u>Estimated Costs:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$ million-----		
(a) Training Centers	11.1	10.6	21.7
(b) Mobile Units	0.0	0.2	0.2
(c) Consultants Services	0.1	0.6	0.7
(d) Fellowships	0.0	0.3	0.3
(e) Project Administration	<u>0.4</u>	<u>0.1</u>	<u>0.5</u>
 <u>Baseline Costs</u>	 11.6	 11.8	 23.4
Contingencies: Physical	1.2	1.2	2.4
Price	4.3	3.3	7.6
 <u>Total Project Costs</u>	 <u>17.1</u>	 <u>16.3</u>	 <u>33.4</u>
Front-end fee on Bank Loan (rounded)	 <u>0.0</u>	 <u>0.2</u>	 <u>0.2</u>
 <u>Total Financing Required</u>	 <u>17.1</u>	 <u>16.5</u>	 <u>33.6</u>

<u>Financing Plan:</u>			
Bank	0.0	16.0	16.0
Government	17.1	0.0	17.1
Suppliers' Credit	0.0	0.3	0.3
Bilateral Grants	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>
 <u>Total</u>	 <u>17.1</u>	 <u>16.5</u>	 <u>33.6</u>

<u>Estimated Disbursements:</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
	---US\$ million by Bank Fiscal Year---				
Annual	0.6	1.1	2.4	8.3	3.6
Cumulative	0.6	1.7	4.1	12.4	16.0

Rate of Return: n.a.

Appraisal Report: Report No. 3643b-EC, dated May 10, 1982.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE IBRD
TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE
REPUBLIC OF ECUADOR FOR A
SECOND VOCATIONAL TRAINING PROJECT

1. I submit the following report and recommendation on a proposed loan to the Republic of Ecuador for the equivalent of US\$16 million, including a capitalized front-end fee of about US\$0.24 million, to help finance a Second Vocational Training Project. The loan would be repayable over 17 years, including four years of grace, with interest at 11.6 percent per annum.

PART I - THE ECONOMY ^{1/}

2. The most recent economic report on Ecuador, Report No. 3723-EC entitled "Ecuador: Economic Development Issues" was distributed to the Executive Directors on December 17, 1981. Annex I provides the main social and economic indicators.

3. Ecuador entered the seventies as one of the least developed Latin American countries. The discovery and subsequent exploitation of petroleum in the Amazon region, however, initiated a major boom in 1972. From 1972 to 1980, real GDP grew at an average annual rate of 7.6 percent and per capita GNP rose from US\$320 to US\$1,220, a level which places Ecuador amongst the Bank's middle-income borrowers. Even though the living conditions of many of its inhabitants improved during the seventies, owing to the low levels from which the country started at the beginning of the oil boom, Ecuador's social indicators still lag behind those of other countries with similar levels of per capita income.

4. Since 1978 the rate of economic growth has been slowing down, averaging about 4.5 percent in 1979-1981. Sagging private investment because of political uncertainties (elections in 1979, a border conflict with Peru and the death of the President, in an airplane crash, in 1981), stagnating petroleum output and, lately, declining international prices of Ecuador's main exports account for the slowdown of economic growth.

Social Developments

5. Income distribution in Ecuador is skewed, as in many less developed countries. Thus, while a sizeable middle class has emerged, about 40 percent of the urban and 65 percent of the rural population live in absolute poverty. Population growth is estimated at 3.4 percent per year and the Government does not yet have an active family planning program. This rate of population growth will continue to strain the ability of the Government to alleviate poverty through the provision of social services. Open unemployment in urban areas is estimated at 6.5 percent; underemployment, owing in part to workers' lack of skills, is estimated to be around 25-30 percent.

^{1/} Updated version of Part I in Report P-3272-EC of April 15, 1982 for a National Low-Income Housing Project.

6. Two of the reasons for Ecuador's skewed income distribution are highly concentrated ownership of productive resources and unequal access to public services -- especially education, health services, and agricultural extension. For example, 60 percent of the country's farmers derive their livelihood from only 11 percent of the arable land. Their farms are small -- less than 5 hectares -- and tend to be of the poorest quality. Low levels of education, primitive cultivation techniques, scarce use of technical inputs and limited access to credit and to commercial marketing contribute to low farm productivity and incomes. Farms over 10 hectares produce from 1.3 to 2 times more per hectare than smaller farms, and the income of many small farmers barely exceeds subsistence levels.

7. Growth has benefited mainly the urban middle and rural upper classes. Public expenditures have been concentrated in urban centers. During the seventies, only about a quarter of total public investment was channeled into rural areas, where 56 percent of the total population and most of the country's poorest live. Primary school coverage has been expanding significantly, but the benefits of education remain unequally distributed. Illiteracy in urban areas is around 6 percent versus nearly 40 percent in rural areas. Indians, who constitute about one-third of the population, live primarily in the rural areas, especially in the mountains. While Indians speak their own languages and have their own cultural patterns and value systems, the Spanish language and Western culture predominate in the public schools as well as in local administration and businesses.

8. In order to improve living conditions for the poor, the Government is pursuing a development policy with a strong social component. In rural areas a strategy of seeking rapid agricultural growth is now complemented by an emphasis on integrated rural development. Real public outlays for agriculture increased by over 20 percent in 1980 and public services for the rural sector were drawn together under a rural development secretariat. Agricultural price controls are also under revision and farmgate prices of several items (sugar, wheat, milk) have already been raised. These and related measures are intended to provide better production incentives and the basis for more effective programs in the rural sector in the years ahead.

Balance of Payments and Fiscal Policies

9. Imports increased at an average rate of 10.2 percent per annum in real terms during 1972-80. The main forces behind this increase were: (i) the high investment rates achieved during the earlier part of the period and the related demand for imported capital goods, mainly for the industrial and transport sectors; (ii) the steep demand for inputs by the industrial sector; (iii) special imports; (iv) the growing demand for food; and (v) the relative low price of imported goods as a result of an exchange rate that appreciated around 45 percent in real terms between 1970 and 1981. Real exports of goods, on the other hand, increased annually by only 2.0 percent during the same period. Export earnings increased mainly because world prices for Ecuador's exports, especially oil, went up. In order to create stronger export incentives and slow down the increase in less essential imports, the Government devalued the sucre by about 20 percent for all non-oil exports and imports on March 3, 1982, thus partially offsetting the real appreciation of the sucre. This action is an important first step in stimulating non-oil exports (thus diversifying the economy), and in reducing the incentives for activities which are overly dependent on imports.

10. Owing mainly to favorable developments in the terms of trade, Ecuador's trade balance was positive in 5 out of 8 years in the period 1973-1980. Nevertheless, the current account showed a deficit equivalent to about 6.6 percent of GDP on average from 1976 to 1980 owing to high interest, insurance and transport payments. Moreover, in 1981, the decline in the prices of oil, cocoa, and coffee, and the steep rise in interest rates in the international capital markets brought the current account deficit to an estimated 8.1 percent of GDP. Short-term capital outflows resulting from the border incident with Peru, the death of President Roldos, and a rising spread between domestic and foreign interest rates contributed to drawing down international reserves in 1981. By the end of the year, net international reserves of the Central Bank stood at about US\$560 million, equivalent to about 2.3 months of imports. Even though this is the first year that Ecuador has lost reserves since 1976, a continued stagnation of exports could result in a serious foreign exchange constraint in the coming years.

11. Income gains resulting from the oil boom, expansionary fiscal policies, and a slow growth of the domestic supply of food resulted in inflationary pressures in the 1970s. Price controls and heavy imports of food staples, however, helped to curb these pressures: the consumer price index rose at an average annual rate of about 13 percent during the decade. The present Government, which took office in 1979, decided to deal more directly with implicit inflation and raised the domestic prices of petroleum products and of some agricultural goods (sugar, wheat, milk), and embarked on a program of decontrolling prices. In the long term, these actions should result in higher domestic production of agricultural goods and lower growth of domestic consumption of petroleum products. In the short run, however, they have brought to the surface the artificially suppressed inflationary pressures. In 1980, a doubling of the minimum wage (decreed by Congress)--well above the increases in productivity and consumer prices--also added to inflationary pressures. As a result, consumer prices rose at an annual rate of 15 percent during 1981, and inflation in 1982 is also expected to run at about 15 percent.

12. Fiscal policies have been expansionary. After the public sector deficit reached 8.5 percent of GDP in 1977, the Government imposed budgetary restraints on public investment. These restraints, together with a doubling of world petroleum prices, helped to bring the deficit down to 2.0 percent of GDP in 1979. In 1980, however, the newly installed Congress approved a budget higher than that proposed by the Administration. The 1980 budget increased central Government expenditures by over 30 percent in real terms, raising the public sector deficit to an estimated 4.3 percent of GDP. These expansionary policies were continued in 1981; the public sector deficit for that year is estimated to have been about equivalent to 5 percent of GDP.

13. Public external debt outstanding nearly tripled between 1977 and 1981, in large measure because the public sector deficits have been financed through external borrowing. Moreover, as most of the newly contracted debt was provided by commercial sources, terms, maturities, and grace periods have hardened. Consequently, Ecuador's public debt-service ratio increased from 9.9 percent of exports in 1976 to an estimated 30 percent in 1981.

Sectoral Developments

14. The agricultural sector of Ecuador has had a rate of growth averaging only 2.2 percent p.a. since 1972. Nevertheless, the sector accounted for 13 percent of GDP in 1980 and as it employs about one-half of the total labor force, its productivity is low. Specific constraints to sector growth include price controls, subsidies to competing food imports, inadequate infrastructure (mostly roads), insufficient credit, world market price fluctuations for main export crops, and limited farm-level extension services. Domestic food production grew some 17 percent between 1972 and 1980, while the population increased some 30 percent. As a result, even though Ecuador remains a net food exporter, food imports rose sharply. The Government has begun to improve production incentives to remedy this situation (para. 8).

15. The manufacturing sector of Ecuador (excluding petroleum refining) expanded by 10 percent per year in real terms between 1972 and 1980 and at present accounts for about 16 percent of GDP. Linkages between Ecuadorian industry and other sectors of the economy are, however, weak. Moreover, the system of investment incentives has biased relative prices against labor and hence has tilted investment toward more capital-intensive activities. In an effort to address these problems, the Government raised interest rates (thus keeping them at positive levels) and devalued the sucre in early 1982 (paras. 9 and 19). It is now analyzing measures to modify tariffs and trade policies in order to increase efficiency in the industrial sector and to stimulate exports.

16. Ecuador became a net exporter of petroleum in 1972. By 1980 oil accounted for 54 percent of export earnings, 48 percent of Government revenues, and 13 percent of Ecuador's GDP. Nevertheless, annual production in 1980 was only 1 million barrels higher than the 76 million barrels produced in 1973. Production has stagnated because exploration efforts practically ceased between 1973 and 1979. The present Government is giving priority to increased exploration and secondary recovery: in an effort to renew interest by foreign oil companies in Ecuador, it has sent a new hydrocarbons law to Congress and prepared new draft contracts. It has also allocated about US\$80 million per year to CEPE, the national oil company, for exploration and secondary recovery. The Government expects the secondary recovery program to increase the country's production by 16 percent in 1984.

17. Petroleum exports declined during the latter part of seventies as domestic consumption rose rapidly, stimulated by low domestic prices and high GDP rates of growth. To curb the growth of domestic demand, the Government tripled domestic gasoline prices and doubled the prices of other petroleum products in February 1981. Further price adjustments are expected, although on a more gradual basis. These and other recent conservation measures -- doubling import taxes on energy-inefficient vehicles, for example -- should help to reduce the growth of domestic demand of petroleum products. Together with an ongoing major switch from thermal to hydropower generation, these measures will free more oil for export and reduce the reliance on thermal power, which currently accounts for about three-fourths of total electricity generation, to about one-quarter by 1985. The domestic price hikes have increased Government revenues by about US\$240 million per year. These increases are being used, in part, for oil exploration and improvements of social services.

Outlook

18. During most of the past decade, the Government of Ecuador directed the proceeds of petroleum exports to investment projects which generally corresponded to the needs of the country. It also fostered a climate conducive to private investment which, in turn, stimulated the process of industrialization. The Government's use of incentives, however, proved largely ineffective for developing the agricultural sector and generating employment. Finally, serious distortions occurred in the past owing to the very low domestic prices for petroleum derivatives.

19. The present Administration, which inherited a host of economic problems, is committed to pursuing economic development by fostering a climate favorable to private investment and improving the living conditions of the lower income segments of the population. To this end, it has taken a number of important and politically difficult corrective measures: the most important of these were the substantial increases in the prices of petroleum products (para. 17). The Government has also taken steps to bring other prices more in line with market conditions. In mid-1980 it raised the price of several agricultural products; in 1981 and again in 1982 it increased interest rates, lowered export duties on raw cocoa and coffee to encourage their production and, in March 1982, devalued the sucre for non-oil trade. These are important steps in the right direction and should encourage conservation of scarce resources, exports, agricultural production, and domestic savings.

20. Ecuador has considerable natural and human resource potential. To develop this potential fully and efficiently, continued adjustments in the country's economic policies are needed. The Government initially aimed at a 6.5 percent annual GDP growth rate for the 1980-1984 period. In light of 1980-81 growth rates, and the recent drop in the international price of petroleum, this goal may prove to be difficult to reach. If the Government takes measures aimed at further petroleum conservation, expansion of production through secondary recovery and oil field rehabilitation, and vigorous promotion of exports other than petroleum, it could relax the foreign exchange constraint and growth in the first half of the 1980s might average about 4 percent annually. Attainment of this growth rate, however, will still require continued external borrowing at about present levels. In order to reduce the need for borrowing after the mid-1980s and to lay a basis for resumed accelerated growth of GDP, oil exploration must be intensified in the near future. If these efforts are successful, Ecuador will remain creditworthy.

PART II - BANK GROUP OPERATIONS IN ECUADOR ^{1/}

21. Bank Group operations in Ecuador date back to 1954 when a loan was made for a first highway project. Including the recently approved National Low-Income Housing Loan, the Bank and IDA have extended 30 loans and six credits to Ecuador totalling US\$671.8 million net of cancellations. As of

^{1/} Updated version of Part II in Report P-3272-EC of April 15, 1982 for a National Low-Income Housing Project.

March 31, 1982, US\$287.8 million of this amount had been disbursed. The IFC has approved eight loans in Ecuador. Two were for a large textile company and one each benefited a sugar mill, a cement company, a mining enterprise, a pulp and paper firm (later cancelled), a palm oil plant and a leasing company. The IFC has also purchased capital shares in COFIEC, a development finance company. As of March 31, 1982, these operations amounted to US\$48.1 million in commitments of which IFC held US\$41.2 million.

22. Annex II contains a summary statement of Bank loans, IDA credits and IFC operations as of March 31, 1982, as well as notes on the execution of ongoing projects. Execution of Bank Group financed projects has often been hampered by weaknesses in Ecuador's implementation capacity. This, in turn, reflects the insufficiency of the country's public sector managerial and technical resources--a constraint that is still a serious obstacle to Ecuador's economic and social development. In recent years, the Government and Bank staff have worked together to step up disbursement of Bank loans. These efforts are paying off. Disbursements rose from US\$16 million in FY78 to an annual average of about US\$34 million in FY79-80. In FY81, disbursements increased by nearly 35 percent to a record level of US\$45.7 million and disbursements during the first three-quarters of FY82 are running well ahead of last year's pace. Ecuador's disbursement rate in recent years has been roughly in line with the average for Latin American countries.

23. Bank and IDA lending in Ecuador was originally concentrated in transport and power, where there were--and still are--substantial bottlenecks to be overcome. To date, approximately 26 percent of Bank Group lending has been for transport. Seven of the nine loans and credits extended for transport were to improve the country's road network and two to help finance the expansion of the port of Guayaquil. Lending for power accounts for 18 percent of total Bank lending to Ecuador. The first three power operations aimed at improving generation and distribution facilities in Quito while the FY82 power transmission loan would help expand the national power transmission grid. The first livestock development loan, approved in FY67, marked the beginning of a diversification in the Bank Group's lending program away from infrastructure. Since then, the Bank Group has made nine other loans and credits for agriculture and fisheries, five DFC loans and one loan for small-scale enterprise credit to support industrial development, a credit and a loan for education, one loan for water supply, two for urban development and two technical assistance loans. Bank Group support for technical assistance activities and involvement in the directly productive and social sectors now accounts for about 56 percent of total Bank and IDA lending.

24. Turning to the future, Bank operations will continue to assist in (i) the creation of a physical and social infrastructure base capable of fostering development; (ii) the expansion of productive capacity in crucial sectors; (iii) the strengthening of agencies to implement projects effectively; and (iv) the improvement of living conditions for the urban and rural poor. Bank lending will emphasize, wherever possible, the design and adoption of adequate sector policies, as well as the generation of exports and employment. In addition to the vocational training project recommended in this report, the Bank is preparing a power project and a second small scale enterprise credit project. The education and small-scale enterprise credit operations would improve employment prospects for the population while the

power project would lead to savings in fuels and greater volumes of petroleum available for export. In addition to Bank lending, the IFC is analyzing several possible operations, principally in agribusiness.

25. Substantial development financing has also been provided to Ecuador by the Inter-American Development Bank (IDB), the U.S. Agency for International Development (USAID) and, to a lesser extent, by other bilateral sources. IDB has been the single largest lender to Ecuador. Approved loans from IDB to the country as of December 31, 1981 totalled almost US\$818 million equivalent. Past IDB lending has been concentrated in the power, agriculture, health/sanitation and transport fields. Most of IDB's loans to the country have come from the Fund for Special Operations and normally carry 2 percent interest, a 10-year grace period and repayment terms of up to 40 years. It is likely that IDB will remain Ecuador's major development lender in the immediate future with power, agriculture and socially-oriented projects continuing to account for a large share of its lending program. USAID, which had lent Ecuador US\$103.6 million equivalent through 1972, made no new commitments to the country between 1973 and 1979. In 1980, however, USAID renewed its operations in the country, providing about US\$36 million in new loans, guarantees and grants since then. Its program concentrates on urban and rural development.

26. As of December 31, 1981, Ecuador's outstanding public external debt committed, including undisbursed, amounted to about US\$4.1 billion. Bank Group lending constituted about 12 percent of this amount and accounted for about 5 percent of the public and publicly-guaranteed 1981 external debt service. IDB lending was equivalent to about 15 percent of Ecuador's debt and US bilateral assistance accounted for another 3 percent. Through 1985, the Bank's share of Ecuador's outstanding public foreign debt is expected to remain below 15 percent and the Bank's share of debt service is projected to remain between 8 and 9 percent.

PART III - VOCATIONAL TRAINING SECTOR

Overview

27. Demand within Ecuador's economy for skilled workers, particularly middle-level laborers, exceeds the capacity of existing programs to train them. The estimated total output of all institutional sources in 1979-80 was about 2,000 newly skilled industrial workers p.a. versus an estimated average annual demand of 18,000. Despite ongoing efforts to broaden training programs, the output of training institutions by 1984 (including graduates from centers financed under the first Bank vocational training project) is still not expected to exceed 20 percent of annual incremental demand for newly trained workers. In addition to this problem of supply of skilled workers, Ecuador's labor force also suffers from deficiencies in quality. To reduce the human resources constraint to economic growth, further improvements in workers' skills, especially in the sectors of industry, commerce and agricultural services, will be required.

28. The factors contributing to this inadequate supply of skilled workers are several. First, Ecuador's formal education system has a strong academic orientation. Thus a low proportion of secondary school technical graduates directly join the labor force. In 1978-79, for example, less than a third of graduates from secondary school industrial programs entered the labor force; the remainder went on to higher education, and can be expected eventually to assume professional, white-collar jobs. Secondary school courses in commerce (the bulk of secondary technical training) are, for instance, generally viewed as a good route for gaining entrance to law and economics faculties of the universities. This predilection for higher education reflects the public's limited perception of the potential income-earning capacity of middle-level workers and of the greater prestige attached to professional occupations among families whose children are completing secondary school.

29. A second cause of skills shortages is the inadequate capacity, low funding and poor equipping of vocational training institutions, particularly those which attend to workers and potential workers who have less than a secondary education. These institutions produced only 1,700 new industrial workers in 1980. Furthermore, these institutions are concentrated in Ecuador's two principal cities of Quito and Guayaquil, leaving the three-quarters of the population residing outside of these cities especially limited in their access to skills training.

Government Objectives and Strategy

30. The National Development Council (CONADE), which has major responsibility for planning economic and social development, set targets for the formation of human resources required for economic growth in its 1980-1984 Development Plan. CONADE's estimate of annual incremental demand for industrial workers is 35,900; for commerce and sales personnel, 11,000; for farmers and agricultural workers, 54,900, and for services 20,800. These figures include both skilled and unskilled workers. These estimates, which assumed a 6 percent growth rate, are high, since GDP has actually been growing at 4-5 percent, but even targets adjusted to more realistic growth rates would greatly exceed current training capacity.

31. To meet training needs associated with these demand projections, the Government is expanding the training capacity of public institutions. It has assigned to the relevant agencies training targets in the various sectors. These agencies have developed their own expansion plans to meet the national targets, and it is in response to the development plan of the principal agency providing vocational training, the Ecuadorian Training Service (SECAP), that the proposed project was developed.

Institutional Framework

32. In the public sector, skills training for workers just entering the labor force is mainly the responsibility of SECAP (paras 34-41 below) and large public sector corporations, such as the Ecuadorian Electrification Institute and the Ecuadorian Petroleum Corporation for the energy subsector. The Ministry of Education shares this responsibility to a lesser extent, and offers technical education in secondary schools through its "diversified cycle" (Grades 10-12), following nine years of general education. Students

in these secondary programs specialize in industrial, commercial, agricultural, arts or home economics fields; most concentrate on commercial training. Because of the secondary schools' academic emphasis and lack of practical training, graduates entering the work force are often poor quality workers requiring additional on-the-job instruction. The Government has sought to correct these deficiencies, with assistance from both the Bank Group and the Inter-American Development Bank. The project funded through IDA Credit 124-EC was only recently completed (see para 42). Vocational programs for most of the 28 schools involved in that project became operational in 1977-78 and produced their first graduates in 1980. The IDB-financed program has just begun.

33. Private sector training institutions are numerous (around 500) but are concentrated in the business skills field, and are small in overall output. As technical training becomes more expensive, the role of private sector training institutions is expected to diminish relative to public institutions. As a whole, private sector training agencies do not coordinate with each other to assure efficient response to demand for training nor do they conduct follow-up studies to assure that their trainees are placed and performing adequately. On the other hand, increasing cooperation between private business and industry and public sector training agencies can be expected as the latter attempt to become more responsive to the labor force needs of the economy.

SECAP Vocational Training Programs

34. The principal public agency responsible for training skilled and semi-skilled workers is the Ecuadorian Training Service. SECAP is a semi-autonomous entity, under the Labor Ministry, established in 1966 and governed by a board of directors representing Government, private enterprise and trade unions. The board is chaired by the Minister of Labor and includes the Education and Industry Ministers.

35. SECAP offers flexible training programs at no charge for both new trainees and those currently in the work force. Three types of training programs are offered: full-time programs for youths 14-18 years of age, adult programs for new trainees and upgrading programs (mostly at night) for employed workers. A minimum of six years of formal schooling is required of entrants into full time youth and adult programs, while upgrading is offered to working adults desiring to upgrade their skills. SECAP's curricula and course syllabi emphasize applied shopwork, and are thus strongly employment oriented.

36. SECAP enrollment in 1980 totalled 20,580, of which 850 were new trainees and the remaining 96 percent were in upgrading courses. One-fifth were in agriculture and food processing, 35 percent in industry and construction and 45 percent in commerce and services. About two-thirds of SECAP trainees are from low-income urban groups and some one-third of participants are women.

37. Administration of SECAP's programs occurs at central, regional and local levels, although at present the regional and local levels coincide because of the limited number of training centers. Policy is determined by the board of directors, which normally meets monthly. An executive director,

appointed by the board of directors for an indefinite term, is the central administrative officer and is assisted by five directors (planning, technical, operations, administration, and legal and public affairs). Administrative and planning staff are young and somewhat inexperienced; half are under 31 years of age and two-thirds have less than four years of experience. In 1980, SECAP offered programs through six centers (four of which were in Quito and Guayaquil) and four mobile training units. Facilities are used for both daytime and night courses. Some expansion of these facilities is occurring through an ongoing Bank-financed project (see discussion of Loan 1157-EC in para 43).

38. Curricula for SECAP have been developed by experienced Ecuadorian specialists with assistance from bilateral and multilateral-financed experts. Eleven industrial programs are regularly offered and short courses in services, commerce and other industrial areas have also been utilized. These curricula are well-balanced and adapted to regional conditions. The training costs per student-hour at SECAP compare favorably with those of similar programs elsewhere in Latin America. However, SECAP's limited facilities restrict the agency's ability to prepare classes, counsel teacher trainees and develop and print teaching materials. SECAP currently has 210 full-time instructors as well as additional part-time instructors principally for evening classes. Average industrial experience of the instructors is 11 years. Recruitment of instructors, an obstacle in earlier years, is presently adequate, owing to better working conditions and benefits despite lower pay compared to private industry. SECAP gives pre-service and in-service training to both its full-time and part-time instructors (about 250 in 1980). However, facilities for this training are currently overcrowded and inadequately equipped.

39. Student evaluation, placement and follow-up is not yet fully developed, although SECAP has obtained bilateral assistance to strengthen some of its efforts in these areas. Students' applied workshop activities are fairly well evaluated but the in-plant phase of apprenticeship programs is not adequate. Job placement is the task of the local centers, assisted by the central operations department. The placement of graduates is good. A recent follow-up study of 1976-79 graduates of new worker training programs shows 97 percent employed in their fields within four months of graduation. Graduates of the regular full-time programs usually perform as medium-level skilled workers after a short period of on-the-job experience. Participants in the upgrading programs frequently move into technician and mid-management positions.

40. Financing of SECAP's operating costs is derived from contributions from an obligatory wage levy (0.5 percent) on business and industry and from the Government. The law establishing SECAP provides that the Government should match the private sector contributions from the previous year in financing operating expenses. SECAP's operating expenses in 1981 were equivalent to about US\$5 million. This is expected to double, in constant terms, by 1986 when the proposed project's centers begin to operate. High receipts from the wage levy in 1981 made Government contributions for operating expenses unnecessary. This is expected to be a temporary phenomenon, however, in view of the planned rapid expansion. Under the proposed project, the Government has agreed to provide SECAP with all funds necessary to carry

out its training programs (Section 4.05 of the draft Loan Agreement). In effect, the Government has agreed to supplement the receipts from the wage levy as needed to assure adequate financing of the operating budget.

41. CONADE has assigned to SECAP responsibility for fulfilling training needs for new and middle-level workers in the following occupational categories: office workers, sales and commerce personnel, agricultural administrators and machinery operators, industrial workers and restaurant and hotel employees. By 1984, SECAP projects annual outputs of 18,260 upgraded workers and 1,020 new workers in these fields, 29 and 6 percent, respectively of demand.

Bank Group Lending in Education

42. The Bank Group has made one Credit (124-EC of June 27, 1968 for US\$5.2 million) and one Loan (1157-EC of September 3, 1975 for US\$4 million) to Ecuador for education, the first for technical secondary education and the second for vocational training. The Credit supported a Ministry of Education effort aimed at introducing a revised, more practical curriculum and at providing improved, better equipped facilities in 28 secondary schools. Initial delays occurred because of staffing and funding difficulties and problems in recruiting specialists. The bulk of project execution took place in the mid-1970s but finishing works, such as water and electrical connections in labs and workshops, were delayed. When the current Government assumed power in mid-1979, it assigned the funding necessary to complete the project satisfactorily by the end of 1980. Bearing in mind the funding difficulties encountered at early stages of this project's execution, special assurances regarding funding of local costs are included in the proposed project (para 40).

43. The second education project provided the first Bank assistance to SECAP. The project's execution is currently proceeding rapidly after a slow start attributable to high staff turnover and limited counterpart funding under earlier administrations. The Quito industrial training center will be expanded by 600 places, a new industrial skills center is being constructed at Duran, near Guayaquil (1,245 places) and two mobile training units are being acquired, to reach an additional 500 persons in rural towns. Project completion is expected in late 1982.

PART IV - THE PROJECT

44. The proposed project was identified in 1980 when SECAP began to explore ways to meet the skills training objectives set out in Ecuador's 1980-84 Development Plan. SECAP prepared the project with some funding from the Bank's first vocational education loan (1157-EC) which had a component for supporting studies. The project was appraised in May-June 1981 and the appraisal mission's report (3643b-EC, dated May 10, 1982) entitled "Staff Appraisal Report: Ecuador - Second Vocational Training Project" is being distributed separately. Annex III contains a supplementary Project Data Sheet. Negotiations of the loan took place in Washington on April 16, 1982, and subsequent comments were exchanged by cables May 3-6, 1982. Mr. David Vera, head of SECAP, led the discussions in Washington.

Project Objectives and Description

45. The main objectives of the proposed project are to assist SECAP to (i) increase its training capacity for both new workers and those needing upgrading; (ii) improve the quality of its training through equipment installation, instructor preparation and materials production; (iii) expand its geographical coverage; and (iv) strengthen its planning, supervision and evaluation processes. Specifically, the project would include:

- (a) construction of ten new centers, as well as an instructor training and materials production complex;
- (b) expansion of two existing centers and re-equipping of one existing center;
- (c) the addition of five mobile training units to SECAP's ongoing mobile training program;
- (d) provision of technical assistance through consultant services;
- (e) training for selected SECAP staff at similar institutions in other countries; and
- (f) project administration.

46. The first component, construction of ten new centers and an instructor training and materials production complex, represents the bulk of project costs. These new centers would provide capacity for over 16,000 trainees. Three of the new centers would replace current centers which operate in inadequate rented quarters. One of the ten, a graphic arts training center, would be part of the building which would also have instructor training students and materials production facilities. The graphics and printing equipment would be used both for training and for large scale printing of training materials required by SECAP. The instructor training facility would, by 1984, have capacity for preparing 130 new instructors per year and providing an equal number with in-service training during vacation. These new facilities would cost about US\$20.6 million, or 88 percent of total project costs (excluding contingencies).

47. Additional classrooms and workshops for two existing centers and the re-equipment of a third would help expand and upgrade the training now offered. Five percent of total base expenditures, or US\$1.1 million, would be directed to this component.

48. Five mobile units would be purchased to increase SECAP's outreach to rural areas and smaller towns. These would be added to the nine mobile units already operating or to be put into operation in the near future. Each mobile unit would consist of a light truck with specialized training equipment and would normally be operated by a single instructor who would use local physical facilities at each site visited. The mobile units would provide training in agricultural mechanics (1), electrification (1), food preservation (2) and metal mechanics (1). The purchase cost of these would be US\$200,000 or nearly one percent of total base costs.

49. The thirteen training centers to be constructed or improved under the proposed project would be distributed throughout SECAP's four geographic regions: North, Central, South and West (see Map No. 16068R). Five towns would have SECAP training centers for the first time (Machala, Esmeraldas, Loja, Riobamba, Manta) and five towns would have improved facilities (Quito, Guayaquil, Ambato, Cuenca, Santo Domingo). The mobile units would work mainly in rural areas and small towns, with logistical support from fixed centers according to a plan to be produced with technical assistance provided under the proposed project.

50. With regard to institution building and technical assistance, the project includes 14 years of consultant services. SECAP's medium- and long-term planning and evaluation systems would be improved through one year of specialist assistance. The medium-term development plan, which would aim at improving SECAP's training capabilities, through 1990, would be prepared with the aid of these advisors and would be sent to the Bank for review and comment by December 31, 1984 (Section 4.04 of the draft Loan Agreement). It would include demand projections for skilled workers and related training expansion plans. In addition to assistance in planning and evaluation, 13 consultant years of technical assistance would be provided either through the loan (8 consultant years) or through ongoing bilateral agreements (5 consultant years) with vocational training institutions in Costa Rica, Brazil and Colombia. Areas to be strengthened include (i) organization and management; (ii) instructor training and teaching aids; (iii) mobile and in-plant training program development; (iv) curriculum and syllabus development; and (v) equipment use and maintenance and industrial safety. The cost per consultant month would be about US\$4,000 for experts fully funded under the loan. The selection, qualifications, terms and conditions of employment of all consultants under the project would be satisfactory to the Bank (Section 3.02 of the draft Loan Agreement). Those consultants with salaries financed by bilateral agreements (about 60 person-months) would have travel and per diem expenses covered under the loan at an average monthly cost of US\$1,600. Total funds allocated to consultant services, including bilaterally funded salaries valued at an estimated US\$210,000, equal US\$660,000 (3 percent of project costs). Because of the size and complexity of the proposed technical assistance program, SECAP has named a full-time coordinator to be responsible for execution of this program.

51. Further technical assistance is being provided to SECAP by the Governments of Spain (164 months), Italy (36 months) and the United Kingdom (30 months) as well as the International Labor Organization (22 months). These specialist services, valued at US\$1.2 million, support objectives broader than those of the project and therefore, are not included in project cost estimates. Similar assistance to SECAP is being negotiated with the Governments of West Germany, Brazil and Italy.

52. A training program has been developed with the Brazilian, Costa Rican and Colombian SECAP-type organizations to provide about 14 staff years of overseas training for about 50 SECAP officials. Instructors, directors and teacher-trainers would benefit. Some US\$270,000 of loan funds (about 1 percent of project base costs) are allocated to this activity.

Project Implementation

53. SECAP would be responsible for project execution. The existing project implementation unit from the earlier Bank-financed SECAP project (1157-EC) would be strengthened in a manner satisfactory to the Bank to supervise, coordinate and monitor project activities (Section 3.07 of the draft Loan Agreement). In addition to the unit director, who has already been selected, staff would include coordinators of civil works, technical assistance and furniture and equipment, as well as accounting and support personnel. Salaries of key unit personnel contracted to manage the project would be financed with proceeds of the proposed loan as would travel expenses of these staff and some office equipment. Total allocation of funds for project administration is estimated to equal US\$0.5 million, or 2 percent of project base costs.

54. Construction associated with the project would be undertaken by contractors, with SECAP supervising with the assistance of private architectural consultants (financed in part with loan funds). SECAP would coordinate all complementary aspects of the project including curriculum preparation, instructor training, equipment purchase and materials production, so as to put each new center into full operation as soon as it is completed. Eleven of the fourteen programs of study already have complete curricula and the remaining three (for the new programs of refrigeration textiles and shoe-making) would be developed with technical assistance provided by the project. Full-time instructors would increase from the current 210 to 500 by the final year of project execution, with their training taking place in the existing instructor training center until late 1984, when the project-financed replacement center is ready. Printing and binding of teaching materials would be done at the proposed materials production facility. Labor for this task would be provided by student trainees from the graphic arts training center. Project implementation is expected to be completed by June 30, 1986, four years after loan approval. This relatively short execution period reflects experience in the past two years with the ability of SECAP's current management to accelerate execution of the first Bank project, as well as firm Government commitment to skills training.

Cost and Financing

55. The project's total cost, net of identifiable import duties and taxes, is US\$33.4 million. The foreign exchange component is US\$16.3 million, or about 49 percent of project costs. Estimates are based on March 1982 prices. Price contingencies are based on projected 12 percent inflation rate for local costs except for construction, which has been experiencing a 16 percent annual price increase. Foreign cost contingencies are based on a 6 to 8 percent inflation rate over the period 1982-1986, except that price increase projections for equipment, based on estimates of major school equipment suppliers, are 8 to 10 percent. Physical contingencies equal 10 percent. The proposed loan of US\$16 million would cover 97 percent of the foreign exchange costs as well as the capitalized front-end fee of about US\$0.24 million. Bilateral grants from several Latin American governments would finance foreign consultant services equal to one percent of foreign costs. Through an agreement with a Canadian firm, imported electrical equipment for the training centers would be financed via a US\$300,000 equivalent

supplier's credit. This credit would cover the remaining foreign component equal to two percent of project costs. The Government would finance the project's local cost portion, equivalent to 51 percent or US\$17.1 million, of total costs. About 70 percent of current expenditures needed to operate the training programs at the centers are expected to be generated by the wage levy (para 40), and the Government has committed itself to providing SECAP all the additional funds necessary to meet operating requirements (para. 40).

Procurement and Disbursement

56. Civil works, expected to total US\$11.3 million (base costs), would be awarded on the basis of local competitive bidding procedures acceptable to the Bank, in which foreign bidders could participate. These procedures are appropriate because the project includes 12 scattered sites and individual contracts are expected to average US\$940,000 and thus are not likely to attract foreign contractors. The local construction industry has sufficient capacity and competitive prices to undertake such works. Furniture for the centers, having a base cost of US\$600,000, would also be procured through local procedures acceptable to the Bank. Most equipment, estimated to cost US\$8.3 million excluding contingencies, would be procured through international competitive bidding in accordance with Bank Group guidelines. Equipment lists and bidding documents are under preparation. Frequently, international suppliers of equipment will not be able to provide all items in a diverse list. To provide for this risk, the project would allow equipment packages of between US\$20,000 and US\$200,000, up to a total of US\$1,000,000, to be procured through local procedures acceptable to the Bank (generally competitive local bidding). Small or specialized items under US\$20,000 would be procured through local shopping up to an aggregate value of US\$200,000. Under the procedures described, an estimated 86 percent of equipment would be procured through international competitive bidding, 10 percent through local competitive bidding and 4 percent through local shopping.

57. Disbursements would take place over four and one-half years and would cover the following percentages of eligible project costs: (i) 24 percent of total expenditures for civil works; (ii) 100 percent of foreign expenditures for imported furniture and equipment and of ex-factory costs for locally produced furniture and equipment; (iii) 85 percent of local expenditures for off-the-shelf purchases; (iv) 100 percent of expenditures for mobile units; (v) 100 percent of technical assistance and training expenditures; and (vi) 100 percent of key administrative costs for project execution. Up to US\$100,000 in retroactive financing would be permitted for design work or technical assistance expenditures made after June 15, 1981.

Monitoring and Evaluation

58. Direct supervision of project execution would be the responsibility of the project unit coordinators of civil works, equipment and technical assistance. Private architects would supervise construction of civil works for new centers. Check lists are being developed to aid the respective project unit coordinators in their monitoring tasks. A small (2-person) evaluation unit would be strengthened through technical assistance provided under the project. It would focus on overall project impact on national training needs (including employment opportunities for women) as well as

aiding supervisors in evaluating student performance. A pilot study of improved job productivity resulting from skills training would also be undertaken by SECAP, based on terms of reference to be prepared with the aid of the evaluation consultant who would be financed under the project.

Project Benefits

59. The project-financed new and expanded facilities are expected to provide incremental capacity for 2,800 new skilled workers and 13,400 employed workers in upgrading courses at any one time. About 1,900 of the new workers would be in industrial fields, with the remainder in agriculture, business and hotel/restaurant services. In addition, 130 instructors would be trained each year. The resulting improvements in instructor skills and materials, together with better equipment to be made available under the project, should permit much improved quality of the training provided. About two-thirds of the trainees are expected to be from low-income groups and one-third would continue to be women. An important feature of this project is that a more equitable regional distribution of training opportunities would result from the expansion of SECAP programs to secondary cities and rural areas. The institutional strengthening of SECAP envisaged from project-funded and complementary technical assistance would enhance SECAP's capabilities in planning, organization and management and quality of instructors and materials. These capabilities should result in more effective skills training programs and a better trained worker for business and industry.

Project Risks

60. Although current SECAP management has been satisfactory, delays occurred under earlier Bank-financed education projects and there is some risk that management problems could reappear. Recruitment of additional project unit personnel and technical assistance envisaged under the proposed project should minimize this risk. Financing of SECAP's recurrent budget could be affected by an unforeseen downturn in Ecuador's economy which could lessen revenues from the wage levy paid by business and industry. Specific assurances from Government have been obtained to cover any shortfalls (para. 40), and the priority currently given to skills training is also expected to keep this risk within acceptable limits.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

61. The draft Loan Agreement between the Republic of Ecuador and the Bank and the Report of the Committee provided for in Article III, Section 4(iii) of the Articles of Agreement are being distributed to the Executive Directors separately.

62. The draft Loan Agreement conforms to the normal pattern for education projects. The main features of the Loan Agreement are referred to in the text and listed in Section III of Annex III.

63. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

64. I recommend that the Executive Directors approve the proposed loan.

A.W. Clausen
President
By
Ernest Stern

Attachment

May 14, 1982
Washington, D.C.

TABLE 3A
ECUADOR - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.) TOTAL 283.6 AGRICULTURAL 51.7	ECUADOR				REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^a		
	1960	/b	1970	/b	MIDDLE INCOME LATIN AMERICA & CARIBBEAN	MIDDLE INCOME EUROPE	
	MOST RECENT ESTIMATE		/b				
GNP PER CAPITA (US\$)	..		390.0	1050.0	*	1616.2	2609.1
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	208.3		316.9	654.1	*	1324.1	2368.4
POPULATION AND VITAL STATISTICS							
POPULATION, MID-YEAR (THOUSANDS)	4413.0		6015.0	8081.0		.	.
URBAN POPULATION (PERCENT OF TOTAL)	34.4		39.5	44.0		64.2	53.2
POPULATION PROJECTIONS							
POPULATION IN YEAR 2000 (MILLIONS)				14.2		.	.
STATIONARY POPULATION (MILLIONS)				28.0		.	.
YEAR STATIONARY POPULATION IS REACHED				2085		.	.
POPULATION DENSITY							
PER SQ. KM.	15.6		21.2	28.5		34.3	80.6
PER SQ. KM. AGRICULTURAL LAND	93.5		123.1	151.0		94.5	133.9
POPULATION AGE STRUCTURE (PERCENT)							
0-14 YRS.	44.4		45.4	44.5		40.7	30.1
15-64 YRS.	52.0		50.8	51.9		55.3	61.5
65 YRS. AND ABOVE	3.6		3.8	3.6		4.0	8.3
POPULATION GROWTH RATE (PERCENT)							
TOTAL	2.8		3.1/c	3.3		2.4	1.5
URBAN	4.8		4.5	4.5		3.7	3.1
CRUDE BIRTH RATE (PER THOUSAND)	46.5		43.0	40.3		31.4	22.9
CRUDE DEATH RATE (PER THOUSAND)	13.7		10.6	9.6		8.4	9.1
GROSS REPRODUCTION RATE	3.4		3.2	3.0		2.3	1.6
FAMILY PLANNING							
ACCEPTORS, ANNUAL (THOUSANDS)	..		9.0	32.3		..	..
USERS (PERCENT OF MARRIED WOMEN)	..		..	6.3		..	..
FOOD AND NUTRITION							
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	104.0		101.0	100.0		108.3	119.8
PER CAPITA SUPPLY OF							
CALORIES (PERCENT OF REQUIREMENTS)	84.0		91.0	92.0		107.6	125.7
PROTEINS (GRAMS PER DAY)	50.0		52.0	50.0		65.8	92.5
OF WHICH ANIMAL AND PULSE	26.0		27.0	25.0		34.0	39.7
CHILD (AGES 1-4) MORTALITY RATE	22.8		15.7	10.3		7.6	3.4
HEALTH							
LIFE EXPECTANCY AT BIRTH (YEARS)	51.0		56.2	61.0		64.1	68.9
INFANT MORTALITY RATE (PER THOUSAND)	140.0		118.0	66.0		70.9	25.2
ACCESS TO SAFE WATER (PERCENT OF POPULATION)							
TOTAL	..		34.0	42.0		65.7	..
URBAN	..		76.0	84.0		79.7	..
RURAL	..		7.0	13.0		43.9	..
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)							
TOTAL	..		22.4	32.3		59.9	..
URBAN	..		..	60.0		75.7	..
RURAL	..		..	13.0		30.4	..
POPULATION PER PHYSICIAN	2664.9		2891.8	1621.5		1728.2	973.3
POPULATION PER NURSING PERSON	2280.0		1620.9	..		1288.2	896.6
POPULATION PER HOSPITAL BED							
TOTAL	531.4		428.9	507.0		471.2	262.3
URBAN	..		305.3	..		558.0	191.8
RURAL	..		4570.4	..		..	..
ADMISSIONS PER HOSPITAL BED	..		19.3	..		..	18.2
HOUSING							
AVERAGE SIZE OF HOUSEHOLD							
TOTAL	5.1/e		5.2	5.3		..	..
URBAN	..		..	..		..	..
RURAL	..		..	..		..	..
AVERAGE NUMBER OF PERSONS PER ROOM							
TOTAL	2.5/e		..	..		..	..
URBAN	2.1/e		..	..		..	..
RURAL	2.8/e		..	..		..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)							
TOTAL	32.0/e		..	41.2		..	..
URBAN	78.5/e		..	84.3		..	..
RURAL	6.0/e		..	11.6		..	..

TABLE 3A
ECUADOR - SOCIAL INDICATORS DATA SHEET

	ECUADOR			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}	
	1960 ^{/b}	1970 ^{/b}	MOST RECENT ESTIMATE ^{/b}	MIDDLE INCOME LATIN AMERICA & CARIBBEAN	MIDDLE INCOME EUROPE
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	83.0	100.0	108.0	101.7	105.9
MALE	87.0	103.0	110.0	103.0	109.6
FEMALE	79.0	97.0	106.0	101.5	102.2
SECONDARY: TOTAL	12.0	26.0	46.0	35.3	66.3
MALE	13.0	28.0	48.0	34.9	73.2
FEMALE	10.0	24.0	43.0	35.6	59.5
VOCATIONAL ENROL. (% OF SECONDARY)	29.0	11.0	11.0/d	30.1	28.4
PUPIL-TEACHER RATIO					
PRIMARY	39.0	38.0	36.0	29.6	26.8
SECONDARY	11.0	14.0	16.0	15.7	23.6
ADULT LITERACY RATE (PERCENT)	67.5/e	68.0	76.6	80.0	75.4
CONSUMPTION					
PASSENGER CARS PER THOUSAND POPULATION	2.0	4.5	7.4	42.6	83.9
RADIO RECEIVERS PER THOUSAND POPULATION	38.5	282.6	..	215.0	181.6
TV RECEIVERS PER THOUSAND POPULATION	0.5	24.9	45.0	89.0	131.1
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	54.0	41.6	46.3	62.8	123.8
CINEMA ANNUAL ATTENDANCE PER CAPITA	..	4.0	5.6	3.2	5.7
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	1442.7	1936.2	2593.0	..	..
FEMALE (PERCENT)	16.3	19.1	20.8	22.6	32.9
AGRICULTURE (PERCENT)	57.4	50.9	51.6	35.0	34.0
INDUSTRY (PERCENT)	19.4	22.2	17.6	23.2	28.7
PARTICIPATION RATE (PERCENT)					
TOTAL	32.7	32.2	32.1	31.8	42.3
MALE	55.0	52.1	50.4	49.0	56.5
FEMALE	10.6	12.3	13.5	14.6	28.5
ECONOMIC DEPENDENCY RATIO	1.5	1.5	1.5	1.4	0.9
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	..	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	..	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	269.0	..	..
RURAL	..	..	183.0	187.6	..
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	307.0	513.9	..
RURAL	..	..	77.0 f/	362.2	385.1
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	40.0	..	..
RURAL	..	..	65.0	..	..

.. Not available
. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1976 and 1979.

/c Intercensal growth rate is 3.2% (1962-74); /d 1975; /e 1962.

* 1980 GNP per capita is US\$1220 at 1978-80 prices and exchange rate.

* The updated 1980 GNP per capita and population estimates shown in the 1981 World Bank Atlas are \$1,220 (at 1978-80 prices) and 8,357 (thousands).

f/ Updated figures for 1981 are US\$553 Urban and US\$428 Rural.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq. km.)

Total - total surface area comprising land area and inland waters.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or other fallow; 1978 data.

GDP PER CAPITA (US\$) - GDP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis), 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1979 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1979 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 72.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level, and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.
Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1979 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1979 data.

Population Growth Rate (percent) - Total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-79.

Population Growth Rate (percent) - Urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-79.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1979 data.

Crude Death Rate (per thousand) - Annual deaths per thousands of mid-year population; 1960, 1970, and 1979 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1979.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1979 data.

Per capita supply of calories (percent of requirement) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 40 grams of total protein per day and 20 grams of animal and pulse proteins, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey, 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animal and pulse in grams per day; 1961-65, 1970 and 1977 data.

Child (age 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1979 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1979 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population) - Total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentage of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the households or sections of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - Total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentage of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and wastewater by water-borne systems or the use of pit-lines and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistants.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals and establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

Mileage per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratio - Primary school, total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentage of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcast to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1979 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1979 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1979 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1979 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and hence are not a few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels and should be interpreted with considerable caution.
Estimated Absolute Poverty Income Level (US\$ per capita) - Urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food services is not affordable.

Estimated Relative Poverty - Urban and rural - Rural relative poverty income level is one-half of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for the cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - Urban and rural - Percent of population (urban and rural) who are "absolute poor".

ECUADOR - ECONOMIC INDICATORS

Population: 8,357 (mid-1980, thousands)
GNP Per Capita: US\$1220 (1980)

Indicator	Amount (million US\$ at current prices) 1981 a/	Average Annual Increase (%) (at constant 1975 prices)			Share of GDP at Market Prices (%) (at current prices)			
		1960-70	1970-75	1975-81	1960	1970	1975 a/	1981 a/
NATIONAL ACCOUNTS								
Gross Domestic Product	13426.5	5.8	11.1	6.0	100.0	100.0	100.0	100.0
Agriculture	1560.4	4.0	5.4	2.0	33.3	27.6	17.9	11.6
Industry and Mining	5087.8	7.3	20.7	5.8	19.3	23.0	33.9	37.9
Services	6272.8	6.3	8.0	7.4	47.4	49.4	43.6	46.7
Consumption	10257.0	5.0	9.8	6.9	84.6	82.0	79.8	76.4
Gross Investment	3426.0	18.7	12.2	6.7	14.0	22.5	26.7	25.6
Exports of Goods and NFS	2941.7	2.7	15.8	1.1	17.2	14.9	26.2	21.9
Imports of Goods and NFS	3198.2	10.9	12.6	5.4	15.7	19.4	32.7	23.8
Gross National Savings	2361.1	n.a.	n.a.	-6.8	12.9	16.2	19.4	17.6

	Composition of Merchandise Trade (%)				
	(at current prices)				
	1977	1978	1979	1980	1981
MERCHANDISE EXPORTS	100.0	100.0	100.0	100.0	100.0
Primary	79.9	73.7	74.1	75.8	78.6
Crude Petroleum	48.9	40.0	49.2	55.0	61.4
Others	31.0	33.7	24.9	20.8	17.2
Manufactures	20.0	26.2	25.9	24.2	21.4
Petroleum Derivatives	0.8	6.1	6.8	7.6	6.5
Processed Cocoa	13.0	13.5	9.5	9.1	4.2
Fish and Seafood	1.4	1.6	1.3	3.6	3.9
Others	4.8	5.0	8.3	5.9	6.8
MERCHANDISE IMPORTS	100.0	100.0	100.0	100.0	100.0
Consumer Goods	11.2	13.3	8.9	10.8	9.3
Intermediate Goods	43.7	36.8	47.8	49.1	44.0
Capital Goods	42.8	47.7	48.0	39.8	46.3
Others	2.3	2.2	0.3	0.3	0.4
PRICES AND TERMS OF TRADE					
GDP Deflator (1975=100)	129.9	143.2	168.0	193.1	218.6
Exchange Rate (sucres per dollar)	25	25	25	25	25
Export Price Index (1975=100)	135.4	136.0	190.2	231.5	231.6
Import Price Index (1975=100)	116.3	124.3	139.1	160.3	174.5
Terms of Trade Index (1975=100)	116.4	109.4	136.7	144.4	132.7

PUBLIC FINANCE	As % GDP (at current prices)	
	1975	1980
Current Revenue	22.9	28.7
Current Expenditure	18.9	26.5
Surplus (+) or deficit (-)	4.0	2.2
Capital Expenditure	7.4	6.5
Foreign Financing	4.9	5.4

OTHER INDICATORS	1960-70	1970-75	1975-80	1981-86
GDP Growth Rate (%)	5.8	11.1	6.1	3.5
GDP per capita Growth Rte (%)	2.4	7.5	2.6	0.2
Energy consumption growth rate (%)	-	-	11.7	4.5
ICOR	0.7	2.7	4.3	6.6
Marginal Savings Rate	-0.4	-0.4	-0.2	0.1
Import Elasticity	1.9	1.3	0.7	0.9

a/ Components expressed at factor cost and do not add up because they exclude indirect taxes.

ECUADOR - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT

(million US\$ at current prices)

Population: 8,357 (mid-1980, thousands)
GNP Per Capita: US\$1220 (1980)

	ACTUAL				PRELIMINARY	PROJECTED				
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
BALANCE OF PAYMENTS										
Net Exports of Goods & Services	-659.1	-742.2	-646.9	-616.1	-1116.0	-1198.1	-973.8	-1061.0	-1380.3	-1645.9
Exports of Goods & Services	1628.2	1740.4	2499.3	2936.0	2983.1	3052.7	3576.5	3978.3	4285.1	4647.6
Imports of Goods & Services	2287.3	2482.6	3146.2	3552.1	4099.1	4250.8	4550.3	5039.3	5665.4	6293.5
Net Transfers	36.2	40.9	29.8	40.0	25.0	50	56	63	70	74
Current Account Balance	-622.9	-701.3	-617.1	-576.1	-1091.0	-1148.1	-917.8	-998.0	-1310.3	-1571.9
Direct Private Investment	34.5	48.6	66.0	80.0	50.0	100.0	140.0	180.0	240.0	280.0
MLT Loans (net)	758.3	648.8	383.5	717.8	735.0	1028.8	1016.5	1191.7	1230.2	1195.2
Official ^{a/}	--	--	--	--	--	111.0	175.2	224.3	248.0	237.4
Private ^{a/}	--	--	--	--	--	918.0	841.0	967.4	982.2	959.8
Other Capital	-33.6	35.5	195.2	4.8	12.3	-80.0	30.0	80.0	80.0	100.0
Change in Official Reserves (=-increase)	-136.3	-31.6	-27.6	-226.5	293.7	99.3	-268.7	-453.7	-239.9	-3.3
International Official Reserves	570.8	602.4	630.0	856.5	562.9	463.6	732.3	1186.0	1425.9	1429.2
Official Reserves (year-end) as months of imports	3.0	4.2	3.0	3.5	2.3	1.3	1.9	2.8	3.0	2.7
ACTUAL ^{b/}										
	1977	1978	1979	1980	1981					
GROSS DISBURSEMENTS										
Gross Disbursements of MLT Loans	890.9	819.2	1118.8	983.8	1259.7					
Concessional	30.9	20.7	25.2	14.7	28.5					
Bilateral	12.0	8.8	7.3	3.7	1.5					
IDA	4.8	0.8	0.2	--	0.5					
Other Multilateral	16.1	11.1	17.7	11.0	26.5					
Non-concessional	860.0	798.5	1093.6	969.1	1231.4					
Official Export credits	24.6	49.0	12.3	14.2	173.0					
IBRD	7.7	22.2	30.9	34.0	54.1					
Other Multilateral	9.9	8.0	28.6	46.3	47.1					
Other	817.8	719.3	1021.8	874.6	957.0					
EXTERNAL DEBT										
Debt Outstanding and Disbursed	1659.6	2308.4	2691.8	3344.2	4146.3					
Official	394.7	486.3	568.2	656.8	896.2					
IBRD	43.6	60.4	85.2	109.4	151.3					
IDA	35.7	36.4	36.5	36.3	36.5					
Other Official	315.4	389.6	446.5	511.1	708.4					
Other	1264.9	1822.1	2129.6	2687.4	3250.1					
Undisbursed Debt	645.8	673.0	860.5	1025.0	865.0					
DEBT SERVICE										
Total Debt Service Payments	228.7	299.5	490.6 ^{c/}	562.7	915.8					
Interest	96.1	129.1	211.0	286.5	483.1					
Amortization	132.6	170.4	279.6 ^{c/}	276.5	432.7					
Debt Service as % of Exports	14.0	17.2	19.6 ^{c/}	19.2	30.7					
BANK GROUP EXPOSURE (%)										
IBRD DOD/total DOD	2.6	2.6	3.2	3.3	3.6					
IBRD disbursements/total gross disbursements	0.9	2.7	2.8	3.5	4.3					
IBRD debt service/total debt service	4.2	3.3	1.3	3.3	2.5					
IDA DOD/total DOD	2.2	1.4	1.4	1.1	0.9					
IDA disbursements/total gross disbursements	0.5	0.1	0.0	--	0.0					
IDA debt service/total debt service	0.1	0.1	0.0	0.1	0.1					

^{a/} A double dash stands for "not available."

^{b/} 1980-1981, official figures. 1977-1979, coverage adjusted by staff for purposes of comparison.

^{c/} Excludes prepayment of US\$456.2 million.

THE STATUS OF BANK GROUP OPERATIONS IN ECUADOR

A. STATEMENT OF BANK LOANS AND IDA CREDITS (as of March 31, 1982) ^{1/}

<u>Loan or Credit Number</u>	<u>Fiscal Year</u>	<u>Borrower</u>	<u>Purpose</u>	---US\$ million---		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
12 loans and 6 credits fully disbursed				146.0	37.6	-
1157	1975	Ecuador	Education	4.0	-	2.4
1229	1976	Ecuador	Seeds	3.0	-	0.9
1230	1976	Ecuador	Technical Assistance	4.0	-	2.9
1231	1976	Ecuador	Highways	10.5	-	0.3
1359	1977	Ecuador	DFC	26.0	-	0.6
1429	1977	Ecuador	Highways	17.5	-	7.5
1459	1977	Ecuador	Agriculture	15.5	-	10.3
S006	1978	Ecuador	Technical Assistance	11.0	-	7.9
1644	1978	Ecuador	Rural Development	18.0	-	17.4
1731	1979	Ecuador	DFC	40.0	-	8.5
1776	1980	Ecuador	Guayaquil Urban Development	31.0	-	29.4
1879	1980	Ecuador	Small Scale Enterprise Credit	20.0	-	10.2
1882	1980	Ecuador	Highways	55.0	-	53.0
1991	1981	Ecuador	Rural Development	20.0	-	20.0
2044	1982	Ecuador	Rural Development	17.0	-	17.0
2045	1982	National Power Company	Power Transmission	100.0	-	100.0
2096	1982	Ecuador	DFC ^{2/}	60.0	-	60.0
Total				598.5	37.6	348.3
of which has been repaid				89.4	1.1	
Total now outstanding				509.1	36.5	
Amount sold				3.1		
of which has been repaid				2.9	0.2	
Total now held by Bank and IDA				508.9	36.5	
Total undisbursed				348.3	-	348.3

^{1/} does not include US\$35.7 million loan for a National Low-Income Housing Project approved by Executive Directors on May 4, 1982.

^{2/} approved but not signed until April 22, 1982.

B. STATEMENT OF IFC INVESTMENTS (as of March 31, 1982)

<u>Fiscal Year</u>		<u>Type of Business</u>	<u>(amount in US\$ million)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1966 & 1972	La Internacional, S.A.	Textiles	3.7	0.2	3.9
1969, 1973, 1975 & 1977	Compania Financiera Ecuatoriana de Desarrollo S.A. (COFIEC)	DFC	-	0.5	0.5
1976	Sociedad Agricola e Industrial San Carlos, S.A.	Sugar Mill	5.0	-	5.0
1978	Cemento Nacional (CEM)	Cement	12.0	1.1	13.1
1980	Adamas Andina, S.A. <u>1/</u>	Pulp and Paper	3.3	1.0	4.3
1981	Compania Minera Toachi, S.A.	Mining	1.0	0.3	1.3
1981	Palmoriente <u>2/</u>	Palm Oil	9.0	1.8	10.8
1982	Ecualease <u>2/</u>	Leasing	9.0	0.2	9.2
	Total gross commitments		43.0	5.1	48.1
	Less cancellations, terminations, repayments and sales		<u>6.5</u>	<u>0.4</u>	<u>6.9</u>
	Total commitments now held by IFC		<u>36.5</u>	<u>4.0</u>	<u>41.2</u>
	Total undisbursed		<u>22.2</u>	<u>3.2</u>	<u>25.4</u>

1/ Cancelled by letter of April 26, 1982.

2/ Approved but not yet signed.

C. STATUS OF PROJECTS IN EXECUTION AS OF MARCH 31, 1982 1/

Loan 1157-EC - Vocational Training Project; US\$4.0 million Loan of September 3, 1975; Effective Date: November 24, 1975; Closing Date: June 30, 1982

After initial delays, project implementation has accelerated. Construction of the training centers has been completed. Bidding for equipment purchase is now underway and contracts are expected to be signed before June. The centers are expected to be functioning by the end of this calendar year. The present Government has shown strong support for this project, naming a dynamic director and providing needed additional funds. The Bank is considering a possible extension of this project's Closing Date.

Loan 1229-EC - Seeds Project; US\$3 million Loan of May 24, 1976; Effective date: October 20, 1976; Closing Date: June 30, 1982

Project execution has accelerated during the past year and it appears probable that the project can be completed by the amended Closing Date, June 30, 1982. The implementing institutions (Project Unit, Department of Seed Certification, National Seeds Council and the Seeds Company, EMSemillas) are staffed and in operation. Because of the earlier delays, EMSemillas is not yet operating at full capacity and thus is unable to amortize its portion of the loan. However, procurement of works and equipment is now underway for the major facilities and the National Development Bank is providing interim financial support. Staff training has also accelerated in recent months.

Loan 1230-EC - Technical Assistance Project; US\$4.0 million Loan of May 24, 1976; Effective Date: October 20, 1976; Closing Date: December 31, 1982

This project financed preparation of the Bank's first rural development project in Tungurahua Province. More than half of the loan resources will support hydrological studies for the Guayas River Basin, on the basis of which topographic and prefeasibility studies can be done for agricultural development in the region. After several years delay, aerial photography for the Guayas study is nearing completion and related mapping work is underway.

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Loan 1231-EC - Fourth Highway Project; US\$10.5 million Loan of May 24, 1976; Effective Date: October 13, 1976; Closing Date: December 31, 1982

All civil works and technical assistance elements under the project have been completed. The technical assistance programs have had positive effects on highway planning, engineering and maintenance. Progress is being made in land transport planning. Disbursements are nearly completed and the Project Completion Report is in preparation.

Loan 1359-EC - Third Development Banking Project; US\$26.0 million Loan of February 18, 1977; Effective Date: August 9, 1977; Closing Date: June 30, 1982

This project is fully committed and 98 percent disbursed.

Loan 1429-EC - Fifth Highway Project; US\$17.5 million Loan of September 22, 1977; Effective Date: January 10 1978; Closing Date: June 30, 1983

Construction of the Duran-Boliche road, which represents about 60 percent of total project costs, is about two years behind schedule and has experienced cost increases because of design changes. Construction of the Puerto Ila-Doblones road is also two years behind schedule because of soil and weather difficulties. The lateral feeder roads to this road have been contracted and should be completed during 1982. The study of regional secondary and feeder roads in three provinces was completed satisfactorily and served as the basis for the Sixth Highway Project. An extension of the Closing Date may be required to permit completion of civil works.

Loan 1459-EC - Agricultural Credit I Project; US\$15.5 million Loan of November 3, 1977; Effective Date: June 14, 1978; Closing Date: December 31, 1982

The loan continues a program of credit for livestock development financed under three previous loans and credits, but has been broadened to cover crop farms, small rural industries and local consulting services. In addition, there are applied research and technical assistance components. Eleven banks and financieras are participating in lending operations. Eighty percent of the lending program has been committed for on-farm development, but disbursements have moved more slowly because the investment plans extend over three years generally. Also, local counterpart funds have not always been allocated on time.

Loan S-006-EC - Second Technical Assistance Project; US\$11.0 million Loan of November 3, 1977; Effective Date: March 1, 1978; Closing Date: June 30, 1983

After very slow execution during the first three years, the project is now moving much faster and about US\$2.7 million have been disbursed in the last six months. Good progress is also being made on a study of local consultants which could have considerable relevance for the implementation of future feasibility studies.

Loan 1644-EC - Tungurahua Rural Development Project; US\$18 million Loan of May 11, 1979; Effective Date: September 28, 1979; Closing Date: December 31, 1985

This integrated rural development project is progressing slowly after about a year's delay in signing of subsidiary agreements between the Central Bank and participating agencies. The project unit has been working with farmers and community groups for the past year, and infrastructure components are entering the procurement stage.

Loan 1731-EC - Fourth Development Banking Project; US\$40 million Loan of December 17, 1979; Effective Date: September 23, 1980; Closing Date: June 30, 1983

This project, a follow-up to earlier successful loans, is disbursing quickly as participating DFCs had a backlog of industrial subprojects under review. It was almost fully committed within four months of the effectiveness date and is now over three-quarters disbursed.

Loan 1776-EC - Guayaquil Urban Development Project; US\$31 million Loan of May 9, 1980; Effective Date: October 31, 1980; Closing Date: June 30, 1985

All the components of this integrated urban development project are now underway. Provision of urban services by the Municipality of Guayaquil, however, has been delayed by institutional problems and land tenure complications in existing low-income areas. The National Housing Bank (BEV) has nearly completed a small area of low-cost housing, and its program of home improvement loans is off to a good start. After initial delays, the credit and technical assistance to artisan-type enterprises is also working well.

Loan 1879-EC - Small Scale Enterprise Credit Project; US\$20 million Loan of October 31, 1980; Effective Date: April 1, 1981; Closing Date: December 31, 1984

This is the Bank's first small scale enterprise credit project in Ecuador. Although the project became effective only in April, 1981, the pace of subloan disbursement and completion of institutional development aspects of the loan are substantially ahead of schedule and a second project is in preparation. About 30 private banks and financieras are involved in term lending to small enterprises through this project.

Loan 1882-EC - Sixth Highway Project; US\$55 million Loan of October 31, 1980; Effective Date: May 14, 1981; Closing Date: June 30, 1985

The Feeder Roads Project Unit was established in January 1981 and agreements with the three participating provinces have been signed. Political and administrative difficulties have, however, delayed initiation of most components. These difficulties are being resolved and contracting of civil works for the first year is now underway, and technical assistance for road maintenance and transport planning has started.

Loan 1991-EC - Puerto Ila-Chone Rural Development Project; US\$20 million Loan of November 24, 1981; Effective Date: June 1, 1982; Closing Date: June 30, 1988

Effectiveness conditions are being met. The Project Unit is being staffed and land titling efforts are underway.

Loan 2044-EC - Esmeraldas Rural Development Project; US\$17 million Loan of November 24, 1981; Effective Date: June 1, 1982; Closing Date: December 31, 1988

Effectiveness conditions are being met and the Project Unit is being staffed.

Loan 2045-EC - Power Transmission Project; US\$100 million Loan of December 4, 1981; Effective Date: June 4, 1982; Closing Date: December 31, 1985

Effectiveness conditions are being met. Terms of reference for institutional studies are being revised and calls for bids are expected shortly.

Loan 2096-EC - Fifth Development Banking Project; US\$60 million Loan of _____; Effective Date: June 22, 1982; Closing Date: December 31, 1986

This loan was recently approved.

ECUADOR

SECOND VOCATIONAL TRAINING PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

SECTION I: TIMETABLE OF KEY EVENTS:

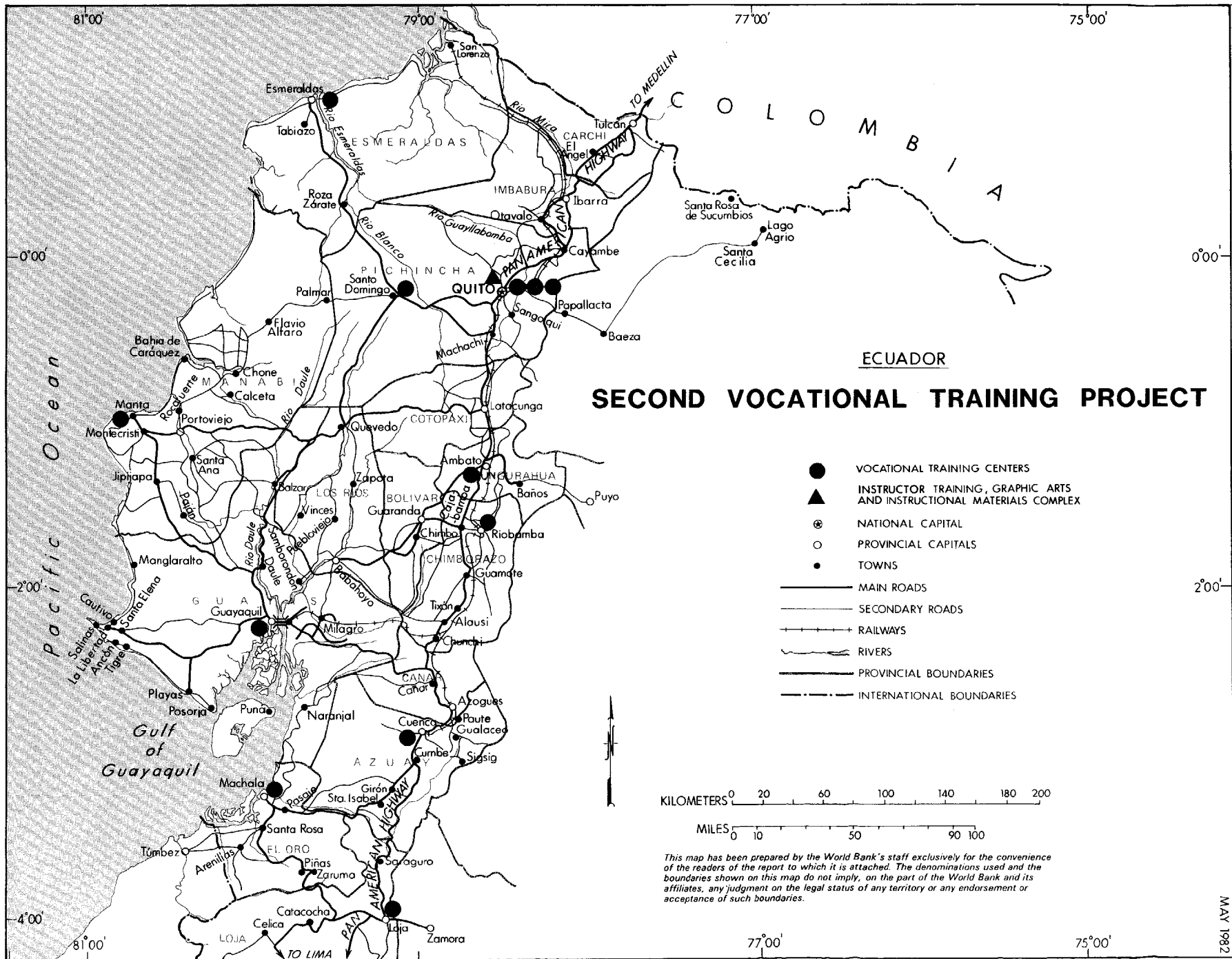
- (a) Time taken by country to prepare project: 12 months
- (b) Project prepared by: SECAP
- (c) First presentation to the Bank and first Bank mission to consider project: November 1980
- (d) Departure of Appraisal mission: May 1981
- (e) Completion of Negotiations: May 1982
- (f) Planned date of effectiveness: November 1982

SECTION II: SPECIAL BANK IMPLEMENTATION ACTIONS

None.

SECTION III: SPECIAL CONDITIONS:

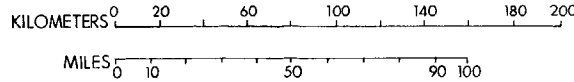
- (a) Government to provide funds, as necessary, for SECAP to carry out its training programs (para 40).
- (b) SECAP to furnish to the Bank for review and comment its draft development plan through 1990 by December 31, 1984 (para 50).
- (c) SECAP to maintain and strengthen project implementation unit in a manner satisfactory to the Bank to assure efficient execution of project (para 53).



SECOND VOCATIONAL TRAINING PROJECT

ECUADOR

- VOCATIONAL TRAINING CENTERS
- ▲ INSTRUCTOR TRAINING, GRAPHIC ARTS AND INSTRUCTIONAL MATERIALS COMPLEX
- ⊗ NATIONAL CAPITAL
- PROVINCIAL CAPITALS
- TOWNS
- MAIN ROADS
- SECONDARY ROADS
- RAILWAYS
- RIVERS
- PROVINCIAL BOUNDARIES
- INTERNATIONAL BOUNDARIES



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