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GUATEMALA
ACTION PLAN FY 1986-87

U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT
GUATEMALA

FY 86/87 ACTION PLAN



USAID/GUATEMALA

FY 1986-1987 ACTION PLAN

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USAID/GUATEMALA

FY 1986-1987 ACTION PLAN

COUNTRY SETTING AND STRATEGY SUMMARY

Section One - Country Setting Statement

The FY 1986 Country Development Strategy Statement (CDSS) drew a portrait of Guatemala as a country with considerable natural endowments and economic potential, sharply contrasted with the reality of severely unbalanced distribution of income and a very high level of actual poverty, particularly among the indigenous population. This situation has prevailed through most of Guatemala's modern history with little evidence of any real commitment to equality of opportunity for the indigenous population. During most of the 1960's and 1970's, Guatemala experienced high economic growth rates but with only small gains in the standard of living for the indigenous population and other rural poor.

Due to a combination of factors, the country has experienced a serious economic recession resulting from such factors as the world oil price hikes of the 1970's, the stagnation of Central American Common Market (CACM) activities, the generally low prices for Guatemala's major exports, and the political and military major insurgency experienced in the early 1980's.

All of this would portend a bleak picture for both short-term economic growth prospects in general and growth with equity in particular, and would not augur well for increased levels of United States economic assistance to Guatemala. However, the realities of the past few decades, while strongly influencing the nation's current international image, are no longer an accurate reflection of the direction in which the nation is moving today.

Guatemala has weathered the terrible insurgency of the early 1980's with great loss of life and economic vitality. It remains true that extremists of both right and left persuasions continue to play highly visible roles in the public life of the nation.

Despite the economic and political difficulties, the conviction of the vast majority of Guatemalans is that a better future is possible. The conviction of the vast majority of Guatemalans is that a better future is possible for all segments of society, and that economic growth is necessary to achieve this goal.

format mandated for and used throughout the region. This ACTION PLAN strategy summary update reflects even more closely those objectives. The current package of projects, including \$66.6 million for six new projects and five add-ons already obligated from FY 1984 Supplemental and FY 1985 funds as of 03-31-85,

Guatemala, [redacted] with greater participation [redacted] is contained in the [redacted]

- (1) [redacted] of payments [redacted]
- (2) [redacted] productivity and [redacted]
- (3) [redacted]

These objectives remain valid. However, given experience to date, the sharp rise in current and planned resource levels, and the expectation of ESF balance of payments assistance in FY 1986 and beyond, USAID/Guatemala is regrouping and refining these central strategy objectives to better promote the overall goal of economic growth. Toward this end and as indicated in the FY 1986 CDSS, the [redacted] all [redacted] appropriate [redacted] response [redacted]

the [redacted] support of the growth [redacted]. All of this is completely consistent with NBCCA objectives. USAID's selection of activities under design this year and in the next few years also is being further refined by the larger NBCCA goal of promoting democratic processes.

Therefore, as restated, the key objectives in USAID's strategy are as follows:

- (1) Achievement of balance of payments equilibrium through [redacted] and the [redacted] [redacted] [redacted]
- (2) If [redacted] and [redacted] (a) [redacted] result [redacted] (b) [redacted] through programs in health and education, [redacted] acc [redacted]

THE POLICY DIALOGUE PLAN

Section One - Introduction

Flowing from the country setting and strategy statements given above, USAID/Guatemala sees two related, but distinct policy agenda areas that must be addressed if U.S. assistance is to be effectively leveraged toward achieving the larger program goals of democratic government, economic recovery and growth with equity. These two areas are; ~~the political and economic sectors~~. The former is central to Mission ~~and~~ economic recovery planning. The latter relates more directly to existing and planned ~~inputs~~. Although discrete in many aspects, both are interlinked by the overriding program objectives of growth with equity and by their implications for specific allocations of available resources.

Consequently, this POLICY DIALOGUE PLAN begins with a brief background description of the overall dialogue to date and the framework for the continuing dialogue. This is followed by two major sections. The first provides a ~~background and a framework~~ for an ESF cash transfer program. This section concludes with a discussion of ~~the program~~ for the proposed ~~program~~. The second major section outlines ~~the~~ dialogue plans for continuing and new ~~sectors~~. Specific sector objectives and ~~plans~~ plus ~~the~~ and the ~~program~~ are given in the PROGRAM CONTENT portion of this ACTION PLAN. The final parts provide sections on SPECIAL CONCERNS and a MIS-SION MANAGEMENT NARRATIVE AND OPERATING EXPENSE LEVEL REQUIREMENTS.

Section Two - The Dialogue to Date

USAID/Guatemala has in the recent past carried out a structured policy dialogue with ~~the~~ authorities at ~~the~~ central government level in connection with the inauguration of the ~~ESF~~ recommended program; at ~~the~~ government working ~~level~~ in connection with the negotiation of new projects; and, finally, at ~~the~~ through formal briefings and program discussions with ~~senior~~ ~~government~~ ~~officials~~, military ~~commanders~~ ~~and~~ ~~other~~ ~~personnel~~ ~~responsible~~ ~~for~~ ~~coordinating~~ ~~the~~ ~~country's~~ ~~economic~~ ~~development~~ ~~efforts~~ ~~and~~ ~~the~~ ~~country's~~ ~~development~~ ~~efforts~~.

In all of the above discussions, USAID representatives have followed the basic tenets set forth in the AID Policy Dialogue Paper of December 1982, and have attempted to relate those to

Guatemala's realities and problems, as well as to the NBCCA recommendations and the size and potential impact of the AID program on the solution of those problems. However, until very recently -- such as in FY 1984 when the program amounted to only \$4.4 million in DA, no ESP, and \$7 million in P.L. 480 Title I approved only late in the fiscal year -- USAID lacked the means to include conditionality in the policy dialogue.

Section Three - Framework for Future Dialogue

Three recent and interrelated developments have made future policy dialogue with Guatemalan public and private sector representatives of crucial importance:

- (1) Concrete and continuing steps returning Guatemala to civilian and democratic government;
- (2) An end to major export restrictions, accompanied by serious efforts to improve public and private sector performance which could derail effective economic recovery and undermine the democratization process; and,
- (3) Significant U.S. assistance levels, beginning in FY 1985, which could, if judiciously applied, help alleviate the economic situation and contribute to maintaining the momentum of the democratization process.

Over the time frame covered by this ACTION PLAN, USAID will place primary, but not exclusive emphasis in its policy dialogue on the following broad areas, set forth in the Policy Dialogue checklist (STATE 45804) of February 14, 1985: Economic Structure, Agricultural Development, and Enterprise Development.

Policy discussions will be linked to the entire assistance package DA, ESP, P.L. 480 Title I, and -- in a more particular way -- to salient portions of the package such as the most effective and persuasive use of ESP in the dialogue on Economic Structures.

Section Four - The Macroeconomic Policy Dialogue (ESP Planning)

A. Introduction

The importance of economic structure is without question the most basic and the most urgent in present-day Guatemala. It underlies sector specific areas of policy concerns. Moreover, failure to move through the dialogue process to constructive

resolution of the major macroeconomic problems will in all likelihood seriously alter Guatemala's democratic and economic hopes as well as U.S. regional interests and AID's overall strategy and objectives in Guatemala.

The Bank ~~is presently projecting a 1.4% real growth rate and most optimistically projecting imports at the 1984 level while anticipating a significantly increased level of exports in 1985. More realistic estimates, presented in more detail in the following section, would indicate a lower level of growth and a higher level of imports.~~ Guatemala has little in terms of current resources to close this gap and only limited access to foreign capital. ~~The 1984 deficit, which amounted to 18 percent of export earnings in 1984, is expected to rise to 38 percent in 1985 and 47 percent in 1986.~~ It is obvious that a much higher level of compensatory financing than currently anticipated will be required to finance any sort of increase in the country's economic growth rate.

Senior Embassy and USAID officers have discussed Guatemala's macroeconomic situation with Government of Guatemala policy makers on at least two occasions in 1984 in formal Jackson Plan briefings. However, these conversations resulted primarily in an exchange of information since we lacked at the time the backing of resources, such as ESF and P.L. 480, Title I, for a serious policy dialogue. The expectation of significant ESF resources (together with P.L. 480, Title I) in FY 1986 and FY 1987 have changed the scenario.

Recently, on April 23, 1985 and again on April 30, 1985, senior Mission and Embassy officers were approached by top Government of Guatemala decision makers with requests for ~~additional~~ ~~of payments~~ ~~assistance.~~ A policy dialogue on the country's macroeconomic problems has in effect started and will continue. The Government of Guatemala ~~is making~~ ~~effort~~ ~~to~~ ~~curb~~ ~~government~~ ~~spending~~ and attempting to ~~curb~~ ~~out~~ ~~possible~~ ~~inflationary~~ ~~pressures~~ by means of a "public national dialogue" have been renewed, but are unlikely to be sufficient.

The U.S. in concert with the IMF and other major donors such as the IBRD and IDB must be prepared to offer necessary balance of payments support to forestall a deepening of the crisis. ~~An agreement to provide~~ ~~the same amount in FY 1986 (taking into account Congressional complexities with a supplemental funding request) ~~could~~ ~~be~~ ~~used~~ ~~to~~ ~~offset~~ ~~significant~~ ~~inflationary~~ ~~pressures~~ ~~on~~ ~~the~~ ~~balance~~ ~~of~~ ~~payments~~ ~~sup.~~ ~~The~~ ~~Government~~ ~~of~~ ~~Guatemala~~ ~~on~~ ~~its~~ ~~part~~ ~~should~~ ~~have~~ ~~to~~ ~~introduce~~ ~~adequate~~ ~~monetary~~ ~~and~~ ~~fiscal~~ ~~measures~~ ~~to~~ ~~restore~~ ~~the~~ ~~economy.~~~~

pronounced that the new revenue measures ~~introduced in April~~
~~December 1983~~ ~~will be sufficient to~~ ~~cover the~~
public sector ~~investment~~ ~~in the~~ ~~one~~ ~~that~~ ~~rather~~
our ~~office~~ ~~concern~~ ~~is~~ ~~the~~ ~~reason~~ ~~of~~ ~~the~~
1983

The ~~stability~~ ~~of~~ ~~the~~ ~~public~~ ~~sector~~ ~~investment~~
with ~~the~~ ~~introduction~~ ~~of~~ ~~new~~ ~~revenue~~ ~~measures~~ ~~and~~ ~~greater~~ ~~emphasis~~ ~~on~~ ~~the~~ ~~public~~ ~~sector~~ ~~investment~~ ~~which~~ ~~support~~ ~~development~~,
tions coming at the expense of the investment budget. Public
sector investment has declined, in nominal terms, from Q632.4
million in 1981 to Q210.9 million (estimated) in 1984. While
part of this reduction can be attributed to the completion of
the main structures of the Chixoy hydroelectric plant and the
scratching of several "white elephant" projects, current and
future levels of public sector investment are so low as to con-
strain longer-term growth projects.

For example, many of the proposals set forth in the national
policy dialogue call for cuts in government spending without
decreases in either salaries or numbers of personnel. Ten per-
cent is the size of the reduction cited most often. In the
1984 budget, payments to labor constitute about 70% of the oper-
ating budget and more than half of the total budget. A 10%
cut would imply at least a 20% reduction in investment and non-
salary operating expenses in nominal terms.

In summary, while the size of government is a nation's sov-
ereign choice, it becomes a structural problem when the amount
and type of public sector spending constrains economic growth
and when the chosen level cannot be financed by tax revenues.
Without introduction of new revenue measures and greater empha-
sis on the public sector investments which support development,
Guatemalan public finance policies are inimical to the achieve-
ment of high rates of economic growth in the near term.

D. Balance of Payments and Exchange Rate Management

In November of 1984, the Government of Guatemala legalized
the parallel market for the quetzal. The interbank parallel
exchange rate has since depreciated from ~~Q10.00 to~~ ~~Q12.00~~ ~~to~~ ~~a~~
low of ~~Q12.00~~ ~~per~~ ~~US~~ ~~\$1.00~~ ~~in~~ ~~the~~ ~~street~~ ~~market~~ ~~has~~
fallen ~~below~~ ~~as~~ ~~low~~ ~~as~~ ~~Q12.00~~ ~~per~~ ~~US~~ ~~\$1.00~~. Despite this movement toward
a market determined rate, ~~the~~ ~~parallel~~ ~~market~~ ~~is~~ ~~not~~ ~~yet~~ ~~fully~~ ~~operational~~
certain ~~aspects~~ ~~of~~ ~~the~~ ~~resultant~~ ~~parallel~~ ~~market~~ ~~exchange~~ ~~rate~~
system is inefficient and fraught with ~~problems~~. Thus, ability
to exchange dollars at the parallel rate is a lesser incentive
to producers than it could be given a more rational system.
For example,

-- ~~Manufacturers who sell their products abroad obtain foreign exchange, but have no automatic right to receive foreign exchange when it comes time to buy inputs.~~

-- ~~The foreign exchange earnings from the export categories which pass through at the official rate (US\$1:1000) are insufficient to pay for essential imports which are covered at the official rate. As a result the Government of Guatemala is delaying payments to suppliers and creditors, and is even reported to be buying dollars on the parallel market to meet critical bills.~~

-- ~~The system has a number of loopholes, as evidenced by reports of widespread evasion and overweighing and retention of foreign exchange by individuals and firms in the country.~~

Clearly, these kinds of inefficiencies serve as disincentives to trade, and cause price distortions in the domestic economy. The problems associated with the current system for allocating foreign exchange explain only part of the current inability of the Guatemalan economy to generate enough foreign exchange to accommodate the import level required for moderate economic growth. Analysis of the balance of payments accounts reveals other structural problems in the external sector.

Table 1 on the following page shows trends in the external sector and projections for 1985. Two projections are shown, both Government of Guatemala and USAID, based on differing sets of assumptions. In ~~addition, the Government's projections are in line with respect to export performance in several areas, and a decrease in capital flight and~~

TABLE I
Guatemala Balance of Payments

(millions of U.S. dollars)

	1980	1981	1982	1983	1984(p)	B. de G. 1985(e)	USAID 1985(e)
Current Account Balance	-176.4	-564.7	-371.1	-223.9	-313.7	-192.2	-242.9
Trade Balance	-78.4	-374.4	-188.4	35.7	-13.9	101.9	59.1
Exports	1519.8	1299.1	1199.6	1091.7	1139.3	1269.1	1226.3
Imports	-1598.2	-1673.5	-1388.0	-1056.0	-1153.2	-1167.2	-1167.2
Services/Transfers Net	-98.0	-190.3	-182.7	-259.6	-299.8	-294.1	-302.0
Capital Account Balance	-161.0	216.0	-14.8	321.8	352.4	192.2	80.9
Private Net	-323.0	-58.3	-289.5	51.8	-34.7	27.1	-24.9
Short-term Net	-461.0	-221.6	-363.9	22.6	-71.4	-13.9	-65.9
Long-term Net	138.0	163.3	74.4	29.2	36.7	41.0	41.0
Official/Banking Net	162.0	274.3	274.7	270	387.1	165.1	105.8
Short-term Net	59.0	55.3	2.4	8.8	229.9	-25.3	-84.6
Long-term Net	103.0	219.0	272.3	261.2	157.2	190.4	190.4
Errors and Omissions	18.4	-0.3	-7.6	-8.6	—	—	—
Net International Reserves including arrears (millions of US\$)							
Banking System	364.1	23.5	-295.1	-301.7	n.a.	n.a.	n.a.
Banco de Guatemala	398.0	49.2	-266.9	-235.8	n.a.	n.a.	n.a.
Memo Items							
GDP in current Q's (millions of Q's)	7,890	8,608	8,728	9,035	9,356	9,830	—
GDP deflator	10.0	8.6	5.1	6.5	3.3	3.6	—
Guatemalan Exports to US Percent of Total	27.5	24.9	26.4	32.9	39.0	—	—

Sources: FY86 CDSS, Banco de Guatemala, IMF, Department of Commerce

p=preliminary
e=estimate

USAID estimates imply a current account deficit of 1984 million down from \$313.7 million in 1984. The private sector capital account balance is estimated to be -\$24.9, which reflects a readjustment of Government of Guatemala projections of private sector inflows. Public sector noncompensatory capital inflows are estimated to be \$124.8 million, whose main element is the pending IDB Industrial Recovery loan of \$ 70 million for re-loans to private firms. This leaves a compensatory financing requirement of \$374.1 million, for which credit sources appear to be lined up in the amount of \$212.1 million.

These projections show the Government of Guatemala with an estimated 1985 current account deficit of \$374.1 million (1985 estimate) which is a significant increase over the 1984 deficit of \$313.7 million. This increase is due to a combination of factors as international reserves are low and the current economic situation, neither scenario is consistent with a promising outlook for future growth. Increased borrowing from abroad will further elevate the proportion of foreign exchange earnings that must go for debt service, now at 38% (1985 estimate). This will lead to a further reduction in public and employment to lower levels.

In short, internal structural problems (the inefficient foreign exchange allocation system and the public sector deficit) will combine with external factors (sluggish CACM demand for Guatemalan products and slow growth in the commodity prices) to generate a large current account deficit in 1985. Given that capital flight may persist and that financing may not be available on favorable terms, imports may be restricted below the projected level, constraining the growth of national output.

E. Commercial Bank Interest Rates

Pressure on the exchange rate could be relieved in part with a greater incentive to save domestically. Commercial banks are restricted to paying no more than 9% on time deposits, which is a very low rate, especially negative as inflation accelerates. Raising the rate on deposits would serve both to reduce the pressure on the exchange rate as a stop-gap measure and to siphon money away from imports.

The corresponding ceiling of 12% on commercial bank lending would also have to be adjusted to accommodate greater mobilization of savings. At present, banks lend at the shortest term possible, since traditionally interest rate adjustments have extended only to new loans. Allowing more interest rate flexibility in response to domestic price movements will both protect savers and direct resources into more economically rational investments.

F. Energy Sector

The [redacted] merits special mention as it concretely illustrates the structural distortions of the Guatemalan economy addressed above, but also because this sector represents the greatest short-term constraint to growth.

As this document was being finalized in mid and late May, [redacted] and [redacted] were available for 3 hours per day, [redacted] and [redacted] were [redacted] out of fuel. Most [redacted] materials are being damaged, essential goods are spoiling, before they can be sold, and production is [redacted].

At the heart of the crisis are public policies for pricing and management of investment in the sector. Anticipating the [redacted] Chixoy hydroelectric [redacted] generators [redacted] as part of the public investment [redacted] of Chixoy. Tunnel repairs are expected to [redacted] four to eight [redacted]. In the interim, the poorly maintained, overburdened petroleum-fed generators (plus any reinforcements which can be obtained) must supply the country. [redacted] maintains the [redacted] availability for petroleum. The current rationing of fuel is primarily the result of the Government of Guatemala's inability to pay its oil bills.

Petroleum and fuel are treated as essential commodity imports and carried under the official 1:1 exchange rate. There is concern that the Guatemalan government has recently resorted to buying dollars in the parallel market to make payments on its oil debt. The [redacted] about Q2.00 (\$0.71) at a [redacted] gallon, [redacted] which [redacted] an adequate [redacted] of fuel and oil generators [redacted] will be major contributors to [redacted] and current account [redacted] 1985.

G. Prospects for Growth

The Government of Guatemala projects [redacted] in GDP for 1985. Even this modest rate is likely to have overestimated [redacted].

-- [redacted] increases may [redacted] exports even below the projected level, [redacted].

-- Fuel and electricity shortages may have a profound impact on the input IOP at least part of 1985;

-- Governmental actions.

... since the Guatemalan government is growing by ... If zero or negative growth is the outcome in 1985, poverty will increase, creating additional pressure for the incoming elected government. Such a retreat in incomes would imply a step backward both in meeting USAID strategy goals and in the movement toward democracy.

For the medium term, if the new government could inherit or itself establish an effective program of structural adjustment, moderate growth could be obtained by the end of the decade. The alternative scenario of continued reliance on economic measures which are too little and too late will confine Guatemala to a path of little or no growth over the medium term.

H. Justification for ESF Cash Transfer

The current economic crisis in Guatemala is perceived as ... exchange constraints ... The consequences of a prolonged recession ... of movement ... violence will ... Guatemala's recovery and interests would not ...

3

The objectives of the proposed \$100 million ESF program for FY86 and 87 are:

To restore ... moderate growth with no real decline in per capita income.

... al measures to improve the equity, flexibility and elasticity of the existing tax system.

-- To ... areas where a situation of social injustice is manifestly evident;

-- To assist the Government of Guatemala in support of the private sector, and particularly the export sector, by:

- (a) promoting an increase in private investment in the export sector;
- (b) encouraging the adoption of policies in the private sector, through market liberalization;
- (c) supporting an improved system of foreign exchange allocation, with a view to the attainment of a unified financial system and convertibility.

These ESF objectives are consistent with the overall program strategy and the goals of the DA projects. In addition, successful leverage of the policy reforms described above would reduce longer-term dependence of the Guatemalan economy on financing for BOP deficits.

The key to meeting the objectives set forth lies in having available the requested level of fast-disbursing BOP support to meet Guatemala's critical shortage of foreign exchange. USAID therefore proposes that all ESF disbursements in FY86 and 87 be made via the cash transfer mechanism. The potential benefits of a cash transfer are substantial in promoting the adoption of urgent but politically difficult policy reforms.

By comparison, a Commodity Import Program (CIP) would have the effect of weakening USAID's leverage in pushing for policy reform. CIP credits from the U.S. to Guatemala, by far, in quantities whose value greatly exceeds the level of proposed ESF assistance. Projectizing the ESF assistance is the least desirable alternative, as it not only impairs the Mission's ability to assist Guatemala with its immediate crisis, but would also increase the growing project management load.

I. ESF Conditionality

An illustrative timetable for the policy reforms to condition disbursement of ESF resources is shown in Table 2. The ESF assistance will be provided to the DAAD for the FY86 ESF period.

It is anticipated that the FY86 ESF disbursement of \$25 million will be in support of the newly elected Guatemalan government, which will enter office in the middle of a serious economic crisis. While ESF assistance discussions will have to

For the external sector, the first concern in the FY 1986 ESF negotiations is to eliminate the deficit of dollars traded at the official exchange rate by reducing the essential commodity list. At present, there is a substantial difference between foreign exchange earnings which must be converted at the official rate, and the value of commodities which are imported under the essentials list (-\$78.8 million estimated for 1985 - see Table 3). This imbalance has caused the Government of Guatemala to delay payment of its official debt and of bills from suppliers of essential categories. At present, the prime candidate for removal from the list of essential imports, given the current energy crisis, is fuel, particularly gasoline. A necessary step is the elimination of petroleum products from the essential list. These moves should be transitional to a unified rate which is realistic enough to be a market clearing rate.

Finally, Government of Guatemala will be essential given accelerating inflation in 1986. At a minimum, USAID will seek readoption of the April interest rate reform which raised the rate from 9 to 13% and on 12 to 16%.

the size of USAID's 1986 ESF allocation and the policy reforms which will be sought. For the FY 1987 allocation of \$75 million, completion of the FY 1986 policy reform agenda will be sought, building on the areas begun but not likely fully implemented from the previous year.

IN 1987, a real increase in the public sector investment budget over 1986 will be urged, again with still further emphasis on rural development. The FY87 ESF assistance will also be contingent upon adoption of a fiscal package (building on FY 1986 gains) which increases tax system elasticity and equity and which eliminates the persistent structural fiscal deficit. Finally, more flexible policies regarding commercial bank interest rates are crucial, to prevent rates from becoming too high to provide banks incentives to engage in longer term lending.

In the event that supplemental FY 1986 ESF assistance is received for Guatemala, the timetable for FY 1987 conditionality, particularly in the public finance area, will be moved up in the negotiating schedule.

TABLE 3
Supply and Demand for Foreign Exchange Traded
at the Official Rate Q1 = \$ 1
(1985 Estimates)

SUPPLY	1131.3
<u>SUPPLY</u>	<u>1131.3</u>
FOB Exports	725.2
Cotton	62.2
Quota Sugar	35.0
Nonquota Sugar	—
Bananas	70.0
Quota Coffee	325.0
Nonquota Coffee	—
Cardomom	100.0
Petroleum	30.0
Beef	0.5
Other	88.5
CACM	8.0
Service Exports	93.0
External Credit	301.7
Banco de Guatemala	147.5
Rest of the Public Sector	154.2
Other	11.4
DEMAND	1210.1
<u>DEMAND</u>	<u>1210.1</u>
CIF Imports	571.3
Private Sector	424.3
Public Sector	147.0
Service Imports	162.0
Debt Service	456.1
Banco de Guatemala	246.0
Public Sector	160.1
Amortization of the Presa	50.0
Other	20.7
BALANCE	-78.8
<u>BALANCE</u>	<u>-78.8</u>

SOURCE: Centro de Investigacion Economica (CIE)
 "Correo Economico"
 (Año No. XII, No. 545)
 Based on Banco de Guatemala data

Section Five - DA Programming and Policy Dialogue Plans

A. Introduction

Individual project narratives for each new start intended for FY 1986 or FY 1987 are provided in Section Three of the PROGRAM CONTENT portion of this ACTION PLAN. Reference to these in this section is only by way of exemplifying or detailing policy dialogue themes already under discussion or intended. The order of appearance for the new activity narratives is given in the Table of Contents. The narratives are organized by functional account purposes, as follows: ESF

DA Policy Dialogue themes center on achieving an improved development climate overall and reaching specific conditions targeted by the NBCCA and USAID/Guatemala as outlined in the Strategy Summary section of this ACTION PLAN. Specifically, these are

and a great deal of attention is given to the needs of the rural population. A number of macroeconomic reforms, such as exchange and interest rates, are crucial to the DA dialogue as well (particularly for agriculture and small business) and have been discussed in the ESF dialogue planning section. Description of these will not be repeated here, but USAID/Guatemala is keenly aware of the importance these plus such other issues as air and land transport, have to achievement of lasting improvements. Constant attention on a day-to-day implementation basis and through special studies and presentations will be given to ensure that both in the ESF and DA dialogues USAID engages with both the Government of Guatemala and the private sector in realistic discussions of the full range of macro and microeconomic constraints to growth.

B. Agricultural Development

A number of macroeconomic dialogue issues, particularly those dealing with exchange and interest rates, pricing policies and access to foreign exchange, discussed in the prior section, have particular relevance to the agriculture sector and will be incorporated in discussions and terms for ESF, Title I and DA resources.

As earlier noted, the rural population in Guatemala has been severely affected by the economic crisis. This is demonstrated most drastically in the country's unemployment rate. Some 20% of the Guatemalan population lives under 2 hectares in sub-subsistence conditions. On the other extreme,

~~for 150 hectares~~
~~The~~ According to the 1979 Agricultural Census and other potential land use data, there are almost 100,000 hectares of ~~land~~ ~~available~~ ~~throughout the country~~ of which could be channeled through a commercial land market mechanism.

USAID initiated a formal dialogue of this problem with the Government of Guatemala and representatives of Guatemala's private sector in late 1982, spearheaded by a ~~USAID~~ ~~analyst~~ ~~based~~ ~~in~~ ~~Guatemala~~. While the initial reaction to the proposal by the Rios Montt Government was favorable, in particular by the Minister of Agriculture, ~~the~~ ~~proposal~~ ~~was~~ ~~not~~ ~~well~~ ~~received~~ ~~in~~ ~~the~~ ~~private~~ ~~sector~~. The latter read into the project the spectre of ~~an~~ ~~unacceptable~~ ~~concept~~ ~~in~~ ~~present-day~~ ~~Guatemala~~. Encouraged by the success of a pilot ~~project~~ ~~conducted~~ ~~by~~ ~~the~~ ~~Government~~, ~~and~~ ~~by~~ ~~the~~ ~~appointment~~ ~~of~~ ~~a~~ ~~new~~ ~~Minister~~ ~~of~~ ~~Agriculture~~ ~~in~~ ~~January~~ ~~1985~~, ~~who~~ ~~has~~ ~~shown~~ ~~interest~~ ~~in~~ ~~the~~ ~~commercial~~ ~~land~~ ~~markets~~ ~~concept~~, ~~USAID~~ ~~has~~ ~~renewed~~ ~~discussions~~ ~~with~~ ~~the~~ ~~Government~~ ~~regarding~~ ~~the~~ ~~pilot~~ ~~project~~.

~~USAID~~ ~~is~~ ~~providing~~ ~~a~~ ~~\$10~~ ~~million~~ ~~loan~~ ~~to~~ ~~the~~ ~~Government~~ ~~for~~ ~~the~~ ~~project~~ ~~and~~ ~~is~~ ~~providing~~ ~~a~~ ~~\$1~~ ~~million~~ ~~loan~~ ~~to~~ ~~the~~ ~~private~~ ~~sector~~. ~~A~~ ~~financially~~ ~~sound~~ ~~land~~ ~~mortgage~~ ~~guarantee~~ ~~program~~ ~~will~~ ~~be~~ ~~developed~~ ~~to~~ ~~induce~~ ~~existing~~ ~~private~~ ~~credit~~ ~~institutions~~ ~~and~~ ~~land~~ ~~holders~~ ~~to~~ ~~enter~~ ~~into~~ ~~long~~ ~~term~~ ~~agreements~~ ~~with~~ ~~land~~ ~~buyers~~ ~~interested~~ ~~in~~ ~~acquiring~~ ~~or~~ ~~expanding~~ ~~farm~~ ~~land~~ ~~holdings~~. To assure that buyers participating in the land purchases have the ability to liquidate their mortgages, the project will provide production support and technical assistance to guide them in increasing productivity and income after the land transfer.

As stated above, discussions and negotiations for this project will be carried out directly with private sector representatives and representatives of those private credit institutions which are likely to become channels for credit for land purchases. ~~Contacts~~ ~~with~~ ~~the~~ ~~private~~ ~~sector~~ ~~will~~ ~~be~~ ~~drawn~~ ~~upon~~, ~~as~~ ~~well~~ ~~as~~ ~~private~~ ~~sector~~ ~~organizations~~ ~~participating~~ ~~in~~ ~~and~~ ~~benefitting~~ ~~from~~ ~~the~~ ~~\$1.5~~ ~~million~~ ~~loan~~ ~~to~~ ~~the~~ ~~private~~ ~~sector~~ ~~for~~ ~~the~~ ~~project~~ ~~in~~ ~~1980~~. This direct approach to the private sector on the commercial land markets issue should diffuse any still latent concerns by certain elements regarding a potential "land reform" of the traditional type with expropriation.

~~A major area for programming and policy dialogue during the period also time frame concerns the strengthening of Guatemala's agricultural cooperative networks. The dialogue on cooperatives will involve appropriate public sector officials as well as representatives from the cooperative movement. USAID's involvement with cooperatives in Guatemala dates back some 20 years and has included support for the establishment of two major umbrella organizations, the Guatemalan Federation of Credit Unions (FENACOAC) and the agricultural cooperative system (FECOAR). Subsequently, the Government of Guatemala sponsored a cooperative institute (INACOP).~~

With the exception of a few agricultural cooperatives which were carefully organized and managed during their start-up phase and which are now capable of supporting specialized agricultural production and operating marketing services, the ~~sector's cooperative movement has not been rewarded by noteworthy success. In the past, many of the cooperatives were heavily dependent upon~~ continued subsidies which prevented them from surviving in a competitive market and from providing meaningful services to their members. Further, the vitality of the cooperative movement, particularly in the Highlands, was seriously sapped during the insurgency of the early 1980's.

The absence of effective group participation and action, such as that related to cooperatives, is one of the most serious constraints limiting improved income levels of the small farmer. Together with inequitable land distribution discussed above, it ~~inhibits attainment of a principal objective of Guatemala, that of increasing rural income and productivity.~~

(*) To alleviate this constraint, in ~~1986~~ 1986, USAID plans to initiate an ~~all-million cooperative strengthening project (520-0286)~~ project. Policy discussions will be carried out at the highest level of the government, primarily with the Minister of Agriculture and the manager of Guatemala's agricultural bank (BANDESA) and with FENACOAC and FECOAR. The Government of Guatemala's approval and support of this project are essential in view of the frequently antagonistic positions toward cooperatives taken by previous governments. USAID support for BANDESA will be important, particularly since the latter organization is still plagued by over-bureaucratization and slowness in processing credit applications. Assuming a positive reaction, and as a strict condition to implementing the project, extensive evaluations and assessments will be agreed upon for those member cooperatives most likely to qualify for assistance under the project.

C. Education

USAID has assigned high priority to improved education in Guatemala. Increased access to educational facilities together with a better quality of the education system will have a positive effect on all three precepts of the USAID/Guatemala strategy.

~~Guatemala's literacy rate is only 1.7%.~~ At present, the Government of Guatemala provides only 1.7% of its GNP and 12.5% of its budget for education, the ~~lowest contributions to education by any Central American Government.~~ Moreover, until very recently, the ~~Indian majority~~ had been largely left out of even the primary education process since most Indians simply do not speak Spanish.

Over the past three years, USAID has made meaningful inroads against the latter problem. A \$1.8 million ~~Bilingual Education~~ project, initiated as a ~~pilot project~~ in 1980, introduced instruction in Spanish and ~~four~~ Indian languages in 40 rural primary schools. The project demonstrated on a small scale that the Indian, given the basics of education without having to relinquish his language or customs, can become a more productive member of Guatemala's society and also be better equipped to compete in the country's job market.

A concrete result of the continuing dialogue in this sector was the issuance of a ~~decree in early December 1984,~~ legalizing ~~bilingual education for the first time ever in the country's history.~~ In addition, Guatemala's ~~new constitution~~ includes Article 76 legalizing bilingual education in schools with a predominantly Indian population. For the first time in 400 years, the ~~use of the country's native languages spoken by 50% of the population has been legalized.~~ In late December 1984, a ~~\$12 million Bilingual Education project (520-0288)~~ was signed. This project will be implemented in 400 primary schools throughout Guatemala and benefit ~~over 200,000 Indian children, or 40% of all Indian children in school.~~ The Government of Guatemala has further demonstrated its support of this program by assigning \$24 million in direct and indirect counterpart contributions to the project. USAID/Guatemala regards these events as a significant contribution to the growth with equity strategy and a clear demonstration of the Government of Guatemala's changing attitude toward the indigenous population. *

Further USAID dialogue goals in the education sector include: (1) ~~assuring that bilingual teachers have access to a reasonable percentage of all available teaching positions on an annual basis;~~ (2) ~~conducting a comprehensive analysis of school finances with the objective of reforming policy relative to~~

budget priorities and the GNP (the particular objective of this latter effort will be to raise the percentage of GNP assigned to education from 1.7% to at least the Central American average of 3.1% by 1987); and, (3) working toward decentralization of the education system, away from the archaic and centralistic system of administration introduced in Guatemala 400 years ago.

(*) ~~The Central America Peace Scholarships project (596-01307)~~ is a major nontraditional training initiative recommended by the National Bipartisan Commission on Central America (NBCCA). A principal purpose of the program is to promote democratic processes and counter a high level of Soviet Bloc efforts of recent years to influence policies and attitudes toward their views. The USAID is targeting CAPS resources toward closing human capacity and work force gaps across a range of functional areas critical to the support of democratic processes as well as of economic and development objectives. Its particular focus is on upgrading skills and opportunities among Guatemala's indigenous female and economically/socially disadvantaged group. During 1985 the USAID is sending approximately 400 participants for short-term training programs and 25-30 long-term participants will begin training in education, agriculture, private sector promotion, and health and population. For the remaining 4 years of this project, USAID will seek to increase the proportion of long to short-term scholarship recipients as well as the proportion of undergraduate recipients overall. At present, the 5-year estimated allocations for Guatemala total \$27.5 million. The FY 1985 allocation was \$4.4 million.

D. Population

~~Guatemala's population is continuing to grow unabated at a level exceeding 3% per year. At that rate, today's population of 8 million will reach 13.5 million in the year 2000 and nearly 19 million in 2010. The strain on all sectors of the economy would be overwhelming.~~

Despite its awareness of the magnitude of the population problem, the Government of Guatemala has not yet come to grips with it and ~~no national policy for family planning exists. However, the government does offer some family planning services and continues to permit private organizations to operate in this field.~~ USAID has supported the latter efforts for several years. This assistance has taken the form of technical assistance and commodity support with the intent to spread knowledge on family planning methods and improve services throughout the country, with increasing special attention to the indigenous population within the Western Highlands where

birth rates are high and user rates are low. ~~The private sector is a~~ principal implementor of the family planning program with the Government of Guatemala providing the balance of assistance and an environment within which the private sector can function.

USAID has over the past two years carried out a vigorous public information campaign through the private voluntary family planning organization APROFAM. This campaign used the RAPID presentation effectively combined with information programs targetted at government and private sector leaders, and, in particular, leaders of women's action groups. The concrete result of this effort is Article 48 of Guatemala's ~~new~~ Constitution, recognizing family planning.

Over the Action Plan time frame USAID intends to work with the Government of Guatemala toward ~~adoption of an officially sanctioned population policy.~~ USAID will support efforts of APROFAM and its numerous contacts in Guatemala's society to articulate this position. ~~USAID also will seek the establishment of a national population commission.~~ The commission will act as a Guatemalan coordinating mechanism for all national institutions in the field of population as well as for foreign donors. The commission should contain the expertise necessary to study, analyze and advise appropriate public and private sector entities on the impact of policy on population. USAID intends to recommend that this national population commission become an integral part of the ~~Secretariat for Economic Planning,~~ provided that the latter retains its influence on the national planning process. ~~As leverage for this policy dialogue USAID intends to apply the considerable DA funding proposed for FY 1986 and FY 1987 in support of on-going family planning programs.~~

E. Private Enterprise Development

~~Guatemala's vigorous private sector is ideally suited to help achieve the priority strategy objective of balance of payments equilibrium with higher levels of exports. Fundamental to this and to restoring economic stability and growth is a deeper appreciation by private sector leaders of the need for fiscal reform and acceptance by them of a fair share of the necessary tax burden.~~

Over the past two years, the USAID has undertaken a targetted policy dialogue with ~~the various elements of the~~ private sector. The purpose of the discussions was to lead that sector toward greater involvement in development-oriented activities on the one hand, while exploring its needs to accomplish greater productivity and expand exports on the other.

The dialogue with the private sector remained largely theoretical through most of FY 1984 due to a lack of funding. Nevertheless, USAID was able to initiate two projects in March 1985 and was able to apply a combination of ESF and DA funding. This established a basis for further discussions and negotiations.

Directly related to the problems of channelling sorely needed foreign exchange directly to the private sector, increasing employment and rural income, and simultaneously furthering the export of non-traditional agricultural produce is a \$12.5 million Agribusiness Development project (520-0276) absorbing, incidentally, all ESF funds available to Guatemala in FY 1985. The project is expected to expand existing agribusiness enterprises, establish new ones, create 2000 jobs directly related to those enterprises, and steer the small producers of the Western Highlands toward growing more profitable produce. An important component of this project is the creation of an efficient market information system. While no decisions have yet been made, USAID is exploring the possibilities of utilizing a significant portion of FY 1986 ~~and~~ local currency generations for similar type activities in a credit fund designed to be matched against potential U.S. investors in this sector much along the lines of the Cooley ~~loan~~ of the 1960's.

A second project, Private Sector Development Activities (520-0337) initiated in FY 1985 in the amount of \$1.5 million draws on the experience of established private sector chambers for the benefit of small and medium-size entrepreneurs, helping them to improve production, develop new products, better their marketing systems and also take advantage of CBI-related opportunities.

Building on the above FY 1985 starts and the resultant private sector contacts, USAID will continue to explore with private sector leaders specific issues, such as (a) the constraints both policy and infrastructural, to increases in industrial production, export and diversification; (b) the particular constraints and problems faced by small-medium firms and the potential of these firms to produce for export markets, and (c) the incentives necessary to promote increased domestic and foreign investment in Guatemalan industry and agribusiness. The above discussions will be carried out within the framework of a Mission-sponsored private sector assessment. This assessment will serve as the design base for a \$10 million Private Sector Project in late FY 1986 or early FY 1987, specifically focused on small and medium-sized enterprises (520-0341).

F. Other FY 1986-87 New Activities

In addition to the activities listed previously in this section and discussed in the context of the policy dialogue, USAID/Guatemala intends to fund in FY 1986 and FY 1987 the following additional new activities for which policy concerns are either minimal in terms of the dialogue or overlap with those already discussed. Details and rationale for these new activities are provided in Section Three of the PROGRAM CONTENT portion of this ACTION PLAN. The balance of funds available in FY 1986 and FY 1987 are for selective PVO and PD&S activities.

-- A \$5 million Land Settlement Support project (520-0287) in FY 1987. This is linked in large part to the issues already discussed in the Commercial Land Markets project (520-0278). *

-- \$3 million in FY 1986 and \$4 million in FY 1987 for an Oral Rehydration Therapy activity (520-0342) complementing the immunization project to be obligated in FY 1985. *

-- \$5 million in FY 1987 for the Highland Indian Institute project (520-0304). This is essentially a major academic and technical skills training program for adult Highland Indians utilizing existing educational facilities. Small amounts \$700,000 for an Adult Literacy Skills project (520-0311) and \$300,000 for a Rural Scholarship project (520-0312) also are targetted toward improved adult training or higher education opportunities for disadvantaged Guatemalans. *

-- \$1,050,000 for a pilot project (520-0381) to channel resources directly to departmental economic development coordinating committees for rural development activities. *

PROGRAM CONTENT

Section One - Sector Goals and Benchmarks

STRATEGY	OPERATIONAL OBJECTIVE	ACTION PLAN PROGRAM SUMMARY	BENCHMARKS
Balance of Payments.	Higher export earnings.	ESF negotiations to include conditionality on public sector revenues/spending, exchange rates and interest rates.	Unification of exchange rate and establishment mechanism for future rate adjustments by CY 87. In 1986 no real reduction in investment budget over 1985, with increase on rural development.
		Undertake export promotion activities.	Information systems for exports and markets operational by end of FY 1986.
Removal of policies which artificially cheapen and promote imports.	Removal of policies which artificially cheapen and promote imports.	WEAID personnel to actively participate in Caribbean Basin Initiative Committee.	Increase in the relative proportion of non-traditional exports from 50% to 55% of total exports by the end of FY 1987.
		Policy dialogue centered principally on needed fiscal reforms and coordinated with other donors in support of balance of payments.	By 1987 an increase of \$50 million in non-traditional export (over 1984 level of \$30 million) will be achieved.
Bolster democracy initiatives.	Bolster democracy initiatives.	Policy dialogue centered principally on needed fiscal reforms and coordinated with other donors in support of balance of payments.	Adoption of fiscal package increasing revenue and system elasticity in CY 1987.
		Contract for in-depth economic analyses.	By 1986 no deficit for foreign exchange transactions in the official rate market.
		Manage CAPS program and design activities for FY 86-90.	In CY 87 positive real interest rate for domestic savings.
Bolster democracy initiatives.	Bolster democracy initiatives.	Contract for in-depth economic analyses.	In FY 1986 complete study of revenue options and of public investment budget.
		Arrange contractor assistance.	30 long-term participants per year. 400 short-term participants per year.
Bolster democracy initiatives.	Bolster democracy initiatives.	Arrange contractor assistance.	By 1987, 90 participants per year will be in long-term training.

STRATEGY	OPERATIONAL OBJECTIVE	MANAGEMENT STEPS	BENCHMARKS
Increased Rural Incomes and Productivity.	Private Sector Involvement in Development to increase employment and income.	Channel development resources through private banking system.	Increase financier's reliance on equipment liens (as opposed to mortgage collateral from present 7% to 15% of their lending portfolio by end of FY 1987.
	Link small producers to privately-owned processing and marketing operations.	Bolster private production, marketing and trade organizations.	Private sector successful in liberalizing present 60% air freight policy.
	Encouragement of small-medium business utilizing rural production.	10 new medium-sized agri-business enterprises established or expanded by end of FY 1987.	50 small business assisted with credit and technical assistance by end of FY 1987.
	Design private small/medium enterprises project.	By 1987, 6,000 small farmers benefitting from Central Bank trust facilities and 7,000 from BANDESA credit to cooperatives.	Evaluate Rural Enterprises Development Project in FY 1986.
	Monitor small farmer linkages to processing and marketing operations.	5,000 small farmer vegetable producers served by new and/or expanded freezing operations by FY 1987.	Design comprehensive strengthening project including review of BANDESA credit operations.
	25 cooperatives and one cooperative federation recapitalized by end of FY 1987.		

STRATEGY	OPERATIONAL OBJECTIVE	MANAGEMENT STEPS	BENCHMARKS
	Diversification to non-traditional exports.	Increase natural resource management activities.	By 1987 10% real increase over 1985 level in investment budget in support of rural infrastructure. 10,300 hectares terraced by end of FY 1987 (3,150 hectares for small farmer vegetable production). 4,000 hectares irrigated by end of FY 1987 (3,200 hectares for small farmer vegetable production). 48 farm diversification models developed and implemented in 12 diversification districts by end of FY 1987. 7,930 small farmers increase their income by 150% and an additional 8,530 small farmers increase production by 100%.
		Coordinate with other donor activities supporting diversification.	By 1986 increase access to electricity by 50 communities with diversification potential.
Improve access to land quantity and quality by small and medium farmers.		Monitor pilot PVO Commercial Land Markets activities.	5,000 hectares of land purchased by end of FY 1987 and 1,500 families settled on purchased land.
		Design Commercial Land Markets and Land Settlement Support Projects.	7,000 farmers will have received credit for non-traditional production by the end of FY 1987 (Total credit disbursed \$17 million.)
		Coordinate rural road construction and maintenance activities with other natural resource management activities.	By the end of FY 1987, 900 km. of access roads will be under the operational maintenance program. By the end of FY 1987, 400 km. of farm-to-market roads will be constructed.

STRATEGY	OPERATIONAL OBJECTIVE	MANAGEMENT STEPS	BENCHMARKS
	Expand available alternatives for low-income housing.	Encourage PVOs to provide low-cost housing alternatives in rural and marginal areas.	By 1987 PVOs supervising the construction of low-cost housing at an annual rate of at least 200 per year.
		Monitor CHF country activities offering housing interventions.	
		Sign project agreement for support of HE Loan and provide requisite technical assistance.	By 1987 construction of at least 2,000 houses has been initiated.
	Universal primary education to fourth grade level.	Policy dialogue to encourage greater GOB commitment to primary education.	By 1987, 90% of the primary school age cohort enrolled.
	(A) Increase Primary School Enrollment Rate.	Expand bilingual education activities to 400 schools.	15% higher promotion/retention rates over 1984 levels by end of CY 1987.
		Policy dialogue with MOE to increase number of positions for bilingual promoters and teachers in rural areas.	By 1987 25% of all new primary school positions filled by bilingual indian personnel.
		Support MOE decentralization through initiation of Primary Education management activities.	By 1987 3 regional offices will be created.
	(B) Provide mechanism for illiterate adults to achieve fourth grade educational equivalency.	Construction contract for rural radio station advertised and awarded.	Rural radio station in Baja Verapaz operating daily information broadcasts in FY 1987.
		Prepare cooperative agreement with private institution for adult literacy training.	In FY 1987, 2000 rural and marginal adults trained in literacy skills.
		Design project to establish Highlands Indigenous Institute to prepare advantaged leaders.	Institute established in 1988.

STRATEGY	OPERATIONAL OBJECTIVE	MANAGEMENT STEPS	INDICATORS
<p>Reduced morbidity among productive rural labor force.</p>	<p>(A) Provision of environmental sanitation practices in rural areas.</p>	<p>Implement phased plan for expansion of environmental sanitation activities to three additional departments.</p>	<p>Coverage of potable water and sanitation service increased by 10% for populations of 100-2000 inhabitants in the target departments by the end of FY 1987. (40 new systems to be built.)</p>
		<p>Procure two major shipments of materials in 1986 valued at \$2.7 million.</p>	
		<p>Monitor PWD Environmental Sanitation Projects.</p>	<p>By 1986 PWD's will have completed 60 projects.</p>
			<p>In 1987 PWDs will construct 38 projects.</p>
	<p>(B) National programs of immunization and oral rehydration carried out on a regularly scheduled basis.</p>	<p>Implement channeling activities under the Child/Survival Immunization project.</p>	<p>80% of rural children 4 years and under receive complete doses for five immuno-preventable diseases.</p>
		<p>Procurement of support vehicles and cold chain equipment.</p>	<p>Immunization services provided on a regular basis at community level through all established MCH facilities by 1989.</p>
		<p>Design oral rehydration therapy project and initiate activities.</p>	<p>National oral rehydration plan established.</p>
			<p>Rehydration services established in health posts, health centers and hospitals in at least five departments by 1989.</p>
			<p>33% decrease in hospital/center admissions due to diarrheal related conditions by 1991.</p>
	<p>(C) Support national nutrition policy.</p>	<p>Monitor cost of public health preventive services.</p>	<p>By 1987, USAID will review effective use of growth monitoring techniques.</p>
		<p>Evaluation of Title II PWD activities.</p>	

STRATEGY	OPERATIONAL OBJECTIVE	MANAGEMENT STEPS	BENCHMARKS	
Reduction of the rate of Population Growth.	(A) Increase and improve the delivery of information and services by the two major suppliers of family planning, MOH and APROFAM.	In the 1983-1984 assessment to continue activities through 1992.	By the year 1990 increase Contraceptive Prevalence among women of reproductive age from the present (1983) 25% to 45% and to 65% by the year 2000. Contraceptive Prevalence Surveys (to measure in detail) in the years 1988, 1993 and 1998.	
	(1) Expand MOH delivery of contraceptives to its Centers, health posts and Clinics from 50% now covered to 100% of the national territory and training of MOH field personnel in family planning.	Replacement or addition to MOH's current fleet of 6 vehicles to a total of 10 vehicles.	Intermediate measurement of progress toward the goals will be done using the Couple/year of Protection formula.	MOH servicing on a regular basis approximately 950 centers, clinics and posts by the end of CY 1987.
	(2) Introduction and addition to MOH's range of services offered to include VSC, implants, IUD's and expansion of APROFAM's Voluntary Surgical Contraception program.	Monitor MOH family planning delivery system.	Yearly evaluation of the program by the MOH using VSCS funds to determine changes/adjustments needed in the program.	Services being offered in 217 MOH hospitals, clinics and centers by the end of FY 1987 and six additional, fully-equipped VSC clinics will be established by the end of FY 1988.
	(3) Effective IEC program supported by MOH and APROFAM.	Contract TA for IEC.		TV and radio spots aired country-wide and other educational materials being produced in support of IEC by end of FY 1987.
	(4) Increase and expand APROFAM Community-Based Distribution Program	Negotiate amendment to present agreement to increase funding support.		Obtain 30,000 new users in FY 86 and 35,000 in FY 87. Retention rate of continuing users at 70%.
	(5) Increasing the number of suppliers of family planning services and information.	Continue to seek out new opportunities and organizations interested in getting into Family Planning. Encourage "intermediaries" to begin projects with such organizations.		At least three small to medium projects being carried out by Pathfinder, FPIA and others with new entities, e.g. Armed Forces, Doctors' organizations, Labor unions, factories, etc.
	(1) Introduction of sales of contraceptives in the Guatemalan market through the Contraceptive Social Marketing Programme (IPROFA).	Project agreement amendment to add additional budgeted funds to the project. Monitoring of project, especially on sales volume.		By the end of FY 1987 IPROFA will be servicing approximately 1,300 outlets selling contraceptives. Introduce "implants" technology by end of FY 1987.

STRATEGY	OPERATIONAL OBJECTIVE	MANAGEMENT STEPS	BENCHMARKS
	(2) Expansion of the Gosteaalen Association of Sex Education's (AGES) especially in the Indian Highlands capacity to provide information to young people.	Encourage project proposal with AGES. Register AGES as a non-US PVO. Arrange for TA to the project.	AGES will have reached at least 3,000 young people (14-19) mainly in the highland areas by the end of FY 1987 through formal and informal sex education per distribution and sale of barrier methods to adolescents.
	(C) Continued GOG acceptance of Family Planning.	Arrange for TA to assist the process.	At least 2 consultations arranged during FY 86/87.
	(1) Continue use of PIPDH and RAPID to obtain favorable implementation regulations for Art. 48 of the Constitution.	Encourage continued use of the opinion influencing tools.	Favorable announced policy.
	(2) Establishment by the GOG of a population policy.	Continue policy dialogues with the GOG and encourage establishment of a National Council for Population Planning and Policy.	Three long-term participants in demography, population economics and national population policy/ planning trained by the end of FY 1987.

Section Two - Implementation Plan

A. Summary

USAID's top ESF priority is balance of payments support at levels sufficiently high to encourage fiscal and policy reforms required to arrest the current ~~decline and restore~~ moderate economic growth by the end of FY 1987. To achieve higher economic growth rates ~~and growth~~ with equity conditions, USAID/Guatemala's implementation plan for the ACTION PLAN period centers in large part on DA financing new or expanded, small and medium size export and employment oriented private sector ventures and on the private sector in general, assuming a more dynamic role in the economic development process. USAID also plans to finance selective social sector interventions critical to achieving and maintaining growth with equity.

As stated earlier, past ESF, at token levels and projectized, could neither serve to alleviate balance of payments problems nor to underwrite meaningful dialogue on macroeconomic measures required to establish a path of growth over the medium term. The present political climate and economic circumstances are such that USAID/Guatemala believes the proposed levels of balance of payments support, particularly in FY 1987, can act as the catalyst for the adoption of necessary reforms while providing the soon-to-be elected government immediately needed resources.

 On the Development Assistance (DA) side, the first priority is to fully fund the ~~Commercial Land Markets Project~~ (520-0278). The commercial marketing of arable farmland is intended to increase the productivity of the rural work force through increased access to the land base and the credit capacity more definitive ownership implies. ~~The Cooperative Strengthening Project (520-0286), and the Land Settlement Support project (520-0287)~~ will provide improved technologies, additional access to credit and other means to assist new land owners and active farmers to increase their farm outputs. In the same vein, the Private Small and Medium Enterprises Project (520-0341) will expand private sector activities figured to increase employment opportunities and productivity outside the agriculture sector. Further details of these and all other new project proposed are outlined in the new project narratives which follow this summary, the project design schedule and the pipeline analysis.

 In the social sectors efforts to reduce population growth will be continued and expanded through the existing Family Planning program (520-0288). Toward improving the share of Highland Indians in Guatemala's economic life and growth, the

Highlands Indigenous Institute Project (~~520-0304~~) will initiate a system whereby indigenous peoples will have the opportunity to acquire academic and technical skills required to participate. In the health area, the Oral Rehydration Project (520-0342), a major effort to respond to Guatemala's single highest cause of infant and child deaths, will be fully funded in FY 1987. Similar opportunities will be provided through two additional projects aimed again at disadvantaged Guatemalans, i.e., the Adult Literacy Skills project (520-0311) and the Rural Scholarships Project (~~520-0312~~).

Annual funding for the Special Development Activities Project will continue to encourage local residents to undertake necessary community development activities at their own initiative. A new pilot activity to provide departmental development and coordinating committees with resources to support local productive economic development activities will be tested under the ~~Local Economic Development Project (520-0331)~~. The ~~Secondary Cities and Rural Housing Project (520-0261)~~ will supplement a \$10 million BG scheduled for negotiation in late FY 1985 and is intended to help move the focus of responsibility for construction of low-cost housing to the private sector with the Government role moving more to the provision of sites and services activities. To support activities to be carried out in each functional account, PD&S funds will be used for project design, institutional analyses and evaluations designed to advance the policy dialogue.

B. DA Design Schedule

G/L PROJECT No.	PROJECT TITLE	PLANNED AMOUNT	INIT. FY	PID*	PP	PROAG
<u>HEALTH</u>						
G 5200342	Oral Rehydration Therapy	7,000	86	11/85	04/86	05/86
<u>EDUCATION AND HUMAN RESOURCES</u>						
G 5200304	Highlands Indian Institute	5,000	87	06/86	10/86	11/86
G 5200311	Adult Literacy Skills	700	86	PROPOS.	12/85	03/86
G 5200312	Rural Scholarships	300	86	11/85	01/86	03/86
<u>SELECTED DEVELOPMENT ACTIVITIES</u>						
G 5200261	Secondary Cities and Rural Housing	300	86	10/85	01/86	03/86
G 5200331	Local Economic Development	1,050	87	10/85	01/86	03/86
G 5200341	Small/Medium Enterprises	2,000	87	11/85	02/86	03/86
L 5200341	Small/Medium Enterprises	8,000	87	11/85	02/86	03/86
<u>AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION</u>						
G 5200278	Commercial Land Markets	3,000	86	07/85	10/85	11/85
L 5200278	Commercial Land Markets	9,000	86	07/85	10/85	11/85
G 5200286	Cooperative Strengthening	3,000	86	08/85	11/85	01/86
L 5200286	Cooperative Strengthening	8,000	86	08/85	11/85	01/86
G 5200287	Land Settlement Support	2,000	87	07/86	10/86	11/86
L 5200287	Land Settlement Support	3,000	87	07/86	10/86	11/86

* PID approval/project authorization requested delegated to Mission.

C. Pipeline Analysis

Eleven projects with combined loan and grant funding of approximately \$73 million comprised 88% of USAID's pipeline as of 3/31/85. The current and planned portfolio entries are fully consistent with and supportive of both the larger regional security and democracy advancement goals and the more specific economic and social reform agenda concerns outlined by the NBCCA. USAID's management of these projects constitutes the bulk of the Mission's implementation effort during FY 1985-87. For purposes of analysis, these 11 projects can be grouped into the following three categories: \$22.0 million for rural economic support infrastructure (rural roads, potable water systems and electrification); \$15.5 million for small-medium business (credit and technical assistance for agribusinesses and rural enterprises); and \$35.6 million for various production and social services projects (small farmer agricultural development, family planning, primary and non-formal education) which promote production or underwrite development of the human resources critical to economic growth. USAID's rural infrastructure projects have had relatively fewer implementation problems during the past two fiscal years, partly due to the more quantifiable, "bricks-and-mortar" nature of such projects. An increase in the pace of the National Electrification Institute's (INDE) implementation of the Rural Electrification Project induced the Mission to add \$2.0 million more in project loan funding in September 1983. As of 3/31/85 USAID had disbursed \$7.7 million for rural roads construction under the Small Farmer Development Project (520-0233). Owing to this success, USAID signed in early FY 1985 a follow-on \$10 million Farm-to-Market Roads Project (520-0332) in March 1985. Finally, although the Ministry of Health had been slow through FY 1984 in constructing potable water systems owing to late procurement of materials, a reorganization and revitalization of the MOH's field engineering unit and a subsequent surge in performance prompted USAID to add \$5.0 million to the ~~Community Health and Nutrition Project (520-0251)~~ for potable water systems. 

The small-medium business portion of the pipeline should also move faster in the ACTION PLAN period. USAID remains concerned that the remaining \$3.5 million in credit funds under the Rural Enterprises Project (520-0245) has been disbursing too slowly owing to CORFINA's inefficiency and to the private banks' hesitation to process relatively small loans (under \$100,000) with the Central Bank for the benefit of borrowers who are outside their traditional heavily collateralized client group. Nonetheless, USAID anticipates that Guatemala's increasing need for foreign exchange combined with the Central Bank's added experience in administering discount credit lines 

(X) will, combined with close attention to implementation by USAID, produce a more satisfactory implementation pace under both the Rural Enterprises Development Project and the new Agribusiness Project (520-0276).

The preponderance of new projects in the FY 1986-87 ACTION PLAN period will be private sector related. These projects include strengthening of small farmer cooperatives, and a commercial land markets project in cooperation with the local banking system. The heavy involvement of private sector institutions as both implementing agencies and beneficiaries of these projects will help expedite their implementation during the Action Plan period.

(X) Apart from the development characteristics of USAID's present and projected portfolio, the Mission has a number of other policies and procedures which help speed implementation. USAID views technical assistance as a critical aid in helping Government of Guatemala institutions cope with the pressing demands of carrying out project activities, meeting AID regulations, and maintaining constant reporting on project progress to AID and the Government of Guatemala. For example, USAID currently maintains a four-man, long-term USDA technical assistance team in Quezaltenango to implement the Small Farmer Diversification Project (0255). USAID also periodically employs Guatemalan professionals on a contract basis to expedite project implementation especially with regard to the Government of Guatemala's complex budgeting and personnel procedures. Finally, the Mission Director holds scheduled quarterly review meetings with USAID staff to review the performance of the entire portfolio and pinpoint implementation problems and solutions. A major detailed status report results from each of these quarterly sessions.

D. USAID GUATEMALA PIPELINE DATA
(as of 3-31-85)

Project No.	Title	Date Signed	PACD	Obligated Amount	As of 03/31/85	
					Ex-pended	Pipe Line
1	0233A(L) Small Farmer Dev.	06/13/84	03/31/85	3,000	2,034	66
4	0238(L) Small Farmer Market.	05/18/78	08/31/85	3,400	1,365	2,035
9	0245(G) Rural Enterprises Dev.	09/10/79	09/10/85	850	599	251
	0245(L) Rural Enterprises Dev.	07/13/79	07/13/85	6,000	1,707	4,293
15	0248(L) Rural Electrifi. II	05/21/79	12/31/85	10,600	6,462	4,138
24	0251(G) Com. Based Health	09/30/80	12/31/80	1,274	530	744
	0251(L) Com. Based Health	07/19/80	12/31/88	9,500	2,309	7,191
35	0255(G) Small Farmer Diver.	08/28/81	03/31/87	1,696	729	2,967
	0255(L) Small Farmer Diver.	08/24/81	03/31/87	5,500	1,545	3,955
40	0258(G) Bilingual Education	08/30/79	06/30/85	1,871	1,024	47
44	0259(G) Education Adm.	09/29/80	03/31/85	880	863	17
48	0263(G) Integrated Fam. Pln.	04/07/80	03/31/85	2,366	2,292	74
52	0274(G) Highl. Agric. Dev.	09/30/83	09/30/88	1,500	43	457
	0274(L) Highl. Agric. Dev.	09/30/83	09/30/88	10,500	293	7,207
60	0276(G) Agribusiness Dev.					
	a) Bank of Guatemala	03/21/85	03/21/90	645	-	645
	b) Guild	03/06/85	03/21/90*	905	-	905
	0276(L) Agribusiness Dev.	03/21/85	03/21/90	9,500	-	9,500
64	0281(G) Non-Formal Educ.	08/31/82	08/31/87	850	198	652
	0281(L) Non-Formal Educ.	08/31/82	08/31/87	3,000	317	2,683
71	0282(G) Primary Ed. Improv.	12/27/84	11/15/90	3,300	-	3,300
	0282(L) Primary Ed. Improv.	12/27/84	11/15/90	8,700	-	8,700
75	0288(G) Expan. of Fam. Pln.	08/31/82	12/31/87*	5,683	1,987	3,696
83	0290OPG Fam. Fish Ponds	09/30/81	06/30/85*	343	192	151
87	0298OPG Pot. Water & Sanita.	01/30/84	12/31/85*	500	209	291
90	0299OPG Trng for Rural Prom.	08/31/82	12/31/85*	420	356	64
94	0317OPG Cardamom Cultivation	01/30/84	12/31/85*	290	114	176
98	0329OPG Disp. Persecut Assist.	07/20/84	06/30/85*	566	407	159
102	0330OPG Pilot Land Markets	08/07/84	08/07/87*	1,000	168	832
105	0332(G) Farm-to-Market Roads	03/20/85	12/31/89	1,000	-	1,000
	0332(L) Farm-to-Market Roads	03/20/85	12/31/89	9,000	-	9,000
108	0335OPG Pot. Water & Sanita. II	03/08/85	12/31/87*	1,000	-	1,000
111	0336OPG CARE Water Project	03/27/85	06/30/88*	1,000	-	1,000
114	0337OPG Private Sector Devel.	03/27/85	03/27/88*	1,500	-	1,500

* Specific Support Grants with termination dates in lieu of PACDs.

Sub-Total (Loans)	78,700	16,932	61,768
Sub-Total (Grants)	23,913	9,065	14,850
Sub-Total (OPGs)	7,524	1,446	6,078
Total	110,139	27,455	82,684
118 0309 Econ. Support Fund	10,000	10,000	--

Section Three - New Activity Narratives

PROGRAM TITLE : Economic Stabilization

PROGRAM No. : To be Assigned by AID/W

PROGRAM FUNDING: FY 1986: \$ 25,000,000 (ESF)
Grant : (\$ 3,000,000) (ESF)
Loan : (\$ 22,000,000) (ESF)

FY 1987: \$ 75,000,000 (ESF)
Grant : (\$ 3,000,000) (ESF)
Loan : (\$ 72,000,000) (ESF)

L.O.P : \$100,000,000 (ESF)

Program Purpose: The proposed project will provide immediate balance of payments support to Guatemala, in order to relieve the severe shortage of foreign exchange and to support USAID policy dialogue with the Government of Guatemala. The dialogue will be directed toward the implementation of discrete policy reforms in the areas of public finance, exchange rate policy and the mobilization of domestic savings.

Program Rationale: The growth of the Guatemalan economy is constrained by the lack of foreign exchange to import fuels and other inputs to production. The structural problems in the economy extend even further to include the inability to finance even a very low level of public spending, underinvestment in public infrastructure, insufficient incentives for domestic savings and a general lack of public commitment to economic development, especially to benefit the more disadvantaged groups in Guatemalan society. Without the difficult policy reforms necessary to counter these problems, Guatemala will most likely follow a path of low or negative growth for the rest of the decade.

For 1985, the current account deficit is projected at \$243 million. Expected net capital inflows to the public and private sectors will leave the unfinanced deficit at about \$162 million. Since prospects for an IMF agreement in the near term appears remote at present, without ESF resources it is likely that imports would have to be drastically curtailed, reducing output and per capital incomes from their already depressed levels.

The ESF cash transfer will provide USAID with a vehicle to raise the level of current policy dialogue to discussion of the most urgently needed, but most politically difficult, policy reforms. Availability of quickly disbursing foreign exchange assistance will ease the introduction of vitally needed, long-overdue policy initiatives by the newly elected government.

Program Description: The proposed project would provide for a Cash Transfer to the Government of Guatemala of \$25,000,000 in FY 1986 and \$75,000,000 in FY 1987. The dollar funds would be deposited in a U.S. correspondent bank for the Guatemalan Government each year. The FY 1986 ESF will be disbursed in one tranche, hopefully early in the year, while FY 1987 monies may be tranced depending on the policy dialogue process. The local currency will be deposited into a special account, and will be jointly programmed for activities consistent with the ongoing program and strategy. Anticipated local currency uses include necessary counterpart to USAID's DA portfolio projects, establishment of an operating expense trust fund, and establishment of a joint venture support fund. If the latter proves not feasible, funds could be dedicated to selective public sector investment budget line items.

The policy dialogue will focus on specific areas of public sector revenues, the public investment budget, the exchange rate regime, measures to promote exports and interest rate controls. The more specific components of the dialogue will be developed during preparation of the PAAD.

Relationship to Mission Strategy: The ESF policy dialogue will focus specifically on increased Government of Guatemala support for rural development and to support and complement USAID project investments in rural areas. The ESF will directly relieve balance of payments problems in the short-run by increasing foreign exchange availability to the productive sector. In the medium to longer term, the macroeconomic policy reforms upon which the ESF resources will be conditioned will reduce the structural current account deficit by creating greater incentives for exporters, by decreasing import demand through making domestic saving more profitable and by reducing the fiscal deficit.

Both provision of urgently required foreign exchange and negotiation of the policy agenda described above support the NBCCA recommendations and general AID policy to condition assistance on host government policy reforms, and to support the private sector, particularly through adjustments favorable to increased investment and exports.

Target Group: In the first instance, the program should support the democracy process. Benefits from the policy reforms described above will be spread throughout the economy. The rural poor will benefit from an increased Government of Guatemala commitment to public investment supporting development. The private sector will be supported through greater availability of foreign exchange, a more rational foreign exchange allocation system, greater availability of domestic resources for investment and greater export incentives.

Request for Waiver of Requirement for ESF Concepts Paper: USAID requests to move directly from the Action Plan into preparation of a PAAD for the FY 1986 ESF. If this request is approved, USAID plans to complete the PAAD ~~by~~ September 30, 1985.



PROJECT TITLE : Commercial Land Markets
PROJECT No. : 520-0278 |
PROPOSED FUNDING: FY 1986 Grant: \$4,500,000 (FN)
L.O.P : Grant: \$12,000,000 (FN)

Project Purpose: The project will develop a permanent, private-sector institutional mechanism which will facilitate the voluntary sale and purchase of arable lands and provide long-term credit and technical assistance to land-poor and landless buyers.

Description of the Problem: Within the Highlands one of the principal constraints to increasing and maintaining agricultural production and incomes is the increasingly limited amount of arable land per inhabitant. The practice of land subdivision among family members coupled with high rates of population growth and degradation of the natural resource base has resulted in large numbers of farms in this area being too small with the traditional production technology to support the family. Concurrently, large amounts of idle or underutilized private landholdings exist throughout the country, whose owners would be interested in selling if a formal mechanism existed to facilitate the transfer. The land market presently is small in scope and excludes campesino families from participating since there are no long-term financing mechanisms for land purchases by small farm buyers. Under the on-going AID Pilot Commercial Land Market project, the Penny Foundation, has initiated a system to facilitate the exchange of land between sellers and buyers, but this mechanism needs to be expanded.

Means of Dealing with the Problem: This project will develop a land mortgage guarantee program which is financially sound in order to induce existing credit institutions and land-holders to enter into long-term financial agreements through mortgage bonds with target beneficiaries interested in acquiring or expanding farm land holdings. The institutional framework necessary to mobilize and channel large amounts of domestic capital into long-term (8-12 years) financing of agricultural land purchases by qualified borrowers of modest resources will be established. To assure that buyer participants in the land purchase program have the ability to liquidate their mortgages, production support and technical assistance will be provided to assist in increasing productivity and income after the transfer.

Relationship of the Project to AID Country Strategy: The land-based constraint (quantity, quality, present use) is the greatest drawback to increasing land-poor and landless incomes and

production, while a land markets (voluntary redistribution) mechanism is one of the principal priority interventions identified to overcome this constraint. This project will draw upon and expand the AID on-going Pilot Commercial Land Markets Project with the Penny Foundation, as well as utilize valuable experience from the AID on-going, land-based terracing, small-scale irrigation, and diversification interventions to assist the small buyers in implementing viable productive activities. The project directly contributes to the USAID strategy of increasing rural incomes and productivity and supports the NBCCA recommendation to provide long-term credit for land purchases by small farmers.

Target Group Identification: The direct beneficiaries of this project will be approximately 10,000 target group families who will purchase their own farms. Indirectly, the basic infrastructure and institutional capacity established will provide support for future land transactions of small farm buyers.

Request for Delegation of PID Approval Authority: Because of the experimental nature of this project -- the results of which could serve as a model for similar interventions in other countries -- it is felt that a revised PID should be presented to AID/W.

Participant Training: In-country training for the 10,000 direct beneficiaries in farm planning and production techniques will be carried out during the life of the project with \$0.5 million.

PROJECT TITLE : Cooperative Strengthening
PROJECT No. : 520-0286
PROPOSED FUNDING: FY 1986 Grant: \$3,000,000 (FN)
Loan : \$8,000,000 (FN)
L.O.P : Grant: \$3,000,000 (FN)
Loan : \$8,000,000 (FN)

Project Purpose: The project will strengthen existing cooperatives and their federations to mobilize savings, capital investment, and credit directly with their limited-resource members.

Description of the Problem: As AID-supported activities in small-scale irrigation, soil conservation and crop diversification have led to the production of higher-value fruits and vegetables, serious problems arise in the availability and timeliness of credit to finance needed production, gathering, storage and marketing facilities in relatively isolated areas. Traditionally, rural cooperatives (agricultural, savings and credit, marketing, supply) and the National Agricultural Development Bank (BANDESA) have been very important mechanisms for channeling agricultural investment and production credit to small and medium-sized farmers. However, many previously solid Highland cooperatives and their corresponding cooperative federations are now faced with large loan and membership losses due to disruptions of economic activities arising from the rural violence of the past five years. This insecurity has led to loss of leadership in the cooperative movement as well as reluctance on behalf of BANDESA to provide additional funding through the cooperative mechanism. Also, the inordinate delays in BANDESA credit delivery has discouraged farmers from using these facilities.

Means of Dealing with the Problem: The project will undertake the following activities: (1) strengthen the existing savings programs of cooperatives and/or their federations; (2) develop self-capitalization programs by members for their cooperatives; (3) provide investment capital directly to cooperatives and/or federations to help them write off uncollectable loans and restructure their existing debt; (4) undertake in-depth analyses of selected cooperative federations, its member cooperatives, and non-federated cooperatives in order to design and implement improved management/accounting systems in these organizations; (5) develop training programs in cooperative leadership, management, bookkeeping, and handling and marketing of agricultural produce; and (6) organize and implement applied research to

study rural financial markets. Technical assistance will be provided to analyze cooperative weaknesses, carry out the savings mobilization and capitalization programs, and support the research and training efforts.

Relationship of the Project to AID Country Strategy: The highest priority interventions for achieving rapid and sustained increases in agricultural productivity and rural incomes of the target population include the provision of ~~farm improvement~~ credit and the strengthening of local, private institutional capacity to sustain this growth. This project will integrate these two ~~interventions~~ by mobilizing ~~resources~~ through the cooperative structure. This project provides complementary support to the on-going AID projects in terracing, irrigation, diversification, and agricultural processing, storage and marketing and directly contributes to the USAID strategy of increasing rural incomes and productivity. NBCCA recommendations for (1) providing short and medium term credit for working capital improvements and equipment; and, (2) increasing support for cooperatives are directly linked to this project.

Target Group Identification: The direct beneficiaries of this strengthening activity will be 125 cooperatives, four cooperative federations and 25,000 cooperative members.

Request for Delegation of PID Approval Authority: Given past USAID experience with the cooperative movement and continuing relationships with the federations, Mission requests delegation of PID approval authority as the proposed project is fully consistent with the current portfolio in the sector.

Special Concerns: This is a predominantly private sector intervention, since all the project funding is going to cooperatives and/or their federations.

Participant Training: 100 cooperative leaders will be trained outside Guatemala on a short-term basis, while an additional 1,000 will be given on-the-job and short-course training within Guatemala. Total to be spent on training will be approximately \$1.0 million.

PROJECT TITLE : Land Market Support .
PROJECT No. : 520-0287 .
PROPOSED FUNDING: FY 1987 Grant : \$ 2,000,000 (FN)
Loan : \$ 3,000,000 (FN)
L.O.P : Grant : \$ 2,000,000 (FN)
Loan : \$ 3,000,000 (FN)

Project Purpose: This project is intended to deepen the development impact and economic merit of the Commercial Land Markets project by providing funding for related essential infrastructure. A principal focus will be on converting the use of such land from subsistence or limited local market potential to export-oriented cash crops. Another focus will be on land titling and registration requirements in support of the credit viability of small farmer operations. A third focus will be the identification of other lands suitable and available for new settlements.

Description of the Problem: Present estimates of persons without access to productive lands reach 250,000, a potential source of considerable political instability. Both land-poor and landless have demonstrated that if given an opportunity to obtain parcels of land sufficient to feed and produce income for their family, they would willingly move to other regions within Guatemala. According to the 1979 Agricultural Census and limited potential land use data, there are almost 500,000 hectares of first class, second class and multiple use class land under State ownership available for distribution and settlement throughout the country, as well as 1.2 million hectares of private, idle lands some of which could be channeled through the commercial land market mechanism. Following on successful implementation of the Commercial Land Markets project, these new owners will be the principal target group of this new project.

In the past inadequate follow-on support of directed and spontaneous land settlement efforts has relegated existing or new small land holders to subsistence production of traditional crops in areas where considerable potential otherwise exists for production of greater income-producing, nontraditional crops. In addition to lack of basic infrastructure and knowledge of cropping alternatives, these small producers most often do not have clear title to their land. This results in conflicting claims over ownership, insecure tenure, reduced accessibility to formal credit, and limited productive investments. This project is intended to alleviate both of these problems.

Means of Dealing with the Problem: Design of this proposed FY 1987 project has not yet begun and is contingent in significant ways on experiences with existing and proposed other efforts. Nevertheless, a few thoughts on possible design elements can be offered here. AID loan and grant funds can be used to finance several or all of the following activities: (1) construction of basic infrastructure necessary to facilitate and/or strengthen land settlement actions; (2) improvement of land registration and titling procedures and maintenance of an up-to-date land inventory; and, (3) studies of present and potential land use and natural resource potential aimed at identifying additional productive land for sale and settlement activities.

Relationship of the Project to AID Country Strategy: This project relates closely to USAID's growth with equity priorities of increased small farmer incomes and employment, and improved land productivity.

Target Group Identification: The direct beneficiaries of this project will be an estimated 8,000 farm families. Other, indirect beneficiaries include suppliers and users of services and products related to the activities sponsored, and other farm families who will eventually benefit indirectly through the development of a set of more efficient operations which will support broader programs of land use improvements throughout the country.

Request for Delegation of PID Authority: This FY 1987 project directly supports the implementation of the 520-0278 Commercial Land Markets project to be funded initially in FY 1986. Since the Commercial Land Markets PID will be reviewed in AID/W, USAID feels that it should not be necessary to review again the Land Markets concept in AID/W the following year. Therefore, delegation of PID approval authority to USAID is requested.

Special Concerns: Because this project could significantly alter small farm family traditional operations and division of labor, USAID sees a need to analyze and plan for the impact of this on women.

Participant Training: At this point training requirements for this project are judged to be minimal. However, this will be considered again as the design process proceeds.

PROJECT TITLE : Highlands Indigenous Institute
PROJECT No. : 520-0304
PROPOSED FUNDING: FY 1987 Grant : \$5,000,000 (EH)
L.O.P : Grant : \$5,000,000 (EH)

Project Purpose: The project will develop a new institute of higher education, specifically designed to provide educational services to respond to the unique needs of the indigenous communities and cultures of Guatemala.

Description of the Problem: The Government of Guatemala has recently recognized the importance of improving educational services at the primary school level for the indigenous population. Approximately 2.5% of indigenous primary school graduates go on to secondary school. Of this population less than 1% graduate from secondary school. One reason for the lack of continuation of study has been the limited opportunity to pursue higher education, particularly among peoples primary engaged in agriculture and living in rural areas. The formal academic environment has adhered to a rigorous teaching schedule, and higher institutions traditionally located in Guatemala City have been unwilling to adjust their classroom scheduling to a perceived small student population.

Proposed Means to Deal with the Problem: The Highlands Indigenous Institute's primary function will be to provide specialized training to a new generation of young Indian leaders so that they will be equipped to work as advocates of effective indigenous participation in economic development. It will provide a mix of traditional and non-traditional, long and short-term academic services.

The project will provide funding for faculty training, construction of specialized facilities, operating expenses on a diminishing basis, scholarships for disadvantaged students, and technical assistance in program development. It is expected that a cooperative agreement will be awarded to a Guatemalan private university in Quetzaltenango and to a collaborating U.S. university. Quetzaltenango is becoming the development center of the Highlands and is the most appropriate site for the Highlands Indigenous Institute.

The institute will establish a network with the thirteen high schools in Guatemala with predominantly Indian enrollments. The most talented Indian graduates from these high schools will be given merit scholarships to pursue academic

studies at the university level. Experience has shown that, given the opportunity, these students are willing to travel to a regional university in Quetzaltenango for weekend studies to upgrade their professional skills. It is expected that they will serve as role models in their local communities as part of an emerging generation of Indian leaders positioned to take their place in the social, economic and political development of Guatemala.

Relationship of Project to AID Country Strategy: Increased opportunities for higher education among Guatemala's indigenous community are necessary to achieve a broad-based increase in productivity and income in keeping with the Mission's goals.

It should be emphasized that this project was developed by the Central America Education Action Planning Team in response to the NBCCA recommendation to strengthen Central American universities in close partnership with U.S. universities. The Mission has identified this project as an effective way of responding to the unique socio-cultural context of Guatemalan and at the same time the NBCCA mandate on higher education.

Target Group Identification: Direct beneficiaries will be approximately 2,000 indigenous leaders trained in long and short term courses at the institute over the seven year life of the project. Indirect beneficiaries will be all people of indigenous culture living in Guatemala, whose economic and cultural interests will be advanced by the new generation of leaders trained at the Institute.

Request for Delegation of PID Approval Authority: The project is fully consistent with Jackson Plan recommendations to train economically and socially disadvantaged students and to strengthen Central American universities through technical assistance, improvement of libraries and laboratories, university staff development, and the establishment of academic ties with U.S. universities. USAID/Guatemala affirms that there are no policy issues requiring AID/W review and requests delegation of authority to the USAID Director to approve the project.

Special Concerns: Traditionally the number of Indian women who undertake university studies has been limited due to economic and cultural factors. Indian women constitute approximately one-third of the enrollment of Indian students at the secondary level. The project will contact this group of female students and offer incentives for them to continue their education. Also the project will offer in-service training to those female Indian promoters, educators and technicians who are already engaged in development-related activities in the Highlands. Such in-service training will support their respective areas of specialization.

Participant Training: Of the total project costs, \$500,000 will be used for training 10 Guatemalan university professors in M.A. programs in the U.S. In addition \$2,500,000 will be used to train approximately 2,000 indigenous leaders and development workers in long-term undergraduate programs and through short-term technical courses.

PROJECT TITLE : Adult Literacy Skills
PROJECT No. : 520-0311.
PROPOSED FUNDING: FY 1986 Grant: \$700,000 (EH)
L.O.P : Grant: \$700,000 (EH)

Project Purpose: The purpose is to provide primary school instruction and certification to young people and adults who do not have access to formal primary education.

Description of the Problem: The great majority of adults in Guatemala has received little or no formal schooling. Furthermore, a series of ambitious adult literacy campaigns over the last twenty years has failed to provide even minimal basic education skills to any significant proportion of the adult population. The two most fundamental academic skills -- basic literacy and numeracy -- are nonexistent in over half of the adult population of the country. These two skills, plus knowledge of basic academic subjects such as science, history, and geography are critical prerequisites for economic and social mobility as well as for informed participation in democratic political processes. In Guatemala, 75% of the adult population over 30 years of age has not reached this critical fourth grade threshold level of primary education achievement.

Proposed Means to Deal with the Problem: Primary school equivalency coursework for adults will be provided using a combination of radio classes, printed lesson sheets, and weekly meetings of community learning groups. Adult learners will be able to enter the program at their own particular level of academic achievement, and will be able to progress through the program at their own pace. At the end of the program, they will receive an official primary school diploma, an important credential for obtaining better employment, access to credit, and access to other educational opportunities. Experience with this model in Guatemala and other countries has shown that dropout and repetition rates are low, that learning gains can exceed the gains achieved in formal classroom instruction, and that a significant part of the program's costs can be recovered by charging students a modest fee. Costs are low because the expensive components of traditional formal education -- school buildings and certified salaried teachers -- are not required. Because the program is implemented in the private sector, staff and funding continuity are maximized.

It is anticipated that the project will generate considerable demand for adult primary education services, and that

greater capacity will be needed to meet this growing demand. The project will further expand the delivery of adult primary education services by: (1) training an expanded staff of adult education professionals and administrators; (2) improving production and transmission capability to fully cover the entire country with high-quality educational radio programming; (3) improving the capability to produce large quantities of printed educational materials at low cost; and (4) improving the linkages between the adult primary education service and other educational opportunities, especially in the vocational education area. It is planned that the capability of I.G.E.R. will be expanded.

Relationship of Project to A.I/D. Country Strategy: The project is consistent with Agency policy which advocates completion of at least four years of primary education, which has a significant and permanent impact on agricultural productivity, health status, fertility, and the nutritional status of adults.

Target Group Identification: The target population is the 75% of the adult population of Guatemala that has not completed primary school. The project will also benefit children and young people living in communities which do not offer convenient access to a formal primary school.

Request for Delegation of PID Approval Authority: Since this project will be carried out by a private voluntary organization and overall funding is within the present delegation of authority to the field for PVO activities, the USAID foresees no need to request the subject delegation.

Special Concerns: The project, beginning in 1986, will provide grant funding to the "Instituto Guatemalteco de Educación Radiofónica" (I.G.E.R.), an established private voluntary organization which is presently providing adult primary school education by radio in Guatemala on a limited scale. Grant assistance in the amount of \$700,000 will provide funding for this organization to expand its coverage and improve its services.

PROJECT TITLE : Rural Scholarship Program
PROJECT No. : 520-0312
PROPOSED FUNDING: FY 1986 Grant: \$300,000 (EH)
L.O.P : Grant: \$300,000 (EH)

Project Purpose: To develop a cadre of professional leaders from Guatemala's socially and economically disadvantaged groups.

Description of the Problem: An examination of almost any sector of Guatemalan society (political, economic, professional) evidences the extremely limited participation of socially and economically disadvantaged groups. This produces the curious phenomena of a large segment of Guatemala's population only marginally represented in the progressive development of those institutions that daily impact their lives.

The problem is identified in the NBCCA report and is discussed at length in the Project Paper for the Central American Peace Scholarship (CAPS) Program.

To date scholarship opportunities for disadvantaged students has been minimal. Guatemala universities have limited endowments for scholarship and eligible rural participants receive scholarships that do not cover their basic expenses. This trend has tended to discourage rural participants from pursuing higher education goals which are a requisite for entering the country's economic mainstream.

The USAID views the CAPS Program as a means to addressing this problem. However, U.S. university degrees are not automatically recognized by Guatemalan professional accreditation organizations. Scholarship recipients who successfully complete U.S. training must then undertake a thesis under an academic program at a local university if they are to be awarded a "licenciatura" and thus receive local professional credentials. Only after receiving his local professional accreditation will the scholarship recipient be allowed to practice his profession. Presently given scarce resources, the universities do not have scholarships available for this accreditation process.

Proposed Means to Deal with Problem: The CAPS Project was designed to provide scholarship and training opportunities for developing a cadre of leaders among Guatemala's socially and economically disadvantaged groups. Although significant short-

term opportunities will continue to be offered, USAID has decided to stress long-term training at the graduate and undergraduate levels.

Funding from the CAPS Project is to be used primarily for studies in the U.S. Local funding should be made available to allow undergraduate scholarship recipients who undertake studies in the U.S. to return to a Guatemalan university and complete a professional degree. The proposed Rural Scholarship Program would be considered a "buy-in" to the CAPS Project. It will be funded through a Cooperative Agreement with one or more local universities willing to offer complete transfer of credit for all higher education studies completed in the U.S.

The project will follow the CAPS guidelines in regards to areas of study. While scholarships will be available for studies in the traditional areas of health, agriculture, education and demography, they will also be provided for studies in the social sciences. USAID plans to take special care in the social sciences and also to assure that scholarships are awarded for areas of study which will lead to concrete job opportunities in Guatemala. It is essential that training be congruent with demands of the local labor market.

Relationship of Project to AID Country Strategy: The project is responsive to the Mission goal of increasing productivity and rural incomes. The World Bank has amply documented the direct relationship that exists between increased levels of education and increased productivity and income.

In addition the project responds to the NBCCA Report and subsequent Congressional mandate to provide university-level scholarships for Central American students from socially and economically disadvantaged backgrounds. It should be noted that the project was developed by the Central American Education Action Plan Team which recently completed its work in Guatemala.

Target Group Identification: Beneficiaries of the project will be identified through a national testing program administered to rural high school seniors. Talented Indian and "Ladino" students scoring highest on the test will then be personally interviewed by a USAID committee in order to evaluate their leadership potential and economic need. Those selected to receive a scholarship will undertake undergraduate studies at a local university followed by two years of undergraduate studies in the U.S. It is expected that scholarship recipients will receive a "Licenciatura" degree from a Guatemalan university as well as a B.A./B.S. degree from a U.S. university.

Request for Delegation of PID Approval Authority: Since this project will be carried out by a local university and the present delegation of authority to USAID/Guatemala covers the overall funding level of the project, the USAID will approve this project in the field. The project supports and follows the guidelines established in the CAPS Project Paper. There are no policy issues requiring AID/W resolution.

Special Concerns: The project will make a special effort to recruit the most qualified female candidates for this scholarship program. It is estimated that at least one-fourth of all scholarships will be available to talented rural female high school graduates.

Participant Training: Fifty participants will receive an average of three years of undergraduate training in Guatemala under this project at a cost of \$300,000. The maximum scholarship an individual will receive over a three-year period is \$6,000.

PROJECT TITLE : Child Survival/ORT
PROJECT No. : 520-0342
PROPOSED FUNDING: FY 1986 Grant: \$3,000,000 (HE)
L.O.P : Grant: \$7,000,000 (HE)

Project Purpose: The purpose of the project is to develop and establish a viable production, distribution and promotional system for oral rehydration therapy (ORT) on a national basis.

Description of the Problem: The principal causes of childhood mortality and morbidity in Guatemala are closely related to diarrheal related diseases and/or intestinal infections. Infectious intestinal conditions are the primary cause for the high rate of infant mortality. The mortality/morbidity rates become highest among the rural population (61.8%) which closely corresponds with the indigenous population (54%). In 1982, only 24% of the rural population had access to potable water and sanitation services. These deficient environmental sanitation conditions further contribute to worsening the mortality/morbidity rates caused by water and sanitation related diseases. Over the past three years USAID has supported the construction of potable water and latrine systems in an effort to improve the environmental sanitation conditions of the rural population. However, the magnitude of the problem requires programs specifically aimed at reducing the childhood mortality caused by diarrheal related diseases.

The introduction of a simple to use, effective, reliable and affordable treatment for dehydration has been demonstrated to have a substantial impact on the reduction of the severity of rehydration which is the direct cause of diarrheal deaths. Guatemala does not have a national oral rehydration program even though the Ministry of Health (MOH), in its National Operational Plan has officially recognized that eliminating dehydration as a major cause of childhood mortality is a priority. Oral Rehydration Salts (ORS) are currently not routinely provided, promoted through an effective national distribution system, or produced locally in quantities for mass distribution.

Means of Dealing with the Problem: The project will undertake the establishment of a national ORT program by:

- a. Designing and mounting an ORT promotional campaign to increase knowledge of the benefits and use of ORS among the target population;

- b. Producing and distributing ORS through a national ORS distribution system; and
- c. Coordinating the ORT information system, and an epidemiological surveillance system to assess MOH efforts in overcoming child mortality/morbidity.
- d. Employing existing health personnel (included in projects 520-0251 and 520-0339) to promote the use of ORT.

The result should be that within all hospitals, health centers, and posts, an extensive network of trained workers will be working in functional ORT units and assuring that supplies are available in the communities to meet the needs of every household.

Relationship of Project to AID Country Strategy: Overall, this project is supportive and consistent with the country strategy of increasing rural incomes and productivity. By addressing the needs of the vulnerable groups of Guatemala through the provision of preventive primary health care to rural poor currently not served, the poor will participate in the benefits of growth and have more of their disposable income available for other household requirements.

USAID has identified the Western Highlands as a priority geographic area. This project will initiate its efforts in these departments with a high number of indigenous rural poor communities.

Target Group Identification: The direct target group will consist of all children under the age of 5 since it is this particular portion of the population which is most severely affected by high rates of mortality and morbidity due to diarrheal related causes. The direct beneficiaries of this project will be approximately 490,000 children five and under. Indirect beneficiaries will be direct beneficiaries' families who will have more disposable income for household requirements.

Request for Delegation of PID Approval Authority: This project has no policy issues that requires AID/Washington resolution.

Special Concerns: This project proposes to involve women in the promotion of ORT and the adoption of proper environmental sanitation practices with the objective of improving the overall health condition of the Guatemalan family and thereby their productivity. It is also anticipated that the private sector will become involved in the production of promotional ORT materials, in the production of ORS packets and their distribution. Private voluntary organizations working with health and

nutrition related activities will also become involved in making this preventive primary health care program intervention more widespread.

Participant Training: Approximately US\$500,000 will be set aside to sponsor short and long-term training.

PROJECT TITLE : Secondary Cities and Rural Housing
PROJECT No. : 520-0261
PROPOSED FUNDING: FY 1986 Grant: \$300,000 (SD)
L.O.P : Grant: \$300,000 (SD)

Project Purpose: This project will seek to facilitate the investment in basic shelter for the urban poor in all urban areas of Guatemala, principally through support of private sector interventions.

Description of the Problem: Basic shelter for the urban poor in Guatemala currently is produced entirely by public sector institutions, most notably the Housing Bank (BANVI) and the National Bank for Agricultural Development (BANDESA). The number of units produced by these institutions is only a fraction of the volume that would be required to meet existing need. In light of anticipated severe reductions in public sector financing due to the on-going economic crisis, a significant increase in production by these institutions is unlikely.

Means to Deal with the Problem: Under an AID grant to the National Economic Planning Council (SGCNPE), technical assistance was provided to study the feasibility of attracting private sector interest in both financing and construction of basic shelter projects as a complement to the current efforts of BANVI and BANDESA. A mechanism would be created to mobilize funds for such projects and to allocate the financing of those private institutions that are most efficient and expeditious in developing and selling basic shelter projects. Conversations with trade associations representing both the private banking and construction sectors have demonstrated an interest on their part in utilizing such a mechanism.

The Mission is in the process of negotiating a \$10 million BG project with the Bank of Guatemala which will provide initial financing to establish such a mechanism. At first, projects in all urban areas of Guatemala will be eligible. As the mechanism gains acceptance and becomes operational, AID BG financing will concentrate on secondary urban centers, particularly in the Altiplano.

This grant will provide funding for the technical assistance that will be required to develop the detailed operating manuals and organization necessary to implement the program. The SGCNPE created a working group under the grant which included representatives of the Bank of Guatemala, FHA, BANVI and

BANDESA in addition to those of the Council itself. These same institutions will remain as participants, but major Government of Guatemala participants in this project will be the Bank of Guatemala and FHA. Major private sector involvement will be required as well, probably through their trade associations, such as the Bankers' Association and the Homebuilders' Association (ANACOV).

Relationship to Country Strategy: Increasing employment opportunities is an element of USAID's strategy to increase incomes and productivity. Housing is important in generating employment through housing construction. This project will contribute to USAID's objective of involving the private sector in development by encouraging that sector to participate in designing, constructing and financing low-cost shelter.

Target Group Identification: The purpose of this grant is to expedite and increase the production of basic shelter for the approximately 75% of the urban population whose shelter needs are not being satisfied at present. USAID financing under the HG will be destined to the poorer families among that population.

Grant Signature: This project was designed in 1982 and incorporated in the project paper entitled Private Sector Low-Cost Housing (AID/LAC p. 117). Grant was authorized December 16, 1982, but project agreement negotiations were suspended since difficulties had been encountered in the HG implementing agreement negotiations. During past few months the Bank of Guatemala has begun active negotiation of the HG. Once signed, USAID plans to re-open negotiations for the grant. Given the prior approval of the PP, USAID plans to sign grant agreement early in FY 1986.

NEW PROJECT NARRATIVE

PROJECT TITLE : Local Economic Development
PROJECT No. : 520-0331
PROPOSED FUNDING: FY 1987 Grant: \$1,050,000 (SD)
L.O.P : Grant: \$1,050,000 (SD)

Project Purpose: This is intended as a pilot intervention to test the viability of direct resource transfers to Departmental Coordinating Committees in support of locally determined, designed and implemented economic infrastructure sub-projects.

Description of the Project: Despite the exhaustive identification and listing process in the National Development Plan, over the past five years it has become increasingly apparent that local governmental organizations do not receive sufficient resources from the central government with which to meet any credible proportion of the priority needs of their rural constituencies. The national budget is allocated according to requests received from the individual departments, but priorities among these allocations are decided by non-residents of the departments who do not appreciate the individual priorities of each department. National level priorities weigh more heavily in budget allocations than locally perceived needs. During periods of budget austerity, this process operates even more stringently against the rural area requirements.

A system of administrative coordinating committees has been established for each department. These committees are tasked with assessing and addressing local community needs and program activities. However, the process has evolved as an information flow from the bottom-up without the resources to respond to expressed needs. Most of the departments are almost exclusively dependent upon the receipt of financial resources from the national government, and annual budget allocations are already earmarked prior to receipt of the funds, regardless of changing priorities at the local level.

Proposed Means to Deal with the Problem: To overcome the lack of decision-making authority and resource availability at the department level, this pilot activity is proposed to strengthen and exercise the network of administrative/management processes and skills at the village, municipal and departmental levels in one department. Particular emphasis will be placed on the involvement of the elected village committee members and local

officials in determining the priority of village needs and marshaling resources to provide services desired.

Through the project grant, the Departmental Coordinating Committee will provide funds to rural village committees in one department for the construction of small economic infrastructure projects, such as potable water systems, farm-to-market roads, small bridges, established market places, slaughterhouses, irrigation systems, terracing, etc. While the local committees will be free to select their own activities, a rule of selection for the projects undertaken by the communities will be that they be such as to generate income through a user fee, site rental system or loan programs designed to generate additional resources to be retained by local governments and used for further economic development activities. Socially oriented activities with main line ministry and recurring cost loads, such as clinics and schools, are not envisioned as fundable under this project.

To assist village committee members and local officials in selecting, developing and managing activities, a U.S. technical assistance contractor is anticipated. Depending on the total costs of technical assistance, sub-project funding may be supplemented by Title I or ESP local currency allocations.

Relationship with A.I.D. Country Strategy: This activity aims to develop capacity in local communities to select and carry out sub-projects and to increase the autonomous revenues of village committees in order to sustain investments or finance new ones. The economic infrastructure will provide opportunities for local employment, which will contribute to increased rural incomes and productivity, a major strategy objective. Further, moving resources directly to rural uses supports the growth with equity strategy.

Target Group Identification: First instance beneficiaries will be those local leaders who are trained and have available the resources to respond to local community needs. Principal beneficiaries will be the community members benefitting from the use of the new infrastructure or from related employment generation.

Request for Delegation of PID Approval Authority: This proposed pilot project is consistent with Agency policy to increase democratic initiatives and is particularly responsive to rural residents' economic development needs. Placing responsibility for designing and carrying out the activities at the village level will permit the least advantaged populace to determine activities affecting their community's development. Decentralizing central government decision-making presents no

policy issues requiring AID/W resolution. Given the pilot nature of the project and the limited resources being used, USAID requests delegation of PID approval authority.

Participant Training: Approximately 1,000 village committee members will be trained at an estimated cost of \$100,000.

PROJECT TITLE : Small-Medium Business Development
PROJECT No. : 520-0341
PROPOSED FUNDING: FY 1986 Grant: \$2,000,000 (SD)
Loan : \$8,000,000 (SD)
L.O.P : Grant: \$2,000,000 (SD)
Loan : \$8,000,000 (SD)

Project Purpose: The project will improve the systems for delivery of credit and technical assistance for small-medium enterprises such enterprises.

Description of the Problem: The Guatemala financial system, made up of commercial banks and financieras, has traditionally been reluctant to lend to new small business borrowers. Such borrowers seldom can meet the heavy collateral conditions (up to 200% of the value of a proposed loan) required by the banks. Medium-sized firms, though better capitalized than small enterprises, also have difficulty in obtaining financing when it is only supported by future returns flowing from a successful business expansion or investment. Finally, both small and medium sized firms lack appropriate and cost-effective technical assistance to address their production, marketing, and general management problems.

AID's credit and technical assistance activities under its Rural Enterprises Project (520-0245) and its new Agribusiness Project (520-0276) are making progress in providing resources to specific areas of the small-medium business sector which complement USAID's rural development/small farmer strategy. Nonetheless, some of the institutions involved in these projects -- the Bank of Guatemala and the National Training and Productivity Center (INTECAP) -- need to improve their procedures to provide timely and appropriate support to the small-medium business sector. Consequently, the proposed project will both strengthen some of these Government of Guatemala institutions supporting small-medium businesses, in addition to testing other more innovative modes of service delivery.

Means of Dealing with the Problem: The project will provide the following technical assistance, training and research activities: (1) technical assistance and training in engineering and small business accountancy by INTECAP to enable small businessmen to improve productivity and to better plan the use of equity and credit resources. Better trained, more mobile and more numerous INTECAP consultants would be supported under the project to improve both the quality and timeliness of INTECAP's

technical assistance; and (2) grant-funding of pilot testing, production and marketing of new products by small businesses in order to encourage the development of new, more profitable product lines.

The credit portion (\$8.0 million loan and \$1.0 million grant) of the project will provide subloans under \$800,000 to a wide variety of industrial, commercial and service small businesses ("small" or "medium" being defined as less than \$250,000 or \$2.0 million, respectively, in net fixed assets). Three alternative delivery systems will be explored for credit under the project:

(1) AID-supported insurance of lending by local financieras and commercial banks to small businesses throughout the country. Under this arrangement, AID would reserve a portion of loan funds to cover banks' uncollectible loans for small borrowers under the project. The fund would be administered by the Bank of Guatemala. Such an insurance program would encourage local banks to lend to longer-term, non-traditional business ventures of medium size.

(2) Management of an AID grant-financed small business revolving fund by a local private bank or branch office of a multinational bank. The bank will manage the fund as well as contribute matching credit resources in return for an adequate interest spread to defray additional staff costs and profit. This fund would reach small borrowers (with average credits of \$50,000 or less) concentrated in the Guatemala City area, and serve as a model for an efficient, low-cost delivery system for small business credit.

(3) Lending to small businesses through urban-based credit unions, such lending to be channeled through the Bank of Guatemala and the National Credit Union Federation (FENACUVI). These credits would be destined for microentrepreneurs located mostly in the Guatemala City area.

Relationship of Project to A.I.D. Country Strategy: Increasing rural incomes and productivity is a strategy objective of the USAID program. The development of small-medium private enterprise and the stimulation of local public and private sector institutions which support such businesses are an integral part of this strategy. This project will also support this objective by diversifying credit channels available to small borrowers and by increasing private sector investment for small businesses.

Target Group Identification: 150 small business owner/managers and 1,000 employees will be benefitted under the project.

Request for Delegation of PID Approval Authority: The project builds upon previous USAID small-medium business projects in artisan, industrial and agribusiness areas. It also will benefit the urban poor employees of small enterprises, while bolstering a more effective small business entrepreneurial class. In light of this continuity with past USAID projects and policy in the small-medium business sector, USAID requests that it be delegated PID approval authority.

Special Concerns: Private sector. The project will field-test innovative credit and technical assistance delivery systems to small-medium business, which may then be emulated by the private sector with their own resources.

Participant Training Dollars and Numbers: N/A

Section Four - FY 1986-1987 Evaluation Plan

A. Introduction

The FY 1986-1987 evaluation plan centers on those activities within the on-going project portfolio designed primarily to improve institutional mechanisms concerned with the delivery of services to the rural poor. Projects being initiated in FYs 1985 and 1986 are focusing on the use of private sector initiatives to complement public sector activities and generally will not be included as individual project evaluations in the FY 1986-1987 evaluation plan given the short period of implementation planned for them. However, progress in the whole area of private sector development will be closely monitored.

In the area of policy dialogue, USAID usually first introduces pilot activities to demonstrate the desirability of changes prior to entering into formal policy dialogue. Evaluations of the pilot projects provide management with information necessary to support the ensuing policy dialogue. Assuming the proposed ESP balance of payments funding in FYs 1986 and 1987 is approved, USAID deems it critical to NBCCA expressed concerns for economic recovery and most appropriate to the potential for success to evaluate the impact of such programs on the achievement of major policy changes. USAID also believes that an upscaling from strictly individual project evaluation to an examination of larger sector performance and gains better reflects the NBCCA objectives. Such sector evaluations, however, will include, as appropriate, specific attention to the particular goals and objectives of each individual project component in the sector.

B. Narrative Description of Important Issues

1. Agriculture and Rural Development

In order to achieve maximum impact, the current and planned development assistance program concentrates principally on the Highlands where the largest segment of the rural poor is located. Projects in the agricultural sector are addressing the need to increase agricultural productivity and production while at the same time seeking alternative approaches to reduce unemployment and underemployment. The key decisions to be made relate to the merits of continuing cash payments and/or food for labor intensive activities and to identify more lasting interventions to overcome the unemployment/underemployment problem. Of particular interest to USAID is the effectiveness to date of one particular PVO's (Penny Foundation) activities in commercial land markets. USAID intends to build on this

success as a model for more extensive public/private sector service delivery.

2. Health and Population

USAID's program is designed to expand the coverage and effectiveness of the rural health system while providing opportunities for curbing the excessive population growth rate. A special effort will be made to tailor approaches to the special cultural, language and administrative requirements of the Highland Indian population. The principal challenge to be addressed is improving the delivery capability of the Ministry of Health outreach institutions, allowing them to provide expanded preventive services in the fields of population and health in a more effective and cost efficient manner. Programmed evaluations will analyze the effectiveness of individual agencies in delivering preventive health care services.

3. Education and Human Resources

All activities in this sector were evaluated in FY 1984 as part of the NBCCA-directed impact evaluation of USAID-sponsored education sector activities over the preceding twelve years. The principal recommendations from this sector evaluation are fully incorporated in the new projects to be initiated during this ACTION PLAN period. Other initiatives for the longer planning period follow on current and planned activities and are consistent with the fuller education sector action plan prepared in response to NBCCA recommendations. Project longitudinal studies will be carried out over the period of the evaluation plan to provide further benchmarks and guidance for the decade-long effort. Evaluation of non-formal education activities are also scheduled during the evaluation plan period.

4. Special Development Activities

The majority of USAID's project portfolio are either directly financed by the other functional accounts or financed as financed by the SD account, relate closely to development objectives reflecting the regular accounts. Consequently, no project specific evaluations are scheduled in this functional account. However, since it represents a potentially major departure in the budget and development priority setting practices of the Government of Guatemala, an evaluation of the Pilot Local Economic Development Project will be scheduled within project funding at an appropriate time.

Since non-projectized ESF did not materialize in FY 1985, no formal evaluations of the impact of local currency usage on the implementation of major policy dialogue is envisioned until a later and more appropriate date.

Nevertheless, given the close relationship of planned ESP and Title I local currency uses to the larger NBCCA and USAID goals and objectives, these will be monitored constantly and, if circumstances warrant it, a special evaluation will be conducted.

C. List of Planned Evaluations

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Reasons/Issues	Funding Source (\$000)	USAID Person Days	Collateral Assistance
		Start (Qtr.)	To AID/W (Qtr.)	Start (Qtr.)	To AID/W (Qtr.)				
ASGN 0238 Small Farmer Marketing	09-83	3rd	4th			PCAD: 05-86 Final project evaluation to identify appropriate mechanisms to provide credit to small producers.	FMS 30	11	IOC Identifica- tion
0245 Rural Inter- prises Devel- opment	Partial 04-83	1st.	2nd.			PCAD: 09-85 The project was reprogrammed in FY 1984 to place greater em- phasis on private sector finan- cial institutions' involvement in the development and financ- ing of small-scale rural enter- prises. The evaluation will assess progress under this re- programming to determine wheth- er an extension of the project is justified.	FMS 30	6	ST Small Enter- prise Project

Country/Office USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (No./Yr.)	FY 1986		FY 1987		Reasons/Issues	Funding Source	Funding (\$000)	USAID Person Days	Collateral Assistance
		Start (Qtr.)	To AID/M (Qtr.)	Start (Qtr.)	To AID/M (Qtr.)					
AIDM (Cont'd)										
0248 Rural Electric- ification	None	1st.	2nd.			MCDs 12-85 The project was reprogrammed in FY 1983 to remove bottlenecks in project implementation. The evaluation is to assess project reprogramming effectiveness and progress to determine whether extension is justified.	FOAS	30	30	None.
0255 Small Farmer Diversifica- tion	None	2nd	4th			MCDs 03-87 The project is to diversify small farmer production into higher value cash crops. The mid-point evaluation is to de- termine overall achievements of the project and to quantify the project's immediate impact on target area beneficiaries.	FOAS	30	10	TRM with Tensas Tech

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Reasons/Issues	Funding Source	Project	USAID Person Days	Collateral Assistance
		Start (Qtr.)	To AID/W (Qtr.)	Start (Qtr.)	To AID/W (Qtr.)					
ASDH (Cont'd)										
0274 Highlands Agricultural Development	Baseline	2nd	3rd	2nd	3rd	<p>PMCD: 09-88 The project is expanding the area of influence for the introduction of appropriate technology to improve the productive resource base of the rural poor in the Altiplano. The mid-point evaluation is to measure progress achieved to date, what corrective action may be required, and analyze the institutional effectiveness of the agencies carrying out the project activities.</p>	Project	60	7	Contractor Identification
0317 Cadenon Cultivation and Commercialization	None	2nd	3rd	2nd	3rd	<p>PMCD: 12-86 The purpose of the OPG is to stimulate the production, drying and marketing of cardamom for small farmers in the FIM. The final evaluation will assess project activities to strengthen the activities of GOB extension agencies as well as the level of agricultural skills and technical know-how of the growers.</p>	FDS	10	3	POC with Gray Amendment Organization

County/Office USAID/Commodities

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Reasons/Issues	Funding Source	USAID Person Days	Collateral Assistance
		Start (Qtr.)	To AID/W (Qtr.)	Start (Qtr.)	To AID/W (Qtr.)				
ARDM (Cont'd)									
0330 Pilot Commercial Land Markets				2nd	3rd	<p>MOCA, 08-87</p> <p>The purpose of the CPO is to establish a mechanism whereby land poor or landless small farmers can purchase farmland offered for sale. The evaluation will analyze project results for transferring lessons learned to the larger Commercial Land Markets Project scheduled to be signed in FY 1987.</p>	FD-8	5	TEN with Tenas Tech

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Reasons/Issues	Funding Source	USAID Person Days	Collateral Assistance	
		Start (Oct.)	To AID/W (Oct.)	Start (Oct.)	To AID/W (Oct.)					
HE and FOP 0251 Community-Based Health and Nu- trition Systems	08-85			3rd.	4th.	MCD: 12-88 The purpose of the project is to develop the institutional capacity of the MCH to increase coverage and effectiveness of a rural health delivery system in the target area. The evalu- tion will assess mid-point progress and institutional performance in utilizing the rotating fund concept.	Project	20	14	Outside evalu- ation team identification

Country/Office: USAID/Dahomey

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Reasons/Issues	Funding Source	Funding (\$000)	USAID Person Days	Collateral Assistance
		Start (Oct.)	To AID/W (Oct.)	Start (Oct.)	To AID/W (Oct.)					
HE and POP (Cont'd)										
0288 Expansion of Family Planning Services	12-84			1st.	2nd.	INCDs 12-87 The purpose of the project is to expand the availability of family planning services through public, private and commercial sector activities. Evaluation to analyze effectiveness of POP and IPDPA activities.	FDS	30	5	ICC for 20 days
0298 Rural Potable Water and Sanitation	09-85				2nd.	INCDs 12-86 The purpose of this OFG is to provide potable water systems and latrines to improve the environmental sanitation of rural communities. The evaluation will assess the efficiency of the delivery mechanisms in promoting greater community participation for the administration of local resources in environmental sanitation.	FDS	10	5	WSP Project.

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Assessments/Issues	Funding Source	USAID Person Days	Collateral Assistance
		Start (Oct.)	To AID/W (Oct.)	Start (Oct.)	To AID/W (Oct.)				
0270 Development Administration Improvement	None	1st.	3rd.			MOE: 12-84 The purpose of the project is to improve the institutional capacity of the Ministry of Finance in the management of the COG externally financed development programs. The evaluation will assess whether the reorganization sponsored contributed to better management of externally-financed development programs.	FOES	5	Team Identification
0281 Non-formal Education	None	1st.	3rd.			MOE: 06-87 The project is to consolidate, improve and expand the national non-formal education system. The mid-point evaluation will examine administrative bottlenecks to effective implementation and the socio-economic impact on the target population's knowledge, attitudes and adoption of practices.	FOES	14	Team Identification

Country/Office USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1986		FY 1987		Res. crs./Issues	Pending Source	USAID Person Days	Collateral Assistance	Project	150	15	ICC Identifica- tion	1	1	1	
		Start (Qtr.)	% AID/M (Qtr.)	Start (Qtr.)	% AID/M (Qtr.)												
0276 Agr/business Development																	

FROM 12-89
The purpose of the project is to provide small farmers with profitable outlets for fruits and vegetable production through new or expanded agribusiness enterprises in rural areas. The mid-point evaluation will focus on credit lent by private banks to private entrepreneurs for establishing or expanding agribusiness plants and determine the impact of the market information and credit production system.

SPECIAL CONCERNS

- A. Title I Narrative and Local Currency Use Planning
- B. PVO Strategy (Including Title II Food Distribution)
- C. Gray Amendment
- D. Women in Development
- E. Other Donor Coordination

A. Title I Narrative and Local Currency Use Planning

The FY 1986 ABS provided substantial background information and justification for the Title I program in Guatemala on both balance of payments support and development program grounds. The estimate provided at that time is, if anything, even more valid today in view of the deepening balance of payments crisis and the accompanying domestic budget cutbacks that threaten to defer or diminish resources dedicated to the development program. These conditions and USAID/Guatemala plans to help Guatemala cope with them are described in the COUNTRY SETTING AND STRATEGY SUMMARY and POLICY DIALOGUE PLAN sections of this ACTION PLAN.

The amounts of agricultural products programmed to enter Guatemala under Title I for the next two years should be a minimum of \$22.0 million annually, composed of: \$9.0 million of wheat, \$7.0 million of tallow, and \$6.0 million of vegetable oil. If the financial situation of the country deteriorates further over the next year, increases in the annual totals to \$30.0 million may be sought. The additional \$8.0 million would be provided in wheat.

During 1985 and the ACTION PLAN period, the Embassy and USAID will be developing further the self-help measures to be sought in negotiations and the local currency (LC) uses. As a guiding principle for LC uses both for Title I and for ESF, the U.S. Title I negotiating team seeks agreement to use local currency generations in a manner compatible with the larger strategy of growth with equity and in support of associated activities. This includes integration, as appropriate, with ESF local currency uses. With the legalization in November 1984 of the parallel market and given the large spread that has since developed between the official and parallel rates, the rate for counterpart deposit will also be an issue, principally for the FY 1986 Title I and ESF negotiations.

On the self-help measures to be sought, a number of possibilities exist. At present, the U.S. team is concerned with reaching agreement on the following measures deemed to be important contributions to program efficiency and improved agriculture sector performance:

- (1) Movement of the Title I commodities, to the extent possible, through the private sector;
- (2) Satisfactory resolution of transport sector constraints to increased exports, particularly in air transport and licensing arrangements.

(3) Reorganization of BANDESA's (the Government's agricultural credit bank) staffing and operational practices to make it able to absorb and use resources more effectively.

Title I local currency uses will be \$12.0 million for reforestation, \$4.0 million for cooperative strengthening, and \$6.0 million for Government of Guatemala counterpart for USAID and selective PVO activities for FY 1986 and \$12.0 million for land settlement, \$5.0 million for agricultural training, and \$5.0 million for Government of Guatemala counterpart for USAID and PVO projects in FY 1987.

These local currency uses tie directly into the agricultural development strategy which emphasizes the resolution of land-based problems (quantity, quality, present use, ownership) and target group organization and strengthening. This further underwrites the NBCCA goal of growth with equity. It also permits our on-going projects to function at full capacity in order to reach our goals in the shortest time possible.

The proposed inclusion of PVOs in local currency counterpart programming is responsive to USAID objectives to increase support for PVO development activities. Further, such support is consistent with and reflects the expressed wish of the U.S. Congress that USAID support a vigorous and expanded PVO presence in Guatemala during this ACTION PLAN timeframe.

B. PVO Strategy (Including Title II Food Distribution)

Introduction

Both the FY 1986 CDSS and the FY 1986 Annual Budget Submission provided cogent arguments of the need for continued and expanded PVO operations in Guatemala. Those arguments remain valid for the current ACTION PLAN period as well. Further, the U.S. Congress has specifically mandated continued strong PVO support by USAID. The challenge to USAID is to accomplish the stated goals of PVO program support and expansion within the increasingly limited management time available as a result of the vast expansion in the DA funding and portfolio levels and the preparatory and actual implementation workload associated with it and the upcoming ESF program. USAID anticipates the solution to this lies in developing a PVO umbrella management organization to act in our stead and within our guidelines. Steps to achieve this are already underway.

Background

Over the first half of the decade of the 1980's, the number of U.S. PVOs operating in Guatemala diminished significantly

because of the increased difficulty of carrying out programs during the peak period of the insurgency. Further, the principal areas of violence in the Highlands were those where PVO operations tended to be concentrated. The departure or diminished deployment of U.S. PVOs left a void in private support for development work. To fill this, USAID/Guatemala encouraged indigenous private voluntary organizations (IPVOs) to expand their operations and submit proposals which would enhance overall Guatemalan development, particularly in the Highlands. During this period, USAID signed OPGs with IPVOs covering community development, women in development, land marketing, potable water and agriculture marketing activities. In addition, a pilot activity was undertaken to see if a small, untrained community could expand its sphere of influence sufficiently to attract assistance. As a result, the community has not only organized its members to provide services to neighboring communities as well, but has also requested the Government of Guatemala to designate it as an IPVO.

Two U.S. PVOs have been managing continuously for some years now Title II food distribution programs. Both CARE and CRS have directed their efforts to maternal-child health improvement, other child feeding programs and food for work programs. These discrete food distribution activities have been coordinated with overall development efforts of these PVOs and the USAID to provide coverage throughout the country. The programs were originally scheduled to be phased out in 1981, but the upturn in violence during the early 1980's created a large number of displaced persons, widows and orphans who required food assistance in the short-run. To meet this need and provide mechanisms for getting formerly displaced persons back into the economic mainstream, all three programs were continued at existing levels.

Strategy

USAID/Guatemala views both U.S. PVOs and IPVOs as development partners. During the development of background information for the preparation of programming documents, U.S. PVOs with a long history of activity in the country are consulted. However, the Mission has found a tendency of many PVOs to concentrate their efforts on the particular causes to which they are committed, resulting in some exaggeration of needs to obtain support for a specific activities. In Guatemala there have been various attempts by the PVO community to establish associations of PVOs to better divide areas, manage programs and avoid this problem. Results of this activity have been satisfactory, but coverage to date generally has been limited to PVOs working in similar activities such as environmental sanitation. The Mission is working closely with the Asociación

de Instituciones de Desarrollo y Servicio de Guatemala (ASINDES) to broaden their perspective of national needs and priorities and to foster better relationships with the Central Government and its administrative entities. Most recent discussions have encouraged ASINDES to represent its individual members in seeking PVO financing earmarked under local currency generations from both ESF and Title I sources. The USAID will continue to help ASINDES -- which represents approximately 90 percent of all PVOs currently operating in Guatemala -- to develop itself as an overall coordinating agency for PVOs in Guatemala, particularly for smaller U.S. PVOs, those with less experience in Guatemala and for IPVOs generally.

While PVO activities can obviously have only a limited impact on overall national economic growth, they can serve as a means of providing opportunities for greater participation of the poor in the development process. The overall objectives of such assistance are: (1) increased incomes and productivity; (2) improved availability of social services, such as health, education and shelter; and, (3) expanded access to family planning services. While these objectives cover both the rural and urban poor throughout Guatemala, USAID is giving particular emphasis to activities in the Western Highlands which improve the institutional capacity of IPVOs to design and implement such projects. Priority will be given to those interventions which provide for a self-sustaining development process such as: (1) terracing, small-scale irrigation, farm management and agricultural diversification output, as well as efforts to expand the resource base through schemes which will bring currently unproductive land under ownership willing and able to farm it; (2) improvement of the sanitary environment of the rural poor and expansion of outreach rural health care programs; (3) literacy and skills training; (4) promotion of low-cost shelter programs in secondary cities, market towns and small rural settlements; and, (5) support of family planning information programs and delivery systems, particularly in the Altiplano.

Food Distribution Programs (Title II)

USAID views the low nutritional levels in Guatemala as a multi-sectoral problem, which is a function of income, available agricultural resources, health services, sanitation and population growth. Nutrition interventions form an integral part of many activities, including nutritional education, improvement of rural water supplies and the distribution of P.L. 480, Title II commodities through Voluntary Agencies.

Title II supplemental feeding addresses the nutritional deficiencies, especially protein deficiencies, suffered by the

most needy persons, who cannot obtain adequate nourishment. Most heavily targeted are the children and mothers in the Maternal Child Health category, attended at health centers and posts throughout the country.

During the next two years, USAID will undertake an evaluation of the Title II program to ascertain whether it is appropriate to reinstate phase-out plans or identify program modifications. As the displaced person population continues to decline, attention will be focused on the maternal child health aspects of the program, in direct support of the child survival/immunization program activities being initiated.

Given the recent successful experience in providing non-fat dried milk under the Section 416 program, USAID is encouraging ASINDES to represent various IPVOs in requesting and processing the distribution of this and other commodities available under this program. Formal arrangements will need to be established by ASINDES to permit the duty-free entry of the foodstuffs as well as the orderly transport from the port of entry to the storage facilities of the individual IPVOs.

C. Gray Amendment

USAID/Guatemala has established an outstanding record of compliance with the Gray Amendment.⁶ Eight of seventeen contracts signed for FY 1985 through April 1985, and representing 69% of total funds contracted, have been awarded to minority, women-owned or small business firms. The PID and PP design process employed by USAID/Guatemala mandates an early assessment of the viability of using Gray Amendment firms for either prime or sub-contracting opportunities. At the time of actual going out to bid and in the awards process, the Contracts Office further reviews whether realistic and complete attention has been paid to the opportunities for use of Gray Amendment firms.

Several offices in the Mission, including the Program Office and the Executive Office, maintain files of Gray Amendment qualified companies to facilitate the assessment process. In a recent visit by an AID/Washington contractor (Omega) evaluating Gray amendment practices and compliance in Latin America, USAID/Guatemala spent considerable senior staff time and the energies of all offices reviewing again our procedures and suggesting potentially more effective AID/W backstopping actions in two areas, specifically in establishing a more formal listing of Gray Amendment firms to be shared with field Missions and in providing timely and realistic performance appraisals of those firms worldwide.

D. Women in Development

USAID continues to emphasize integrating activities addressing women in development into project design and implementation, but does not believe that a separate component for women within individual projects serves the integration process. The National Census Office maintains labor force statistics disaggregated by sex. The Ministries of Health and Education maintain statistics by sex and age. Given the existing national data base, the impact of project activities on women are presented in the social soundness sections of project papers. During project implementation, the Mission uses the gender specific information maintained by the planning units of the technical ministries to oversee that women are being brought into the economic and social mainstream.

USAID has undertaken in the development of projects working in the productive sectors to broaden participation of women, particularly in the agriculture sector. Activities carried out in the health and education sectors have addressed the traditional roles of women and sought to give women a better opportunity to take advantage of the economic opportunities being opened up in the productive sectors. During the past two years more extension activities under the sponsorship of the Ministry of Agriculture have been provided to prepare women for changing economic roles. Women-specific credit activities were undertaken to introduce women to the use of credit for small enterprises and expand the financial community's awareness of women's credit worthiness. Under training programs sponsored by the Mission, a concerted effort has been made to increase the number of female participants, with the FY 1984 training program resulting in 20 percent of the participants being women. Women are a major target group for participation in the new Central American Peace Scholarships project. Of 84 participants selected for this program's first three short-term groups, 55 have been women. A 1983 evaluation of education sector achievements during the past twelve years produced positive findings in regard to female school attendance and concluded that bilingual promoters are able to attract the attendance of more female pupils with lower dropout rates. Several PVO-directed projects have broadened women's opportunities in the community development decision-making processes with women participating in the formation of committees to carry out specific community infrastructure needs.

During the medium-term USAID will continue to direct its activities toward increasing rural incomes while at the same time improving rural living conditions and providing women with the skills necessary to participate in economic opportunities in the productive sectors. Living conditions will continue to

be improved with the provision of potable water and environmental sanitation systems to rural households, introduction of energy conservation in food preparation, and the systematic application of preventive health care measures and family planning programs. To broaden women's skills for participating in the active workforce, primary schooling through the fourth grade will be encouraged for all female members of the population. Without acquiring linguistic and mathematical skills, rural women will be unable to participate in the economic opportunities being offered in the productive sectors. Maintenance of the disaggregated data collection system will be encouraged at all levels of the public sector. Policy dialogue will seek to explore innovative measures to increase paid employment opportunities and assure implementation of existing legislation on behalf of women.

E. Other Donor Coordination

For FY 1986 and 1987, USAID/Guatemala sees other donor coordination as comprising discussions and for potential funding or co-funding with four distinct groups: (1) macro-economic policy and potential balance of payments level coordination with IMF, IBRD, IDB and private sector foreign banks; (2) support for U.S. and indigenous Private Voluntary Organizations' programs; (3) consultations with other international (UNDP, WFP) and bilateral country assistance programs; and, (4) joint programming/coordination with other U.S. agencies, most specifically USIS, Peace Corps and the State Department. Brief comments follow on the rationale and approach intended for each of these groups.

(1) Although the U.S. Congress has cautioned USAID against direct conditionality of ESF assistance to IMF adjustment program demands because these are frequently seen as insufficiently responsive to host country political or U.S. concerns in the recipient countries, there is widespread agreement on the need and usefulness of close coordination and discussion with the other potentially major balance of payments donors or lenders. In this respect, Embassy and USAID/Guatemala officers continue to maintain a close consultatory relationship with IMF, IBRD and IDB resident or visiting representatives.

(2) USAID coordination with and strategy for FVO support is spelled out in a separate SPECIAL CONCERNS paper.

(3) USAID/Guatemala works closely with the UNDP team in Guatemala both to discuss programming plans and to avoid duplication. USAID has managed a particularly close and fruitful relationship with the World Food Program (WFP) through a variety of funding mechanisms. WFP has a current program valued at

\$50 million and is closely coordinated with USAID plans to add new activities worth some \$20 to \$25 million more. USAID also stays in touch with other bilateral country programs to achieve coordination, avoid duplication and encourage expanded investment in Guatemala.

(4) (a) USAID and USIS are managing separate but related portions of the NBCCA sponsored Central America Peace Scholarships Program (CAPS). Close coordination and frequent consultation are maintained. USAID is currently attempting as well to strengthen and utilize for the CAPS program the English language training capacity of the Binational Center of the American-Guatemalan Institute.

(4) (b) USAID project plans always include review of the potential for Peace Corps involvement. USAID also provides funds and backstopping on an annual basis for the Peace Corps Small Activities Project Fund. With the late 1984 and current rapid expansion of the USAID program in Guatemala, discussion of potential Peace Corps reinvolvement in Altiplano planning in particular is being stressed.

(4) (c) Coordination with the State Department centers on Democracy Initiative activities. At present, this includes efforts to arrange training for election board managers, training for political party election observers, and procurement of special fraud-proof paper on which to print ballots for the November 1985 national elections. Future activities could focus on support of post-election transition requirements and efforts to further deepen the democratization process, as called for in the NBCCA recommendations.

OTHER CONCERNS

A. Mission Management Narrative

As stated in last year's ABS, the Controller's Office and the Executive Office provide services to both ROCAP and USAID/-Guatemala. Most procurement, leases and other day-to-day expenses will be split 60% USAID and 40% ROCAP for FYs 1985, 1986 and 1987. Employee salary and support costs for the Controller staff come from the ROCAP OE budget, while similar Executive Office costs come from the USAID OE budget.

The Missions have continued their program of careful control of operating expense funds, i.e., living quarters allowances in lieu of government-leased housing, no personal use of official vehicles, no airport pick-ups, use of surplus property from other USAIDs, etc., as reflected in the size of the OE budgets.

The major efforts in the reporting period will be focussed on the following:

(1) Although programming of expendable and non-expendable property has been completed, data input has been limited to serialized items, still a substantial accomplishment in itself. The system has proved itself useful not only in its control aspects, but also in ordering and disposal activities. The program has been widely circulated in AID field missions. Beginning in FY 1985, the large task of data input for the remaining property will be undertaken.

(2) Last year the Mission addressed cost efficiencies in its Contracts and Supply Office. The target was more than met. In early May, due to the Central American Initiative, the Regional Commodity Management Officer position was re-established. Nevertheless, the Mission has demonstrated that contracting can be competently provided by foreign national staff. Between October 1984 and April 1985, 85 separate contracts and major procurement actions were processed. The target this year is to further upgrade the quality of the advance planning and procurement plans.

(3) In early 1984 USAID/Guatemala was in a period of staff cutbacks; in mid-1985 it is in a time of rapid build-up. The target is to absorb the new employees and resources in a prudent and careful manner, and to continue to weigh needs against cost/benefit ratios.

(4) For over a year, USAID has been involved in a major security enhancement effort which has just been completed. There are many adjustments to be made in fine tuning the practical aspects of the sophisticated equipment. The target is to undertake these details, along with fire security, and to maintain the systems in a fine state of readiness.

(5) The final target is to contend with the deteriorating public services such as electricity, water, garbage collection, etc., in a cost conscious manner.

The following position listings, budget tables and procurement plans are submitted as required in the Action Plan guidance documents.

B. Position Listings

MISSION MANAGEMENT

SCHEDULE A - USDH POSITIONS BY OFFICE
(All positions apply to both FY 1986 and
FY 1987)

OFFICE OF THE DIRECTOR

Director
Deputy Director

PROGRAM OFFICE

Program Officer
Deputy Program Officer
Program Economist

PROJECT DEVELOPMENT AND SUPPORT OFFICE

Capital Resources Development Officer
Capital Project Development Officer
Capital Project Development Officer
Assist. Project Development Officer
Assist. Project Development Officer

EXECUTIVE OFFICE

Executive Officer
Deputy Executive Officer

RURAL DEVELOPMENT OFFICE

Agricultural Development Officer
Deputy Agricultural Dev. Officer
Assist. Agricultural Dev. Officer
Assist. Agricultural Dev. Officer
International Development Intern

HUMAN RESOURCES DEVELOPMENT OFFICE

Human Resources Development Officer

HEALTH OFFICE

Health Development Officer
Health and Population Officer

SCHEDULE B - FNDH Positions by Office
(All positions apply to both FY 1986 and
FY 1987)

OFFICE OF THE DIRECTOR

Secretary to the Director
Secretary to the Deputy Director

PROGRAM OFFICE

Training Specialist
Program Specialist
Assist. Training Officer
Secretary
Secretary
Clerk/Stenographer

PROJECT DEVELOPMENT AND SUPPORT OFFICE

Capital Development Advisor
Engineer
Engineer
Secretary
Secretary
Secretary

OFFICE OF RURAL DEVELOPMENT

Project Manager
Secretary
Secretary

OFFICE OF HUMAN RESOURCES

Education Advisor
Program Assistant
Education Specialist
Secretary

OFFICE OF HEALTH

Public Health Specialist
Public Health Specialist
Secretary
Secretary

EXECUTIVE OFFICE

Procurement Specialist
Purchasing Agent
Purchasing Agent
Assist. General Services Officer
Purchasing Assistant
Personnel Specialist
Travel Assistant
Customs Assistant
General Services Supervisor
Supply Clerk
Mail and File Clerk
Secretary

SCHEDULE C - U.S. and Foreign National PSC's
(All positions apply to both FY 1986 and
FY 1987 except as indicated)

PROGRAM OFFICE

Macro Economist (FN) - Performs various economic consultative, advisory, monitoring, information collecting and evaluation services to support the USAID's Program Economist. Serves as advisor to the Mission on all economic factors related to the total Mission program and performs segments of program and economic development work. Operating Expense funded.

Secretary (FN) - Types letters, telegrams, memoranda, and other official documentation. Translates documents, takes dictation, and drafts replies to routine correspondence. Receives official visitors, attends telephones, and performs miscellaneous secretarial functions. Operating Expense funded.

PROJECT DEVELOPMENT AND SUPPORT OFFICE

Private Sector/Banking Advisor (FN) - Provides technical assistance in the development and implementation of projects related to the Guatemalan banking system and the Private Sector. Program funded.

Supervisory Engineer (FN) - Assists OER Division in implementing engineering components of project portfolio. Coordinates work with Mission Engineering staff and GOG implementing units as well as performing site inspections of construction projects. Reviews and makes recommendations regarding design contracts, plans, specifications and cost estimates. Program funded.

Technical Assistant/Engineering (US) - Prepare computerized inventory including socio-economic data and environmental impact of new access roads, roads being rehabilitated, and roads under maintenance. Program funded under Highlands Agricultural Development Project. Program funded. FY 1986 only.

Project Coordinator (FN) - Functions as Project Coordinator for Rural Enterprises Development Project while working under auspices of the National Economic Planning Council. Assumes principal role in project implementation including determining technical assistance requirements, elaboration of staffing plans, operational plans, budgets, etc. Program funded.

Technical Assistant (FN) - Directs the Administrative Financial unit of the GOG Health service, improving or its organic structure, management, and personnel. Provides administrative support for activities under health service within scope of community based Integrated Health and Nutrition Systems Project. Program funded.

(2) Clerk/Steno (FN) - Takes and transcribes dictation, types correspondence and cables, and reviews and distributes incoming correspondence. Performs miscellaneous secretarial functions. Operating Expense funded.

OFFICE OF RURAL DEVELOPMENT

Secretary (FN) - Same description as under Program Office. Operating Expenses funded.

Clerk/Steno (FN) - Same description as under Project Development and Support Office. Operating Expense funded.

Agricultural Engineer (FN) - Within the Rural Development Office, performs a variety of tasks in planning, development, implementation and evaluation of agricultural and rural development projects. Specifically, provides technical expertise in the areas of soil and water conservation, renewable natural resources, agricultural research and extension, and agricultural credit. Operating Expense funded.

Agricultural Economist (FN) - Within the Rural Development Office, provides planning, development, implementation, and evaluation support to the agricultural and rural development projects. Specifically, supports and provides guidance for projects in the areas of agricultural marketing/processing, cooperatives, and agricultural data collection and analysis. Operating Expense funded.

Anthropologist (FN) - Under the Small Farmer Diversification project (520-0255), provides analysis of the socio-economic and anthropological variables as they are related to the model farms under the project. Participates in the assignment of the methodology to determine the impacts and benefits, directly or indirectly generated by the project. Program funded.

Fruit Production Specialist (FN) - Under the Small Farmer Diversification Project (520-0255), provides counterpart services to the USDA technicians in the areas of evaluation of the present Cropping systems, recommendations of deciduous fruit varieties, management techniques, pruning programs, spraying needs and other areas which improve production and quality of deciduous fruits. Program funded.

Farming Systems Specialist (FN) - Under the Small Farmer Diversification Project (520-0255), provides analysis of the farming situations and production systems utilized in the region. Utilizes surveys on farm management to elaborate on the diversification models, and prepares farm income and expenses budget statements. Program funded.

Agricultural Economist (FN) - Under the Small Farmer Diversification Project (520-0255), formulates Regional Rural Development policies and control systems, and evaluates results. Assists in all marketing analysis including direct marketing cost, transportation costs, export cost, analysis of processing, packaging and storage. Analyzes and evaluates the farm model with an economic focus. Program funded.

Livestock Specialist (FN) - Under the Small Farmer Diversifications Project (520-0255) prepares a diagnostic of the general livestock sector related to production of bovine, ovine, caprin, rabbits, poultry and bees of the region, and recommends the production program to best integrate the animal sector in with other farming activities. Program funded.

Irrigation Specialist (FN) - Under the Small Farmer Diversification Project (520-0255), works within DIGESA to improve overall capacity to evaluate, design and supervise construction of irrigation system in the altiplane areas. Designs and structures systems that are more economical to operate and make better use of the scarce water resources. Program funded.

Marketing Specialist/External & Internal (FN) - Under the Small Farmer Diversification Project (520-0255), provides guidance and expertise in all phases of internal and external marketing of non-traditional agricultural products such as broccoli, strawberries, cabbage, asparagus, etc. Provides information on proper harvesting, field handling, packaging, cool-down and shipping will be provided to farmers and exporters. Program funded.

OFFICE OF HEALTH

Secretary (FN) - Same description as under Program Office. Operating Expense funded.

Public Health Advisor (FN) - Advises and assists Ministry of Health in devising and implementing activities plan and time-table for integration of Family Planning Services Project. Assists Ministry of Health in planning training activities, reporting, warehousing, and supplying health centers. Program funded.

APROFAM Liaison (US) - Cooperates with APROFAM in presenting project data and information required by AID for preparation of project implementation documents, amendments, etc. Works with APROFAM and AID Controller in maintaining timely and accurate voucher flow. Program funded.

Public Health/Population Advisor (FN) - Provides technical assistance in implementation of primary health care under Rural Health and Nutrition Project. Works with private sector in designing Improved Health Outreach Project, as well as future projects contemplated by Office of Public Health and Population. Program funded.

EXECUTIVE OFFICE

(2) Secretary (FN) - Same description as under Program Office. One full-time and one part-time. Operating Expense funded.

Clerk/Typist (FN) - Types requisitions for office services and maintenance, and monitors follow-up control. Types inventories, receiving reports, stock control cards, correspondence, memoranda, and cables. Maintains time and attendance records for GSO and performs general secretarial functions as required. Operating Expense funded.

Clerk/Steno (FN) - Same description as under Project Development and Support Office. Operating Expense funded.

Supply Assistant (FN) - Maintains residential, office and warehouse inventories, and prepares related inventory documentation. Oversees preparation, and monitors execution of requisitions for office and official residence maintenance. Performs work related to receipt, storage and issuance of all supplies, furniture, and equipment. Operating Expense funded.

Secretary/Administrative Asst. (US) - Works part-time performing secretarial functions such as typing and filing. Organizes and maintains official reference library. Performs administrative tasks as required by Executive Officer. Operating Expense funded.

OFFICE OF HUMAN RESOURCES DEVELOPMENT

Education Advisor (US) - Responsible for monitoring, implementation, and preparing project implementation documents for Rural Primary Education Improvement Project. Additionally, prepares project status reports, budget projections, and assists GOG officials in necessary modifications to the project. Operating Expense funded.

Secretary (FN) - Same description as under Program Office. Operating Expense funded.

Training Specialist (FN) - In conjunction with Non-Formal Education Project, analyzes past curriculum development, advises on improvement in curriculum, and assists in development of audiovisual materials. While conducting training needs assessment, develops and implements training activities. Program funded. FY 1986 only.

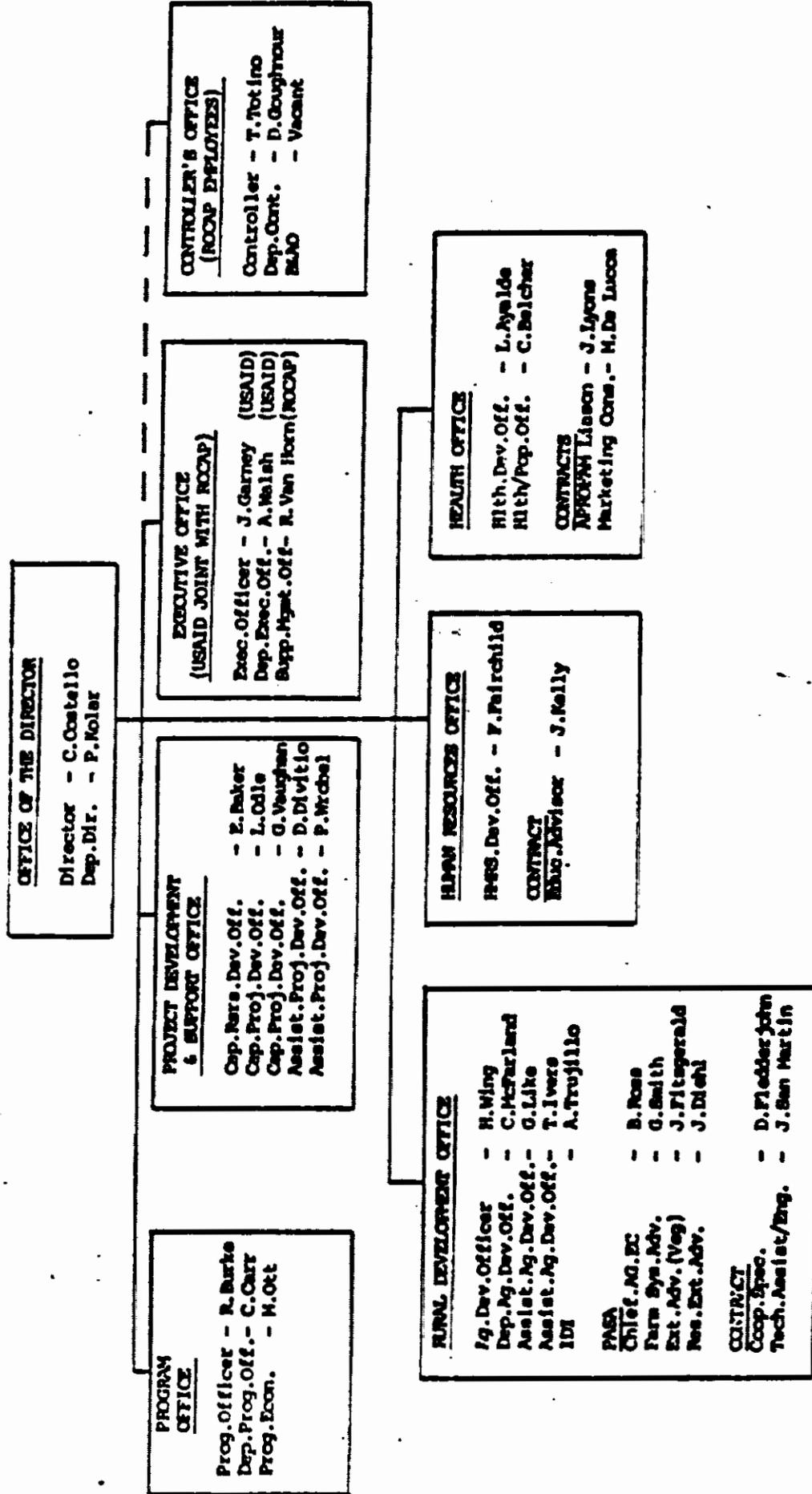
Administrative Consultant (FN) - The Administrative Consultant for the Non-Formal Education Project is responsible for advising project personnel in all aspects of planning, budgeting, and supervision of personnel. Oversees administrative aspects of Non-Formal Education Offices in Guatemala City, Quetzaltenango and Salama. Program funded.

Technical Assistance Coordinator (FN) - Responsible for coordinating the work of all short-term and long-term consultants for the Non-Formal Education Project. Approves all work plans prepared by consultants, monitors their project implementation activities, and prepares final evaluation reports on technical assistance services. Program funded.

USAID MISSION TO GUATEMALA

Functional Organizational Chart
(USAID and US Contract Employees only)

SCHEDULE D



FY 1987 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1986
ORGANIZATION - AID GUATEMALA

<u>EXPENSE CATEGORY</u>	<u>F.C.</u>	<u>O.C.</u>	<u>DOLLAR FUNDED</u>	<u>TRUST FUNDED</u>	<u>TOTAL BUDGET</u>	<u>UNITS</u>
U.S. DIRECT HIRE	U100	—	1,328.0	XXXXXX	1,328.0	XXXXXX
U.S. CITIZENS BASIC PAY	U101	110	973.7	—	973.7	20.0
PT/TEMP U.S. BASIC PAY	U102	112	—	—	—	—
DIFFERENTIAL PAY	U103	116	125.8	—	125.8	XXXXXX
OTHER AID/W FUNDED O.C.11	U104	119	—	—	—	XXXXXX
OTHER MISSION FUNDED O.C.11	U105	119	—	—	—	XXXXXX
EDUCATION ALLOWANCES	U106	126	41.4	—	41.4	17.0
RETIREMENT - U.S.	U107	120	53.3	—	53.3	XXXXXX
LIVING ALLOWANCES	U108	128	—	—	—	XXXXXX
OTHER AID/W FUNDED O.C.12	U109	129	45.0	—	45.0	XXXXXX
OTHER MISSION FUNDED O.C.12	U110	129	12.7	—	12.7	XXXXXX
POST ASSIGNMENT - TRAVEL	U111	212	7.0	—	7.0	2.0
POST ASSIGNMENT - FREIGHT	U112	22	29.0	—	29.0	2.0
HOME LEAVE - TRAVEL	U113	212	9.6	—	9.6	3.0
HOME LEAVE - FREIGHT	U114	22	6.6	—	6.6	3.0
EDUCATION TRAVEL	U115	215	3.1	—	3.1	4.0
R AND R TRAVEL	U116	215	10.8	—	10.8	11.0
ALL OTHER CODE 215 TRAVEL	U117	215	10.0	—	10.0	9.0
<u>FOREIGN NATIONAL DH</u>	U200	—	504.2	XXXXXX	504.2	XXXXXX
BASIC PAY	U201	114	423.2	—	423.2	37.0
OVERTIME, HOLIDAY PAY	U202	115	10.5	—	10.5	0.3
ALL OTHER CODE 11 - FN	U203	119	3.0	—	3.0	XXXXXX
ALL OTHER CODE 12 - FN	U204	129	67.5	—	67.5	XXXXXX
BENEFITS FORMER FN PERS.	U205	13	—	—	—	XXXXXX
<u>CONTRACT PERSONNEL</u>	U300	—	168.5	XXXXXX	168.5	XXXXXX
PASA TECHNICIANS	U301	258	—	—	—	—
U.S. PSC - SALARY/BENEFITS	U302	113	74.6	—	74.6	1.5
ALL OTHER U.S. PSC COSTS	U303	255	—	—	—	XXXXXX
F.N. PSC-SALARY/BENEFITS	U304	113	93.9	—	93.9	14.5
ALL OTHER F.N. PSC COSTS	U305	255	—	—	—	XXXXXX
MANPOWER CONTRACTS	U306	259	—	—	—	—
JCC COSTS PAID BY AID/W	U307	113	—	—	—	—
<u>HOUSING</u>	U400	—	415.4	XXXXXX	415.4	XXXXXX
RENT	U401	235	19.8	—	19.8	1.0
UTILITIES	U402	235	2.0	—	2.0	XXXXXX
RENOVATION AND MAINT.	U403	259	1.9	—	1.9	XXXXXX
QUARTERS ALLOWANCE	U404	127	197.4	—	197.4	19.0
PURCHASES RES. FURN/EQUIP.	U405	311	166.0	—	166.0	XXXXXX
TRANS./FREIGHT-CODE 311	U406	22	21.5	—	21.5	XXXXXX
SECURITY GUARD SERVICES	U407	259	4.3	—	4.3	XXXXXX
OFFICIAL RESIDENCE ALLOW.	U408	254	1.2	—	1.2	XXXXXX
REPRESENTATION ALLOWANCE	U409	252	1.3	—	1.3	XXXXXX

FY 1987 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1986 (cont'd.)
ORGANIZATION - AID GUATEMALA

<u>EXPENSE CATEGORY</u>	<u>F.C.</u>	<u>O.C.</u>	<u>DOLLAR FUNDED</u>	<u>TRUST FUNDED</u>	<u>TOTAL BUDGET</u>	<u>UNITS</u>
<u>OFFICE OPERATIONS</u>	U500	—	819.7	XXXXX	819.7	XXXXX
RENT	U501	234	57.8	—	57.8	XXXXX
UTILITIES	U502	234	15.1	—	15.1	XXXXX
BUILDING MAINT/RENOV/	U503	259	16.0	—	16.0	XXXXX
OFFICE FURN/EQUIP	U504	310	186.0	—	186.0	XXXXX
VEHICLES	U505	312	41.5	—	41.5	XXXXX
OTHER EQUIPMENT	U506	319	3.0	—	3.0	XXXXX
TRANSPORTATION/FREIGHT	U507	22	34.8	—	34.8	XXXXX
FURN/EQUIP/VEHICLE REPAIR/						
MAINT	U508	259	48.0	—	48.0	XXXXX
COMMUNICATIONS	U509	230	52.4	—	52.4	XXXXX
SECURITY GUARD SERVICES	U510	259	36.8	—	36.8	XXXXX
PRINTING	U511	24	24.6	—	24.6	XXXXX
RIG/II OPERATIONAL TRAVEL	U512	210	—	—	—	—
SITE VISITS-MISSION PERS.	U513	210	5.3	—	5.3	124
SITE VISITS-AID/W PERS.	U514	210	29.6	—	29.6	18
INFORMATION MEETINGS	U515	210	15.1	—	15.1	16
TRAINING ATTENDANCE	U516	210	9.8	—	9.8	10
CONFERENCE ATTENDANCE	U517	210	2.0	—	2.0	1
OTHER OPERATIONAL TRAVEL	U518	210	2.2	—	2.2	2
SUPPLIES AND MATERIALS	U519	26	76.2	—	76.2	XXXXX
ERAS	U520	257	38.0	—	38.0	XXXXX
CONSULTING SVCS - CONT.	U521	259	—	—	—	XXXXX
MGT/PROF. SVCS - CONT.	U522	259	—	—	—	XXXXX
SPEC. STUDIES/ANALYSES CONT.	U528	259	—	—	—	XXXXX
ALL OTHER CODE 25	U524	259	125.5	—	125.5	XXXXX
TOTAL O.E. BUDGET			3,235.8	—	3,235.8	XXXXX
RECONCILIATION			1,235.8	—	1,235.8	XXXXX
OPER. BUDGET REQUIREMENTS			2,000.0	—	2,000.0	XXXXX
636C REQUIREMENTS	U600	32	—	—	—	XXXXX
TOTAL ALLOW. REQUIREMENTS	U000		2,000.0	—	2,000.0	XXXXX

OTHER INFORMATION:

Dollar requirement for local currency costs	\$902.0
Exchange rate used (as of March 31, 1985)	Q1.87 to US\$1.00
Estimated Wage Increases - FY 1985 to FY 1986	20%
Estimated Price Increases - FY 1985 to FY 1986	5% to 10%

FY 1987 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1987
ORGANIZATION - AID GUATEMALA

<u>EXPENSE CATEGORY</u>	<u>F.C.</u>	<u>O.C.</u>	<u>DOLLAR FUNDED</u>	<u>TRUST FUNDED</u>	<u>TOTAL BUDGET</u>	<u>UNITS</u>
<u>U.S. DIRECT HIRE</u>	U100	xxx	1,592.7	xxxxx	1,592.7	xxxxx
<u>U.S. CITIZENS BASIC PAY</u>	U101	110	1,004.4	.-.	1,004.4	20.0
<u>PT/TEMP U.S. BASIC PAY</u>	U102	112	.-.	.-.	.-.	.-.
<u>DIFFERENTIAL PAY</u>	U103	116	130.1	.-.	130.1	xxxxx
<u>OTHER AID/W FUNDED O.C.11</u>	U104	119	.-.	.-.	.-.	xxxxx
<u>OTHER MISSION FUNDED O.C.11</u>	U105	119	.-.	.-.	.-.	xxxxx
<u>EDUCATION ALLOWANCES</u>	U106	126	56.4	.-.	56.4	23.0
<u>RETIREMENT - U.S.</u>	U107	120	60.5	.-.	60.5	xxxxx
<u>LIVING ALLOWANCES</u>	U108	128	.-.	.-.	.-.	xxxxx
<u>OTHER AID/W FUNDED O.C.12</u>	U109	129	47.3	.-.	47.3	xxxxx
<u>OTHER MISSION FUNDED O.C.12</u>	U110	129	25.0	.-.	25.0	xxxxx
<u>POST ASSIGNMENT - TRAVEL</u>	U111	212	35.0	.-.	35.0	10.0
<u>POST ASSIGNMENT - FREIGHT</u>	U112	22	134.0	.-.	134.0	10.0
<u>HOME LEAVE - TRAVEL</u>	U113	212	28.5	.-.	28.5	10.0
<u>HOME LEAVE - FREIGHT</u>	U114	22	48.0	.-.	48.0	10.0
<u>EDUCATION TRAVEL</u>	U115	215	3.9	.-.	3.9	6.0
<u>R AND R TRAVEL</u>	U116	215	9.6	.-.	9.6	8.0
<u>ALL OTHER CODE 215 TRAVEL</u>	U117	215	10.0	.-.	10.0	6.0
<u>FOREIGN NATIONAL DE</u>	U200	—	601.3	xxxxx	601.3	xxxxx
<u>BASIC PAY</u>	U201	114	496.8	.-.	496.8	37.0
<u>OVERTIME, HOLIDAY PAY</u>	U202	115	15.3	.-.	15.3	0.3
<u>ALL OTHER CODE 11 - FN</u>	U203	119	3.0	.-.	3.0	xxxxx
<u>ALL OTHER CODE 12 - FN</u>	U204	129	86.2	.-.	86.2	xxxxx
<u>BENEFITS FORMER FN PERS.</u>	U205	13	.-.	.-.	.-.	xxxxx
<u>CONTRACT PERSONNEL</u>	U300	—	193.8	xxxxx	193.8	xxxxx
<u>PASA TECHNICIANS</u>	U301	258	.-.	.-.	.-.	.-.
<u>U.S. PSC - SALARY/BENEFITS</u>	U302	113	80.8	.-.	80.8	1.5
<u>ALL OTHER U.S. PSC COSTS</u>	U303	255	.-.	.-.	.-.	xxxxx
<u>F.N. PSC-SALARY/BENEFITS</u>	U304	113	113.0	.-.	113.0	14.5
<u>ALL OTHER F.N. PSC COSTS</u>	U305	255	.-.	.-.	.-.	xxxxx
<u>MANPOWER CONTRACTS</u>	U306	259	.-.	.-.	.-.	.-.
<u>JOC COSTS PAID BY AID/W</u>	U307	113	.-.	.-.	.-.	.-.
<u>HOUSING</u>	U400	—	368.3	xxxxx	368.3	xxxxx
<u>RENT</u>	U401	235	19.8	.-.	19.8	1.0
<u>UTILITIES</u>	U402	235	2.2	.-.	2.2	xxxxx
<u>RENOVATION AND MAINT.</u>	U403	259	2.1	.-.	2.1	xxxxx
<u>QUARTERS ALLOWANCE</u>	U404	127	197.4	.-.	197.4	19.0
<u>PURCHASES RES.FURN/EQUIP.</u>	U405	311	99.8	.-.	99.8	xxxxx
<u>TRANS./FREIGHT-CODE 311</u>	U406	22	39.9	.-.	39.9	xxxxx
<u>SECURITY GUARD SERVICES</u>	U407	259	4.6	.-.	4.6	xxxxx
<u>OFFICIAL RESIDENCE ALLOW.</u>	U408	254	1.2	.-.	1.2	xxxxx
<u>REPRESENTATION ALLOWANCE</u>	U409	252	1.3	.-.	1.3	xxxxx

FY 87 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1987 (cont'd.)
ORGANIZATION - AID GUATEMALA

<u>EXPENSE CATEGORY</u>	<u>F.C.</u>	<u>O.C.</u>	<u>DOLLAR FUNDED</u>	<u>TRUST FUNDED</u>	<u>TOTAL BUDGET</u>	<u>UNITS</u>
OFFICE OPERATIONS	US00	—	663.6	XXXX	663.6	XXXX
RENT	US01	234	59.1	—	59.1	XXXX
UTILITIES	US02	234	16.6	—	16.6	XXXX
BUILDING MAINT/RENOV/	US03	259	16.8	—	16.8	XXXX
OFFICE FURN/EQUIP	US04	310	10.0	—	10.0	XXXX
VEHICLES	US05	312	30.6	—	30.6	XXXX
OTHER EQUIPMENT	US06	319	1.9	—	1.9	XXXX
TRANSPORTATION/FREIGHT	US07	22	8.7	—	8.7	XXXX
FURN/EQUIP/VEHICLE REPAIR/ MAINT	US08	259	49.9	—	49.9	XXXX
COMMUNICATIONS	US09	230	58.3	—	58.3	XXXX
SECURITY GUARD SERVICES	US10	259	40.5	—	40.5	XXXX
PRINTING	US11	24	27.5	—	27.5	XXXX
RIG/II OPERATIONAL TRAVEL	US12	210	—	—	—	—
SITE VISITS—MISSION PERS.	US13	210	5.8	—	5.8	125
SITE VISITS—AID/W PERS.	US14	210	32.6	—	32.6	18
INFORMATION MEETINGS	US15	210	16.6	—	16.6	15
TRAINING ATTENDANCE	US16	210	10.8	—	10.8	9
CONFERENCE ATTENDANCE	US17	210	2.2	—	2.2	1
OTHER OPERATIONAL TRAVEL	US18	210	2.3	—	2.3	1
SUPPLIES AND MATERIALS	US19	26	84.5	—	84.5	XXXX
FAAS	US20	257	41.8	—	41.8	XXXX
CONSULTING SVCS - CONT.	US21	259	—	—	—	XXXX
MGT/PROP.SVCS - CONT.	US22	259	—	—	—	XXXX
SPEC.STUDIES/ANALYSES CONT.	US28	259	—	—	—	XXXX
ALL OTHER CODE 25	US24	259	147.1	—	147.1	XXXX
TOTAL O.E. BUDGET			3,419.7	—	3,419.7	XXXX
RECONCILIATION			1,284.1	—	1,284.1	XXXX
OPER. BUDGET REQUIREMENTS			2,135.6	—	2,135.6	XXXX
636C REQUIREMENTS	U600	32	—	—	—	XXXX
TOTAL ALLOW. REQUIREMENTS	U000		2,135.6	—	2,135.6	XXXX

OTHER INFORMATION:

Dollar requirement for local currency costs \$967.0
 Exchange rate used (as of March 31, 1985) Q1.87 to US\$1.00

Estimated Wage Increases - FY 1986 to FY 1987 20%
 Estimated Price Increases - FY 1986 to FY 1987 5% to 10%

OPERATING EXPENSE CONTRACTS BY FUNCTION CODE:

Function Code 302 - U.S. PSC Salary/Benefits

- Education Advisor
- Secretary/Admin. Assist. (Part-time)

Function Code 304 - F.N. PSC Salary/Benefits

- 6 Secretaries (one of which is part-time)
- 4 Clerk/Stenographers
- 1 Clerk/Typist
- 1 Supply Assistant
- 1 Macro Economist
- 1 Agricultural Economist
- 1 Agricultural Engineer

Description of scopes of work for the above contracts provided in Schedule C under Mission Management. Mission does not foresee any contracts under Function Codes 301, 306, 307, 521, 522, or 523 for either Fiscal Year 1986 or 1987.

PROCUREMENT PLAN

(Total cost figures represent 60% of actual cost, as USAID Guatemala and ROCAP co-finance all EDP procurement, with USAID funding 60% and ROCAP 40%)

FY 1986

FUNCTION CODE	ITEM AND QUANTITY	UNIT COST	TOTAL COST
405	Resid. Furniture Sets	10,000	6,000
	Unidentified	—	160,000
			<u>166,000</u>
504	Misc. Office Furniture	—	6,000
	Unidentified	—	180,000
			<u>186,000</u>
505	Stepvan	15,000	9,000
	Forklift	25,000	15,000
	2 Suburbans or similar	15,000	17,500
			<u>41,500</u>
506	Misc. Other Equip.	—	<u>3,000</u>
	Total FY 1986 EDP		396,500

FY 1987

FUNCTION CODE	ITEM AND QUANTITY	UNIT COST	TOTAL COST	
405	10 Resid. Furniture Sets	15,000	90,000	
	10 Dryers	250	1,500	
	5 Elec. Ranges	350	1,050	
	5 Gas Ranges	260	800	
	10 Refrigerators	450	2,700	
	10 Freezers	300	1,800	
	10 Cloths Washers	290	1,700	
	10 Trash Cans	35	250	
				<u>99,800</u>
	504	10 Bookcases	200	1,200
6 File Cab, 2-DR		200	700	
6 File Cab, 4-DR		250	900	
10 Calculators		190	1,200	
10 Typewriters		1,000	6,000	
			<u>10,000</u>	

FUNCTION CODE	ITEM AND QUANTITY	UNIT COST	TOTAL COST
505	3 Suburbans or similar	17,000	<u>30,600</u>
506	4 Air Cond.	600	1,400
	10 Fans	65	<u>500</u>
			<u>1,900</u>
	TOTAL FY 1987 NCP		142,300

All NCP purchases for both Fiscal Year 1986 and 1987 represent replacement items.

ANNEX ONE

OVERVIEW OF THE ECONOMY OF GUATEMALA

This annex has a three-fold purpose: (1) to update the macroeconomic overview presented in the 1986 CDSS; (2) to describe economic policy reforms that have occurred over the past year; and, (3) to provide additional background to the discussion of the structural problems of the Guatemalan economy presented in the body of the ACTION PLAN.

Introduction

The Guatemalan economy has been typically viewed as one of the healthiest in Central America, with its relatively diversified productive base and resource endowment, historically low inflation and external debt, and conservative fiscal management. However, in recent years, poverty has increased as real growth rates have fallen below the level required to maintain per capita incomes. The current economic crisis has its roots in external forces, particularly the world recession of the early eighties, slow growth in traditional commodity prices and regional political instability. The traditional wisdom has been that when external factors turned around, the Guatemalan economy would be poised for a strong recovery. For example, the FY 1986 CDSS for Guatemala notes:

"Guatemala does not face the same magnitude of external financial problems and foreign debt burdens that plague its Central American neighbors. ... It does not suffer persistent and intractable deficits in its public sector finances as do Costa Rica and Honduras. ..." (p. vii).

Such sanguine appraisals are no longer accurate. The depth and duration of the current economic crisis are persuasive evidence of internal, structural constraints to growth. Without far-reaching policy reform, Guatemala, despite its advantages, will lag behind its regional neighbors in economic recovery. For example, in 1984, Guatemala's preliminary reported real increase in GDP was 0.2%, less than any other country in Central America, including Nicaragua. Per capita real GDP fell for the fourth consecutive year, retreating in 1984 to nearly match the 1971 level. The prognosis for 1985 is, at best, another year of near-zero real growth, with a further decline in income per capita.

There is an even greater cause for concern. It is becoming evident in this pre-election period that one possible outcome of both the national dialogue and the economic crisis is

an inadvertent movement away from progress toward increasing the participation of the poor in Guatemalan national development. Most of the proposals submitted as part of the national dialogue call for decreases in the nonsalary operating budget and the public investment budget of the government. Not only would such moves reduce the construction of necessary social and public infrastructure, especially in rural areas, but they would also put counterpart funding for USAID projects in danger. Some proposals call for tax decreases, most of the rest for no tax increases. Conspicuous by their absence are recommendations for policies and programs to improve the welfare of the rural poor.

In this sense, AID's policy leverage through provision of ESP resources may have a more important long-term effect than easing the pain of necessary economic reforms. By focusing the policy dialogue on preservation of an investment budget which promotes growth with equity -- funded by a more equitable tax system -- a long-term commitment to rural development by the Government of Guatemala can be reinforced. In the short-term, the use of local currency for USAID program counterpart or to preserve specific public sector investments can provide a counterweight to the universal tendency to depart from equity goals during times of severe economic crisis.

General Overview

Over the period 1982-84, the Guatemalan recession bottomed out (Table 1), with a small positive growth in GDP estimated for 1984. However, manufacturing output remained stagnant while construction continued to slump. Agriculture showed a slight increase.

Private sector investment continued to decline, falling from 12% of GDP in 1978 to 7% in 1982 to 5.5% in 1984. A still further decrease is anticipated in 1985. Credit from the banking system to the private sector expanded very little in real terms in 1983-84, and only an 8.9% nominal increase is projected for 1985. Public sector austerity programs have forced an even more drastic slowdown in public investment. Overall, the real reduction in capital formation will handicap future economic expansion.

The FY 1986 CDSS noted that "Guatemala has been spared high rates of domestic inflation." The introduction of the parallel exchange market in late 1984 will temporarily end Guatemala's reprieve. Domestic prices of imported goods (with a slight lag) are jumping in line with changes in the parallel rate, which has doubled from Q.1.40 to Q.2.80 per dollar from November 1984 to May 1985. However, price increases of about

TABLE 1
Guatemala GDP by Sector of Origin and Expenditures
1982-85

(In 1958 Q's Millions)

	<u>1982</u>	<u>1983</u>	<u>1984p</u>	<u>GOG</u> <u>1985e</u>
<u>Primary Production</u>	<u>775.2</u>	<u>747.9</u>	<u>754.0</u>	N.A.
Agriculture	765.4	737.1	744.5	
Mining	9.8	10.8	9.5	
<u>Secondary Production</u>	<u>629.9</u>	<u>594.4</u>	<u>583.5</u>	N.A.
Manufacturing	475.1	466.1	467.9	
Construction	102.9	76.8	63.0	
Public Utilities	51.9	51.5	52.6	
<u>Services</u>	<u>1,612.2</u>	<u>1,594.0</u>	<u>1,606.0</u>	N.A.
Transport	199.3	200.7	201.3	
Commerce	793.0	762.8	765.1	
Finance	109.7	107.1	109.0	
Housing	145.4	149.2	152.2	
Public Admin./Def.	176.7	187.6	109.0	
Other	188.1	186.6	189.5	
<u>Gross Domestic Product</u>	<u>3,017.3</u>	<u>2,936.3</u>	<u>2,943.5</u>	<u>2,983.7</u>
(Memo: Annual Real Growth Rate)	-3.5	-2.7	0.2	1.4
Plus: Imports of Goods and NSF	334.3	269.2	284.4	269.2
Less: Exports of Goods and NSF	510.2	454.7	452.1	495.9
<u>Domestic Expenditure</u>	<u>2,841.4</u>	<u>2,750.8</u>	<u>2,775.8</u>	<u>2,757.0</u>
<u>Consumption</u>	<u>2,509.7</u>	<u>2,480.5</u>	<u>2,504.7</u>	<u>2,535.9</u>
Private	2,280.2	2,247.7	2,270.5	2,293.2
Public	229.5	232.8	234.2	242.7
<u>Investment</u>	<u>355.8</u>	<u>259.4</u>	<u>247.4</u>	<u>247.4</u>
Private	196.9	151.5	161.7	160.1
Public	158.9	107.9	85.7	87.3
<u>Stock Adjustment</u>	<u>-24.1</u>	<u>10.9</u>	<u>23.7</u>	<u>-26.3</u>

Source: Banco de Guatemala.

p = Preliminary
e = Estimated

10% (since the beginning of 1985) are reported even for domestically produced staple foods. In 1984 the maintenance of the fixed exchange rate kept the price level steady at the expense of output. The new exchange policy will occasion a one-time increase in prices, likely to contribute to an inflation level of about 15-20% in 1985.

External Sector

The FY 1986 CDSS notes that Guatemala's chances for improved growth rates during the remainder of the 1980's rest with greater emphasis on production and export of nontraditional products, as prices for traditional export commodities are expected to remain stable over the medium term. For 1984-85, this observation holds true, as shown in the breakdown of major commodity exports given in Table 2. In 1985 traditional agricultural products will still account for about 58% of Guatemalan exports. However, increases in nontraditional agricultural and manufactured exports to the CACM countries are not likely to attain high rates of growth until greater economic prosperity returns to the region. In the near term, the greatest opportunity for the export sector lies in increased access to the U.S. and other free world markets.

Overall, the modest improvement in Guatemala's external accounts in 1983 was reversed in 1984, with the current account deficit increasing from \$223.9 million to \$313.7 million. (See Table 1 of main text, p. 11). This downturn was in part due to an expansion of imports, and a reduction in net service exports. Significant in the latter was a further drop-off in income from tourism, once a major source of foreign exchange.

The 1984 capital account experienced some improvement over 1983. Private sector capital flight continued but was more than compensated for by official capital inflows, particularly short-term credits.

An additional source of weakness in the balance of payments position is the heavy debt service burden expected to persist over the near term. Short term official borrowing in 1981-83 has raised the ratio of debt service payments to export earnings to an estimated 38% in 1985 and 47% in 1986.

The Bank of Guatemala's projections for 1985 indicate a current account deficit of \$192.2 million, matched by a capital account surplus of the same amount. Some of the assumptions underlying these estimates appear overly optimistic, and were adjusted downward in the USAID projection. Specifically, USAID and Bank of Guatemala projections differ on the following assumptions:

TABLE 2
Guatemala FOB Exports
1983-85
(Millions of U.S. \$'s)

	<u>1983</u>	<u>1984p</u>	<u>GOG 1/ 1985 e</u>
<u>TOTAL</u>	<u>1,091.7</u>	<u>1,139.3</u>	<u>1,269.1</u>
Central America	320.9	295.0	350.0
Rest of the World	770.8	844.3	919.1
Coffee	308.8	356.5	370.3
Cotton	67.4	72.0	86.8
Sugar	95.3	71.3	56.4
Bananas	53.5	55.1	71.3
Meat	15.6	12.7	13.3
Cardamom	59.4	97.4	104.0
Petroleum	60.0	34.3	31.0
Other	110.8	145.0	186.0

1/ The USAID estimate of 1,226.3 reflects a downward estimate of the rate of increase of exports to the CACM, and a lower estimate of non-quota sugar prices.

Source: Bank of Guatemala

(1) The Bank of Guatemala assumes a 21% increase in non-agricultural exports; USAID assumes this increase will only be 13%, due to the slow recovery in the CACM countries and the production disruptions in Guatemala resulting from foreign exchange shortages and power failures.

(2) USAID assumes a slightly lower price for nonquota sugar.

(3) The Bank of Guatemala assumes a 220% increase in tourism earnings; USAID assumes 50%. There is evidence that tourism to the capital has increased somewhat, but travel to areas outside Guatemala City is still minimal.

(4) The Bank of Guatemala assumes a dramatic reduction in capital flight; USAID assumes the same nominal level in 1985 as 1984.

(5) The Bank of Guatemala assumes a stand-by agreement with the IMF in 1985; USAID does not.

The USAID assumptions decrease the overall balance by \$162.0 million. Since The Bank of Guatemala projections list sources of financing for the entire \$192.2 projected current account deficit, the additional \$162.0 million can be considered the "unfinanced balance". When noncompensatory credit sources (e.g., the IDB industrial recovery loan) are separated out, the USAID projection of required compensatory financing for 1985 is \$374.1 million. If this financing is not available through donors or commercial lenders, a reduction in imports (and national output) is the likely outcome. The heavy requirement for compensatory financing is likely to be a temporary need, decreasing substantially as short-term obligations are paid or refinanced and as the economy recovers.

The major policy change in the external sector in the past year was the introduction of the parallel exchange market in November of 1984. The system has evolved into three tiers, with the simultaneous existence of "the official rate" (Q.1.00 = \$1.00), "the interbank rate" (in May 1985 at Q.2.65 = \$1.00) and the "street rate" (in May 1985 at about Q.2.85 = \$1.00). The divergence between interbank and street rates reflects in part the scarcity of foreign exchange available for sale in banks. Another interesting characteristic of the system which has evolved is that, on a given day, the exchange rates offered can vary among commercial banks between about Q.2.00 and Q.3.00 per dollar.

The exchange system preserves a list of essential commodities which can be imported under the official rate. These

commodities include fuel, some basic foods, and certain agricultural inputs. Official credit and debt service also pass through at the official rate. The supply of official rate foreign exchange comes from the export of quota coffee and sugar, bananas, cardamom and petroleum. Producers of cotton and non-quota sugar can currently exchange 20% of their earnings at the parallel rate. For producers of all other commodities (the "nontraditionals") this rises to 50%, with the exception of nonquota coffee whose producers can exchange 100% of their receipts at the parallel rate. It is important to note, however, that ability to exchange dollars at the parallel rate does not mean that the producer may retain his foreign exchange. Consequently, exporters go through the same difficulties as other producers and consumers in gaining foreign exchange for imports.

As noted in the main body of the text, a CIE study estimates a 78.8 million dollar shortfall in the supply of official rate dollars for essential imports and debt service. This conclusion is supported by the current difficulties of the Government of Guatemala in meeting payments for essential imports.

Public Sector

The FY 1986 CDSS notes that equilibrium in public finances was one of the first casualties of the recession. It has become increasingly apparent, however, that the primary source of the continued public sector deficits is not the recession, but serious inefficiencies in the tax system itself. The depth of the problem has been masked through application of stringent austerity programs, which have maintained the deficit as a relatively small percentage of GDP. If public sector salaries had not been frozen over the past few years, if operating expenses were not cut to a level which is damaging to productivity and if the capital budget had been preserved at real 1982 levels, the 1984 public sector deficit would have exceeded 6.4% of GDP.

Table 3, an update of CDSS table 3, presents more recent data on the financial operations of the Guatemalan Government. The table notes the decline of tax revenues, over four consecutive years, falling by approximately 6% in 1983-84 alone. As a percentage of GDP, Guatemalan tax revenues have fallen from 9.7% in 1979 to 5.3% in 1984.

Before 1983, the Guatemalan tax system was criticized for its inelasticity and its high degree of dependence on specific trade taxes. A tax reform was carried out in 1983 whose major components were (1) the introduction of a 10% value added tax, which replaced the stamp tax; (2) phasing out of export taxes

on traditional products; and, (3) the elimination of the stamp tax on bank loans. The purposes of the reform were to increase tax revenues and improve incentives for private sector investment and export.

Anticipated revenue increases failed to materialize due to the recession, and to modifications in the tax legislation, including a reduction in the VAT rate from 10 to 7 percent, and an increase in the number of exempted commodities. For example, revenues from the stamp tax decreased by Q.149.3 million from 1983 to 1984 as a result of the reform. VAT collections, which were to replace this revenue loss, only grew by Q.98.0 million.

In 1984, several marginal changes were made to improve the tax system. A minimum excise tax on alcoholic beverages was established in February. A reduction was made in the number of imported products exempt from the VAT in October. Still, Guatemala remains the country with the lowest tax effort in Central America ^{1/} with a level of public revenues that has severely handicapped the effectiveness of necessary public sector functions and which will limit the pace of future economic growth.

Certainly, the current economic crisis calls for public sector austerity, including elimination of unnecessary expenditures and postponement of nonurgent projects. However, it is clearly evident that continued cutbacks in face of declining tax revenues are reducing the Government of Guatemala's ability to maintain basic essential public services and provide for growth. In real terms, the public investment budget has fallen by 60% since 1982. Operating expenses have been cut to such a bare minimum that government workers lack the supplies, per diem and gasoline to carry out effectively programs in support of rural development. Public sector employees have received no significant wage increases since 1976, resulting in an inability to recruit qualified professionals and technicians.

^{1/} In 1983, the Central American countries showed the following ratios of tax revenues to GDP: Guatemala .063, El Salvador .112, Honduras .120, Panama .151, Costa Rica .155, Nicaragua .222.

Table 3

GUATEMALA: FINANCIAL OPERATIONS OF THE CENTRAL GOVERNMENT
1980 - 1984

(Q Millions)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> 1/
<u>Current Account</u>	93.2	13.0	19.8	-7.2	-81.3
<u>Revenues</u>	<u>747.3</u>	<u>740.6</u>	<u>729.8</u>	<u>741.1</u>	<u>654.1</u>
<u>Expenditures</u>	654.1	727.6	710.0	721.2	735.4
<u>Capital Account</u>	-461.7	-650.6	-430.2	-339.4	-210.3
<u>Revenues</u>	<u>0.7</u>	<u>1.8</u>	<u>1.3</u>	<u>1.7</u>	<u>0.6</u>
<u>Expenditures</u>	462.4	652.4	431.5	316.9	210.9
<u>Overall Balance</u>	<u>-368.5</u>	<u>637.6</u>	<u>410.4</u>	<u>-295.2</u>	<u>-291.5</u>
Ext. Financing, net	92.9	102.1	95.2	99.1	45.4
Dom. Financing, net	275.6	535.5	315.2	196.1	246.1
Of which Central Bank credit	(241.0)	(400.0)	(178.0)	(—)	(—)

Memo Items

Deficit as % of GDP	4.7	7.4	4.7	3.3	3.1
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POSSIBLE SCENARIO 2/

	<u>1985</u>	<u>1986</u>
<u>Current Account</u>	-55.4	-41.0
<u>Revenues</u>	<u>654.1</u>	<u>699.0</u>
<u>Expenditures</u>	709.5	740.0
<u>Capital Account</u>	-230.4	-199.0
<u>Revenues</u>	<u>0.6</u>	<u>1.0</u>
<u>Expenditures</u>	231.0	200.0
<u>Overall Balance</u>	<u>-285.8</u>	<u>-240.0</u>

1/ Preliminary

2/ Based on projections by N. Paralta Denis, National Budget Director, reported in Prensa Libre, May 25, 1985

Source: Central Bank and Ministry of Finance

Two public finance issues will require further analysis during preparation of the PAAD. First, more understanding is needed of the existing tax system: whether its failure is due to the legislation itself or a lack of commitment to enforcement; and whether a new revenue package would have most success by simply raising of the rates of selected existing taxes, e.g., the VAT or through the introduction of new taxes. Second, the public sector budget must be scrutinized in greater detail, so that the impact of austerity programs on specific public sector investments supporting development may be assessed.

Recent Developments: The IMF Consultation, the "April Reforms" and the National Policy Dialogue

In 1983, the Government of Guatemala negotiated an IMF stand-by agreement covering the 16-month period from September 1983 through December 1984. The key features of the structural adjustment program were: (1) revision of the tax system; (2) control of public expenditures; (3) moderation in expansion of banking system credit; and, (4) reduction in arrears to foreign creditors. Nevertheless, the mid-1984 IMF staff appraisal of Guatemala's progress toward program objectives was negative, even though the Government of Guatemala generally met all criteria except the revenue targets. The stand-by agreement lapsed with approximately \$60 million in credit undisbursed.

Another Article IV consultation was held in spring of 1985. Partly related to the IMF visit, a stabilization package was announced in early April.

The April policy changes, although certainly not without flaws, were extensive, covering fiscal, monetary and exchange rate legislation. As a package they represented a serious step toward structural adjustment and a basis for a new agreement with the IMF. The list of policy measures included:

Fiscal Measures

- A 15% selective consumption tax on goods produced in Guatemala or Central America.
- A 50% selective consumption tax on goods imported from other countries.
- Increased taxes on alcoholic beverages and soft drinks.
- A reduction in the number of commodities exempt from the VAT.

- Export taxes for coffee, beef, cotton, sugar, shrimp, live cattle and cardamom.

Comment: the Government published no projections of the likely revenue effects of the new taxes, and there was insufficient detail on the new measures for accurate USAID estimates to be prepared.

Exchange Measures

- Export Earnings from 50 percent of quota cotton and coffee to be liquidated at the legal parallel rate (in place of the official rate of one-to-one);
- Establishment of exchange law violations as a punishable crime.
- Requiring that exporters of cardamom turn over their foreign exchange earnings to the banking system by 45 days after embarkation.

Monetary Measures

- An increase from 12% to 16% of the commercial bank interest rate ceiling on loans.
- An increase from 9% to 13% on the deposit rate ceiling for commercial banks.
- No net increase in Central Bank financing for the 1985 public sector deficit; rather, the Government would resort to debt bond issues;
- An increase in reserve requirements.

The attached article (in Spanish) provides some additional details on the policy package.

The policy initiative was short-lived. Public opposition, particularly by the private sector, was strong. Little in the way of prior consultation or preparation of the public for austerity measures had occurred and the government found itself quite isolated on the issue. Several days after the package was announced it was not modified or revised, but rescinded entirely. This action greatly diminished the possibility of an IMF Stand-by Agreement this year.

A national policy dialogue was opened to evaluate alternative proposals to solve the economic crisis. Most major political groups, including private sector organizations, universities and labor unions, have announced their recommendations

for policy changes. One outcome of the process will be further public spending cuts in the range of Q70-100 million, but it is unclear whether revenue improvement measures will be agreed upon.

Despite the lack of urgency in the way Guatemala's serious economic problems are being dealt with, a very positive aspect of the national dialogue is that numerous diverse groups in the economy have been supplied a forum to present their views. As expected, the analysis supporting most of the proposals is quite uneven and there has been a lack of distinction between national interests and the individual concerns of each group. A final weakness in the process is the lack of input from small farmers or Indians, who make up the majority of the population.

In summary, the current economic crisis in Guatemala is critical. Without serious commitment to structural adjustment, the new government will preside over a stagnating economy in which poverty levels are deepening. USAID has an important role to play at this juncture, in directing ESF resources -- conditioned on necessary policy reforms -- toward easing the resulting social and economic costs. Both ESF and DA resources will reinforce the new government's commitment to rural development. The success of the USAID program should help attract additional resources for Guatemalan development, both from other international donors and from private sector investors.

DIARIO EL GRUPO - Guatemala, 10 de abril de 1952 - Pagina 5

Estos son los impuestos

El Gráfico analiza las medidas fiscales y monetarias de emergencia emitidas por el gobierno.

GUATEMALA, abril 9. De acuerdo a las medidas adoptadas por el Gobierno de la República a través del Ministerio de Hacienda y de la Junta Monetaria, se encuentran contenidas en los decretos ley números 27, 28, 29 y 30-52, publicados en el Diario de Centroamérica con fecha 8 de abril.

En anterior la autorización de información del monto de los impuestos que se pretende recaudar con estas nuevas gravámenes fiscales, que estrictamente son nuevos impuestos y no son

biario.

Se tipifica el delito cambiario por primera vez en Guatemala, modificando el Código Penal. Se sanciona con prisión de dos a cinco años y con una multa equivalente al monto del acto que se le llama "lince", a las que imponen divisa sin autorización, omisión de declaración en la compra-venta de divisas, el que cuando obligado a vender o declarar divisas no lo hiciera dentro del tiempo estipulado, así como otros casos que se señalan. No podrá cambiarse exceptuación bajo fianza en los proce-

del IVA.

Los exportadores cambiarios cumplieron los requisitos para hacer del impuesto sobre la Renta.

Se modifica el procedimiento de aplicación a los contribuyentes en el impuesto sobre la Renta.

Las sociedades deberán pagar en utilidades hasta \$200,000, el 30 por ciento, y sobre el excedente de \$200,000 deberán pagar el 45 por ciento. Este es un aumento sobre las tasas actuales.

Los contribuyentes deberán hacer dos ciertos formularios en 1952: uno hasta el día de ayer y otro para el período que le quede pendiente hasta que complete el período de inscripción anual.

Se establece el impuesto del papel sellado y también fidejatos del 3 por ciento a los bancos de depósito que emiten los Abonos de Comodato de Depósito.

Ante la tasa real inercial de comisión de aduanera, eleva a 28.5 por ciento la tasa de interés de los bancos.

Se aumenta el impuesto del papel sellado y también fidejatos a los préstamos otorgados por los bancos con recursos obtenidos por el Banco de Guatemala de operaciones financieras internacionales.

Se establece impuesto de exportación -vaya de gravamen total cuatro veces para el 30 de junio de 1952- a los principales productos tradicionales de exportación.

El café destinado a proveer a las industrias de la UIC, paga \$10 en el precio hasta \$20. Arriba de ese precio, hay una tasa progresiva.

La exportación de la carne de cerdo paga 5 centavos en precio por libra de hasta 70 centavos arriba de ese precio, hay una tasa progresiva.

El algodón paga 75 centavos hasta un precio de \$70. Arriba de ese precio, hay una tasa progresiva.

El azúcar por primera vez paga impuestos de destino a Estados Unidos con un monto, a partir de \$11.50 el quintal.

Se establece impuesto al consumo a razón de cuatro centavos por libra.

La exportación del ganado vacuno en pie tiene un impuesto de \$40 por cabeza.

El ciudadano paga \$25 en el precio de venta de \$200 y 10 por ciento por encima de la diferencia de ese precio.

Se otorga al Banco de Guatemala vigilar para que los representantes corporativos los días de sus respectivas reuniones o asambleas de los bancos de la Unión Central de Guatemala de 45 días a partir de la ley de cada uno.

Se establece el límite al valor que excede el monto del impuesto sobre el valor de los dividendos. Se eleva el límite a \$125 como el valor que excede al que tienen al-

quidos los dividendos por el impuesto, más el valor que excede del costo del transporte y otros hasta puntos determinados. Deben volver en quince días de notificación de acuerdo a la resolución que autoriza a la Junta Monetaria el tipo de cambio del sistema de divisas aplicadas a la repatriación.

El Organismo Ejecutivo contará por cuenta del Ministerio de Hacienda Pública los registros de esos libros, dentro de los 15 días siguientes al de su vigencia.

Modificación Monetaria

Tal como lo publicó El Gráfico ayer, las medidas son las siguientes:

Se aumenta del 12 al 16 por ciento anual la tasa máxima de interés que pueden cobrar los bancos en los créditos. La tasa efectiva, incluida el impuesto del timbre, significa el 19 por ciento de tasa de interés real.

Se aumenta del 9 al 13 por ciento anual la tasa máxima de interés que los bancos pueden pagar a sus clientes por la recepción de depósitos.

Se aumenta del 9 al 13 por ciento anual la tasa de interés que el Banco de Guatemala cobra a los bancos por los créditos que les otorga. A esta disposición se le otorga un plazo de un año de vigencia.

La tasa de redimición para los fidejatos pasa de un 3 por ciento por debajo de la tasa de interés que aplica el banco, con un máximo máximo del 13 por ciento anual.

Los fidejatos tendrán plazo de 15 días para ser cancelados.

Se aumenta considerablemente los cargos bancarios a partir del mes de mayo, a razón del uno por ciento mensual, hasta un total del 3 por ciento, que se completa en el mes de julio, cuando se eleva de nuevo un aumento adicional del 2 por ciento.

Con esta medida se otorga un crédito de la cantidad de 75 millones de quetzales.

El control de los depósitos monetarios pasará del 25 al 30 por ciento, y el de los depósitos de ahorro del 10 al 13 por ciento, de mayo a julio.

Se repone por el primer vez el sistema de control que vigila para los créditos otorgados, previo a la modificación del artículo 101 de la Ley Orgánica del Banco de Guatemala a favor del año pasado.

Vigilancia

Todos los bancos depositarios tienen obligación a partir del día de hoy, con excepción de las empresas a las cuales corresponden, y los representantes al comprador del valor agregado, que cumplan con lo que se indica en el artículo 101 de la Ley Orgánica del Banco de Guatemala. Por favor leer en la Pág. 10

- 1.- Se establece un impuesto sobre la exportación de café fuera de cuota
- 2.- Se fija un mes de plazo para legalizar el mercado negro de divisas
- 3.- Se crea el "delito cambiario", en el Código Penal
- 4.- Se decreta un impuesto selectivo al consumo.

reducción fiscal, como es la intención de iniciar.

Las medidas adoptadas son las siguientes:

Medidas fiscales

Se establece una nueva forma de calcular las importaciones de exportación cuando el valor de las divisas se otorga en su totalidad a los productores en el mercado paralelo.

Este procedimiento se aplica inmediatamente al día de su entrada en vigencia, cuando se da la diferencia cambiaria entre el valor de la tasa oficial y la del mercado paralelo, el Fisco percibe el 30 por ciento. Se estima que esta medida será onerosa a otros productos paraguayos.

Se da un plazo de un mes a partir del 8 de abril para legalizar el mercado negro de divisas. Se establece que los proveedores individuales o personas que sin tener la autorización de licencia habilitada para operar en cambio, y que están realizando operaciones de compra y venta de divisas, quedan en un situación. Quienes no lo legalizan, serán sancionados con el delito cambiario.

son sancionados por el delito cambiario.

Se establece el impuesto selectivo al consumo en la venta de alcohol y también en la importación. La tasa del impuesto es del 15 por ciento para mercancías procedentes de Guatemala o de Centroamérica, y del 50 por ciento para importaciones de países extranjeros a los centros manufactureros. Habrá una lista de mercancías exoneradas.

Se establece por primera vez el pago de los impuestos de mercancías importadas, aplicando el tipo de cambio del momento paralizado al valor de la importación en dólares. Esto hace que el valor sobre el impuesto sea más alto que el que actualmente se aplica al valor del tipo de cambio oficial.

La tasa en el pago de los impuestos se eleva al 20 por ciento anual.

Se aumentan los impuestos a los artículos alcoholizados, cerveza y otros productos.

Se reduce la base de impuestos al Valor Agregado.

Se eliminan las cuotas de los colegios privados, de tal manera que la educación primaria cuesta poco el 7 por ciento

TABLE IV: PROJECT BUDGET DATA

U.S. DOLLAR COST (0000)

3/L PROJECT No.	PROJECT TITLE	BUDGET EPGO	OBLIG. DATE	TOTAL COST	OBLIGAT.				FY 1986		FY 1987		PEACE CORPS		
					INIT. FY84	FY 1984 PIPELINE	FY 1985 OBLIG. EXPEND.	OBLIG. EXPEND. THRU	FY 1986 FUNDED THRU	FY 1987 FUNDED THRU	APPL THRU				
												THRU 1984		FY 1984	FY 1985
AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION															
3	5200000.1 Program Development and Support	FPA -0-	74 C	---	1,333	248	400	438	400	475	12/87	100	12/88		
1	5200233 Small Farmer Development	FMLD -0-	76 B3	16,000	16,000	313	---	313	---	---	---	---	---		
1	5200230 Small Farmer Marketing Systems	FMS -0-	78 B1	3,000	3,000	2,864	---	1,680	---	1,284	---	---	---		
3	5200215 Rural Enterprises Development	FRE -0-	79 B3	1,170	850	790	---	350	---	30	---	---	---		
1	5200215 Rural Enterprises Development	FRE -0-	79 B3	6,000	6,000	4,399	---	1,690	---	2,909	---	---	---		
1	5200248 Rural Electrification	FRE -0-	79 B3	10,000	10,000	4,492	---	1,773	---	2,719	---	---	---		
3	5200235 Small Farmer Diversif. Systems	FMS -0-	81 B3	4,000	3,676	1,264	---	500	---	800	---	---	---		
1	5200235 Small Farmer Diversif. Systems	FMS -0-	81 B1	3,500	3,500	4,531	---	1,354	---	1,700	---	---	---		
3	5200274 High-Lands Agricultural Development	FHL -0-	83 B3	1,500	1,500	500	---	240	---	710	---	---	---		
1	5200274 High-Lands Agricultural Development	FHL -0-	83 B3	10,500	10,500	2,500	---	1,220	---	3,232	---	---	12/92		
3	5200278 Commercial Land Markets	FMLS -0-	86 B7	---	12,000	---	---	---	4,500	500	12/90	7,500	12/92		
3	5200286 Cooperative Strengthening	FHL -0-	86 B7	---	3,000	---	---	---	3,000	700	06/91	---	---		
3	5200286 Cooperative Strengthening	FHL -0-	86 B7	---	8,000	---	---	---	8,000	3,000	06/91	---	---		
3	5200287 Land Market Support	FHL -0-	87 B7	---	3,000	---	---	---	---	---	---	---	---		
3	5200287 Land Market Support	FHL -0-	87 B7	---	2,000	---	---	---	---	---	---	---	---		
3	5200279 Small Fish Feed Development EPG	FHE 100	81 B1	343	343	187	---	110	---	77	---	---	08/92	PC	
3	5200279 Training for Rural Dev. Promoters EPG	FHE 100	82 B4	420	420	116	---	116	---	---	---	---	---		
3	5200317 Incan Cardamom Cultivation & Cons. EPG	FHE 100	81 B4	290	290	175	---	150	---	85	---	---	---		
3	5200329 Displaced Persons Assistance EPG	FMA 100	84 B4	500	500	500	---	500	---	---	---	---	---		
3	5200330 Piled Commercial Land Market	FMLS 100	84 B1	1,000	1,000	1,000	---	327	---	359	---	---	---		
3	5200332 Farm-To-Market Roads	FMR -0-	85 B3	1,000	1,000	---	---	100	---	400	---	---	---		
3	5200332 Farm-To-Market Roads	FMR -0-	85 B3	9,000	9,000	---	---	500	---	2,500	---	---	---		
3	5200343 Small Commercial Land Markets II EPG	FMLS 100	85 B3	---	1,000	---	---	350	---	400	---	---	---		
3	5200999 Private and Vol. Organizations EPGs	FMP 100	79 C	---	---	---	---	---	600	200	08/89	600	09/90		
TOTAL APPROPRIATION - GRANT				71,823	94,599	23,789	27,400	11,873	14,500	22,040	13,500	13,500			
TOTAL APPROPRIATION - LOAN				10,823	30,599	4,370	5,400	3,181	8,500	4,846	11,500	11,500			
TOTAL APPROPRIATION - PEACE CORPS				61,000	64,000	19,379	17,000	8,532	8,000	17,346	2,640	2,640			
OPERATION AND FAMILY PLANNING															
3	5200000.3 Program Development and Support	FPP -0-	79 C	---	---	276	51	35	50	55	12/87	50	12/88		
3	5200213 Integrated Family Planning Services	FPP 60	80 B3	2,376	2,363	301	---	217	---	84	---	---	---		
3	5200288 Expansion of Family Planning Services	FPP 60	82 B4	8,486	8,486	2,825	2,600	2,191	2,783	3,118	09/87	3,000	09/92		
TOTAL APPROPRIATION - PEACE CORPS				11,862	11,851	6,825	2,377	2,443	2,733	2,733	2,733	2,733	5,050	5,050	
TOTAL APPROPRIATION - LOAN				11,862	11,851	6,825	2,377	2,443	2,733	2,733	2,733	2,733	5,050	5,050	

PROJECT No.	PROJECT TITLE	SUNCAT ZPV8	INIT. FINAL	TOTAL COST	OBLIGAT.	FY 1984		FY 1985		FY 1986		FY 1987	
						THRU	PIPELINE	OBLIG.	EXPEND.	OBLIG.	EXPEND.	THRU	APPL

HEALTH

5200000.2	Program Development and Support	HEPP -0-	49	---	---	434	43	400	354	400	398	12/86	400	12/87
5200251	Community-Based Health & Nutr. Syst.	HEMN -0-	80	1,300	774	774	364	500	258	---	281	---	---	---
5200251	Community-Based Health & Nutr. Syst.	HEMN -0-	80	9,500	5,000	5,000	3,574	4,500	3,108	---	697	---	---	---
5200298	Rural Potable Water and Sanitation OP8	HEMS 100	84	500	500	500	354	---	304	---	50	---	---	---
5200335	Rural Potable Water Phase II OP8	HEMS 100	85	1,000	1,000	---	---	1,000	493	---	325	---	---	---
5200336	Water, Women and Health OP8	HEMS 100	85	500	500	---	---	500	340	---	200	---	---	---
5200339	Immunization/Child Survival	HECS -0-	85	---	---	---	---	3,000	1,500	---	750	---	---	---
5200342	Bral Rehydration Therapy	HEMN -0-	86	---	7,000	---	---	---	---	3,000	1,500	06/89	4,000	08/91

TOTAL APPROPRIATION - HE

GRANT
LOAN

12,800	18,474	4,339	9,900	6,323	3,400	4,121	4,400
3,300	13,474	743	5,100	3,215	3,400	3,424	4,400
9,500	5,000	3,574	4,500	3,108	0	697	0

EDUCATION AND HUMAN RESOURCES

5200000.3	Program Development and Support	ENPP -0-	49	---	---	506	7	400	367	200	433	12/87	200	12/88
5200250	Bilingual Education	ENEB -0-	79	1,940	1,871	1,871	107	---	107	---	---	---	---	---
5200270	Development Administration Improvement	ENDA -0-	80	305	305	305	37	---	37	---	---	---	---	---
5200281	Integrated Non-Formal Education	ENAC -0-	82	850	433	433	344	417	197	---	300	---	---	---
5200281	Integrated Non-Formal Education	ENAC -0-	82	3,500	3,504	3,000	2,883	---	592	---	1,279	---	---	---
5200282	Rural Education Improvement	ENED -0-	85	3,300	3,300	---	---	3,300	200	---	400	---	---	---
5200282	Rural Education Improvement	ENED -0-	85	8,700	10,700	---	---	8,700	800	---	1,200	---	---	---
5200304	Highlands Indian Institute	ENED -0-	87	---	5,000	---	---	---	---	---	---	---	5,000	03/92
5200311	Adult Literacy Skills	ENAC 100	86	---	700	---	---	---	---	700	100	03/88	---	---
5200312	Rural Scholarships	ENAC -0-	84	---	300	---	---	---	---	300	75	01/89	---	---
5200320	Primary Education Management	ENED -0-	85	---	4,000	---	---	1,050	200	2,950	450	06/90	---	---
5200320	Primary Education Management	ENED -0-	85	---	4,000	---	---	2,300	---	3,700	900	06/90	---	---

TOTAL APPROPRIATION - EHRD

GRANT
LOAN

18,595	34,113	6,195	3,300	16,167	2,500	7,850	5,200
4,393	15,909	3,195	495	5,167	1,108	4,150	5,200
12,200	20,204	3,000	2,805	11,000	1,392	3,700	0

SELECTED DEVELOPMENT ACTIVITIES

5200000.4	Program Development and Support	SBPP -0-	74	---	---	446	106	300	146	277	450	12/86	100	12/86
5200145	Special Development Fund	SBSM -0-	43	---	---	1,248	10	200	160	100	185	09/87	100	09/89
5200261	Shelter Sector Development Program	SBMU -0-	84	---	300	---	---	---	---	300	100	06/90	---	---
5200291	Lions Community Development	SBMJ 100	82	483	483	483	31	---	31	---	---	---	---	---
5200331	Local Economic Development	SBSE -0-	87	---	1,050	---	---	---	---	---	---	---	1,050	11/90
5200336	Water, Women and Health OP8	SBMW 100	85	500	500	---	---	500	---	---	300	---	---	---
5200337	Private Sector Development OP8	SBPE 100	85	1,500	1,500	---	---	1,500	200	---	300	---	---	---
5200341	Small/Medium Enterprises	SBPE -0-	87	---	2,000	---	---	---	---	---	---	---	---	---
5200341	Small/Medium Enterprises	SBPE -0-	87	---	8,000	---	---	---	---	---	---	---	2,000	03/92
5200999	Private and Vol. Organizations OP8s	SBPV 100	79	---	---	---	---	---	---	---	---	---	8,000	03/92

P/L PROJECT No.	PROJECT TITLE	SUBCAT UPVS	OBLIG. DATE	TOTAL COST	OBLIGAT. THRU	FY 1984		FY 1985		FY 1986		FY 1987	
						INIT. FINAL	PLANNED	PIPELINE	OBLIG.	EXPEND.	OBLIG.	EXPEND.	THRU
TOTAL APPROPRIATION - SO													
	GRANT			2,483	13,833	2,197	147	2,500	537	2,977	1,635		11,259
	LOAN			0	5,833	2,197	147	2,500	537	2,977	1,635		3,250
				0	8,000	0	0	0	0	0	0		8,000
	DA TOTAL			116,763	176,670	72,659	34,812	53,617	23,476	35,000	35,704		46,600
	GRANT			34,843	67,844	28,659	8,152	21,117	19,461	17,000	13,884		24,500
	LOAN			82,700	108,200	52,000	25,860	32,500	13,832	15,200	21,820		15,500
ECONOMIC SUPPORT FUNDS													
	5700309 Economic Stabilization			10,000	70,000	10,000				22,000	27,000	09/86	72,000
	5700309 Economic Stabilization				6,000					3,000	3,000		3,000
	5700276 Agribusiness Development			3,000	3,000			3,000	779		725		
	5700276 Agribusiness Development			9,500	9,500			9,500	890		2,140		
	TOTAL APPROPRIATION - ESF			22,500	97,500	10,000	0	12,500	1,669	25,000	27,845		75,000
	GRANT			3,000	9,000	0	0	3,000	779	3,000	3,725		3,000
	LOAN			19,500	88,500	10,000	0	9,500	890	22,000	24,140		72,000
COUNTRY TOTALS													
	GRANT			116,763	273,570	82,659	34,812	64,117	25,156	59,000	63,549		115,000
	LOAN			37,843	74,844	28,659	8,152	29,117	11,234	29,800	17,469		27,500
				102,200	196,704	112,000	25,860	92,000	13,722	37,200	45,160		87,500
	TOTAL GRANT AND LOAN			139,263	273,570	82,659	34,812	64,117	25,156	59,000	63,549		115,000
	TOTAL APPROPRIATIONS			139,263	273,570	82,659	34,812	64,117	25,156	59,000	63,549		115,000