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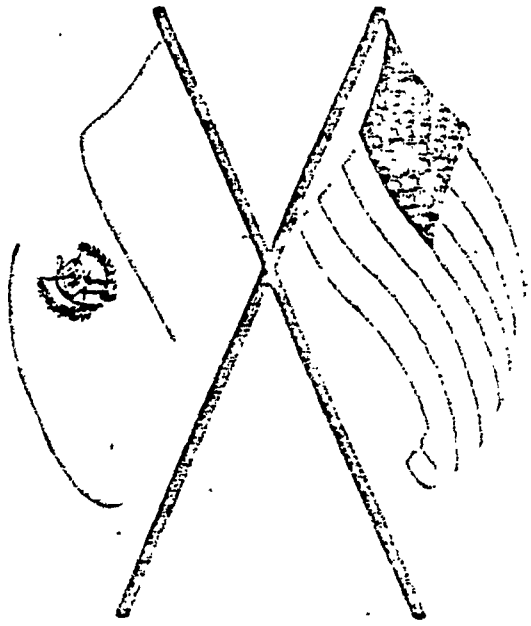
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT GUATEMALA

FY 1987/1988 ACTION PLAN



MAY 1986

USAID/GUATEMALA

FY 1987-1988 ACTION PLAN

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USAID/GUATEMALA

FY 1987-1988 ACTION PLAN

SUMMARY OF STRATEGY PROGRESS

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. 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.

Since the late 1970's, the nation has found itself caught in a serious economic decline 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 world prices paid for Guatemala's exports, and the paralyzing effects of a major insurgency experienced in the early 1980's.

By mid-1983 the devastating effects of the twin blows of civil strife and economic stagnation were compelling a growing national consensus for change. An unfamiliar sense of vulnerability and common cause united all Guatemalans first against continued military rule and then for a return to elected civilian government. The conviction of the vast majority of Guatemalans of the need to return to freely elected government and to achieve a deeper commitment to participation by all elements of society in the benefits of economic growth spurred the drafting and approval of a new Constitution in 1984 and the conduct of free and fair mayoral, congressional and presidential elections in November and December, 1985.

The January 1986 inauguration of Christian Democratic President Vinicio Cerezo Arevalo and the seating of the new Congress completed the orderly transfer of power to a fully civilian government. President Cerezo took office January 14 with the added advantage of an absolute majority (51 of 100 deputies) in Guatemala's new Congress. This substantial progress was made despite the diminished, but continuing effects of the insurgency and human rights problems and the deepening economic crisis.

As impressive as these gains are, in a very real sense they have only set the stage for the larger play yet to come. Consensus on the need for specific reform measures is proceeding slowly and painfully, particularly in the economic arena. As each interest group tallies the costs of reform to itself and its constituents, strong challenges are surfacing to the nation's prospects for economic recovery and its still fragile democracy.

Central to the prospects for success is the development by the Government of Guatemala of a coherent policy package to underwrite economic recovery. The primary preoccupation of the new government has been to introduce a policy reform package containing a comprehensive series of monetary and fiscal reform measures that, even though not perfect, will provide the framework on which effective recovery can be based.

In a search for more widespread public understanding of the need for economic reform, the new government initiated in its first months in office an open national debate on economic policy matters. The debate has been vigorous and has contributed substantially to the shape of an economic recovery package centered on monetary and fiscal reforms which is to be put in place in May 1986.

The package the government proposes is sound in terms of what is needed. It incorporates all the recommendations and objectives set forth in the Mission's FY 1986-1987 ACTION PLAN as prerequisite to economically meaningful U.S. assistance. Its limitations are very much dictated by political realities evident from the national dialogue. What can safely be said is that U.S. assistance for this package is not a substitute for Guatemalan national will, but rather an essential element in its prospects for success. Indeed, the case for a larger and more flexible U.S. program of assistance has never been stronger. The timeliness and types of assistance provided are of utmost importance to the continued support of the democratization process, to economic recovery, and to the strategy of growth with equity.

USAID justification and plans for Economic Support Fund (ESF) resources during the FY 1987-1988 ACTION PLAN period and the formulation of a macroeconomic policy dialogue agenda are outlined in the POLICY DIALOGUE UPDATE and the ESF PLAN sections of this ACTION PLAN.

Section Two - Strategy Summary

The strategy outlined in USAID/Guatemala's FY 1986 CDSS and in the FY 1986/1987 ACTION PLAN continues to be an accurate and complete statement on which program planning and implementation activities are posited. Both also included the wider goals and objectives recommended by the NBCCA. This ACTION PLAN strategy summary update reflects even more closely those objectives. Current and planned projects remain directed towards the overall goal of helping Guatemala return to a pattern of real economic growth with greater participation by the rural poor. The key objectives in USAID's strategy are as follows:

(1) Achievement of balance of payments equilibrium through higher export earnings and the removal of policies which subsidize imports.

(2) Increased rural incomes and productivity through: (a) greater demand for small farmer produce, resulting from support to marketing cooperatives and expansion of processing firms; (b) expansion of the human capital endowments of the rural poor through programs in health and education; and, (c) increased access to physical capital such as land and credit.

(3) Reduction in the rate of population growth through improved information and family planning delivery systems throughout the country, but particularly among the heretofore largely unreached Altiplano Indian population.

This set of objectives focuses USAID activities and scarce resources on the overall goal and the principal target group. In judging the prospects for U.S. assistance at planned levels for the ACTION PLAN period to be effective, it is important to keep in mind the relative underlying strength of the Guatemalan economy, its vigorous and effective private sector, and the current national commitment to the democratic process. Despite formidable problems, each of these phenomena is a positive element increasing Guatemala's ability to return to long-term real economic growth, achieved with greater equity. In this context, planned U.S. inputs are seen more as contributions at the critical margin than as attempting to finance the major percentage of either the socio-economic development needs of the nation or its balance of payments gap. Timely and effective use of U.S. resources should serve to help leverage other donor and private sector external investments to Guatemala.

POLICY DIALOGUE UPDATE

Section One - Introduction

Flowing from the country setting and strategy statements given above are 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: macroeconomic policy reform and specific development sector reforms. The former is central to country and Mission ESF and economic recovery planning. The latter relates more directly to existing and planned DA inputs and usage of local currencies generated from ESF and P.L. 480 Title I programs. Although discrete in many aspects, both are interlinked by the overriding program objectives and by their implications for specific allocations of available resources.

Consequently, this POLICY DIALOGUE UPDATE is divided into two major sections. The first provides background, current status of the macroeconomic policy dialogue, and rationale for the ESF cash transfer program. The section outlines programming and policy dialogue plans for continuing and new sector-specific DA investments.

Section Two - Macroeconomic Policy Dialogue

A. Background

Guatemala's economic crisis was engendered by the same forces causing economic instability throughout the Central Am- erican region in the early 1980s and intensified by the adop- tion of counterproductive macro policies in the same period by Guatemala's military governments. The severe policy problems at the heart of the foreign exchange shortage, the collapse in the revenue system and unprecedented inflation levels have been amply documented in both the FY 1986/1987 Action Plan and the January 1986 ESF Program Assistance Authorization Document. In brief, the policy impediments to growth in the 1980s have been:

1. An overvalued exchange rate, whose defense cost the country its foreign exchange reserves and spawned a dramatically increased external debt burden. Much

of the new debt is of shortand medium-term duration and at commercial interest rates. As a result, although Guatemala's total outstanding debt per capita is one of the lowest in the hemisphere (about $312), debt service payments in 1986 and 1987 will require almost half of the dollar earnings from the export of goods and services;

2. Complicated and inefficient allocation of foreign exchange, originally through quotas and controls once Guatemala reached the limit of its reserves and international borrowing to defend the exchange rate. More recently (since November 1984), dollars have been allocated according to a multiple exchange rate system. Frequently revised and increasingly complex, this system prompted speculation, sharp exchange rate swings and served as a general disincentive to export.

3. Falling public sector revenues, a result of the failure of the 1983 tax reform and the general unresponsiveness of the tax system to growing inflation. The initial public sector response was to cut spending. However, as tax revenues dropped to five percent of national income by 1985, the public sector was reduced to the point of providing few services and even less infrastructure. Cuts were particularly severe in areas relating to rural development.

4. A rapid acceleration of inflation in 1985, in part due to the depreciating quetzal but also reflecting internal financing of the fiscal deficit and large Central Bank exchange losses due to the purchase of dollars on the parallel market to sell to importers of official market (essential list) commodities at the one-to-one exchange rate. During the twelve months of 1985, the price of the low-income consumer basket soared by more than 30 percent.

5. Pricing distortions in every sector of the economy, the offshoot of interest rate ceilings, the exchange system subsidies and price controls on consumer and wholesale commodities. Holding interest rates on loans below 12 percent and on savings below 9 percent reduced domestic savings and channeled loanable funds into low-productivity investments and dollar speculation. The multiple exchange rate system provided for subsidies of a number of important products including

petroleum, fertilizer and medicine. The lack of dollars caused shortages and contraband of these commodities in 1985 and up until the present. Similarly, consumer price controls led to the disappearance of basic consumer products from the shelves. Current shortages of wheat flour and corn are direct results of pricing policies.

6. Falling private sector investment, compounding the effects of diminished levels of public sector investment. Irrational and erratic policy changes have undermined investor confidence, at the same time that macroeconomic policies provided every incentive and opportunity for capital flight.

Several years of worsening economic conditions and policies culminated in the unprecedented economic crisis inherited by the newly-elected Cerezo government early in 1986. Real per capita GDP fell by nearly five percent in 1985, with even greater reductions forecast for 1986 in the absence of policy change. The 70% electoral mandate President Cerezo received in the December 1985 balloting was in part a public plea that the new government do something to arrest the continuing decline in the population's standard of living.

B. The Dialogue to Date

The severe macroeconomic policy problems just descibed present a tremendous challenge to the newly inaugurated government. The Cerezo government comes to office with a mandate to improve the standards of living of Guatemala's most disadvantaged groups, who have been especially hurt by the economic crisis, particularly by the loss in real incomes and rising unemployment. At the same time, the private sector has demanded that management of the macroeconomy be rationalized, so that investment, long-term planning and general business confidence can be resumed. Most urgently, a comprehensive package of reforms in the fiscal, monetary and exchange areas could not be delayed further, due to the danger of inflation moving into the three-digit level by the end of 1986, amid further losses in real income and a burgeoning fiscal deficit. The overriding concern is that further economic collapse could put Guatemala's commitment to democracy itself in peril.

The new government has risen to the challenge in developing a stabilization and "reactivation" package which will go into effect in May of 1986. The set of policies to be

adopted, while not perfect, does represent a concrete and serious step toward reducing the fiscal and external imbalances behind current economic problems. In summary, the package provides for:

-- The movement of all import commodities out of the official (Q1 per $1) market for foreign exchange, the major source of the large Central Bank exchange losses which have fueled inflation;

-- The movement of official and auction market imports into a controlled but adjustable rate market whose initial rate will be pegged at approximately Q2.50 per dollar;

-- The establishment of a floating rate banking market to handle the difficult-to-control foreign exchange transactions such as personal remittances, tourism receipts and private investment;

-- Reduction in the projected 1986 central government deficit through expenditure reductions and revenue increases. Revenue measures include the adoption of the "Rule 3" change in import valuation, establishment of a temporary export tax and measures to improve tax administration;

-- Removal of pricing controls on 21 consumer product categories; and

-- Establishment of a more flexible interest rate policy.

The economic package was previewed in considerable detail in the January 1986 ESF PAAD, and in subsequent cable messages to Washington.

C. Macroeconomic Policy Strategy

Guatemala's economic package is scheduled to go into effect in early May, after the submission date of USAID/Guatemala's FY 1987/1988 Action Plan, but probably before the AID/-Washington review. Its implementation will be supported by ESF FY 1986 monies of $47,350,000 in a balance of payments cash transfer and $500,000 in ESF Program Development and Support.

USAID's policy dialogue strategy has been to encourage adoption of a strong set of measures early in the new government's tenure to correct existing structural problems of the

economy while political support and election momentum are still strongly in their favor. The incremental approach of tying specific policy actions to portions of the ESF allocation was rejected early in the process due to the severity of Guatemala's economic problems, the interrelatedness of distortions resulting from policies in the monetary, exchange and fiscal areas, and the overriding need to arrest inflation before it becomes entrenched. The Cerezo government's decision to prepare a comprehensive stabilization package dealing with monetary, fiscal and exchange distortions together was strongly endorsed by the Mission in Guatemala, as well as by the Washington agencies.

The ability of USAID to provide foreign exchange in a timely fashion to support the mounting of a comprehensive policy initiative by the Guatemalan government was a key factor in their own decision to go ahead with the measures together and not in a piecemeal, slow way. The availability of USAID's grant and concessional loan assistance convinced, at the margin, opposing elements within the new government who were concerned about the political and social impact of the measures and who could see no immediate economic gain but tremendous political cost. Mission policy dialogue has focused on discouraging potential backsliding or softening of the government's proposed measures, and on pushing for their early adoption.

D. Framework for Future Dialogue during FY 1987 and FY 1988

USAID/Guatemala proposes a $175 million ESF program for FY 1987 and 1988, to underwrite a three-pronged policy dialogue strategy which is summarized in Chart 1. The three areas of policy emphasis will be:

1. Continuing progress toward meeting stabilization goals;

2. A sectoral emphasis on adoption of policies which will stimulate private investment and strengthen the nontraditional export sector;

3. Strengthening public sector programs of investment in productive infrastructure, both in physical and human capital which will promote rural development.

1. Economic Stabilization

In the stabilization area, the FY 1986 policy dialogue effort serves as a bridge into FY 1987/88, in that several of the economic measures proposed for this year will be carried out as part of a two-year process. The completion of the measures which are listed below was felt, for political and social reasons, to be feasible only in a two-step approach. Accordingly, FY 1987 ESF monies will support the implementation of the following "second step" adjustment policy measures:

-- Full unification of the exchange rate;

-- Phasing out and replacement, as required, of the new temporary export tax;

-- Further adjustment of monetary policy to allow for positive real interest rates.

In the new economic package, substantial progress will be made toward these goals. However, these last few steps may prove as tough to take as the early ground covered. In addition, fine tuning of the measures already taken may be required if fiscal revenues, exports or other economic variables fall short of their estimated 1986 levels. For these reasons, ESF policy dialogue supporting the FY 1987 program (and to a lesser degree in FY 1988) will continue to focus on adoption of adjustment policies which meet the goals of external and internal balance, and reduction in inflation - goals which will be necessary for Guatemala to meet in order to return to growth rates which are positive in real terms.

2. Strengthening of the Nontraditional Export Sector

In their proposed stabilization plan, the Government of Guatemala notes the need to take the following measures to reactivate national production and export:

a. Creation of a National Export Council with both public and private sector participation;

b. Removal of the administrative impediments to exporting through the establishment of a one-stop export center which will house representatives of all of the public sector offices which process export documentation;

c. Study of the implementation of an open seas and skies policy;

Illustrative ESF Conditionality Plan
FY 1986-1988

	1986	1987	1988
STABILIZATION:			
Public Sector Revenue/Spending	Reduction in central government deficit to target of 2.5 percent of GDP.	Phase-out of temporary export tax, while maintaining budget deficit goal of 2.5 percent of GDP.	Public sector deficit of no more than 2.5 percent of GDP.
Exchange Rate Policy	Progressive movement of import commodities out of the essentials category, with gasoline the first candidate. Substantial progress toward unification of the exchange rate, with a mechanism for future rate adjustments.	Full unification of the exchange rate, with mechanism for future rate adjustments.	Maintenance of flexible, market-oriented exchange rate system.
Exports	Greater incentives for exporters through realistic exchange rate policy which yields higher proceeds for both traditional and nontraditional exports.	Continuing.	
Pricing	Reduction in the number of price-controlled products.	Further reductions in the number of price-controlled products.	
Interest Rates	Adoption of measures increasing incentives to savers, by raising interest rate ceilings.	Policy giving flexible and positive real rates for both savers and borrowers.	Maintenance of flexible policy of positive real interest rates.
STRUCTURAL ADJUSTMENT			
	Agreement with GOG on agenda for growth-oriented, private sector-led reactivation policies to follow stabilization period, first steps taken.	Implementation of policies which reduce regulatory impediments to export (see text).	Continuing.
		Increased incentives for investment and expansion of private sector productive activities based on need for international competitiveness.	Continuing.
		Concrete progress toward reducing size of parastatal enterprise sector through privatization activities.	Continuing.

Illustrative ESF Conditionality Plan
FY 1986-1988

	1986	1987	1988
EQUITY AND DEVELOPMENT	Maintenance in real terms of 1985 level of public sector investment in 1986. Greater focus of investment budget on development infrastructure, especially rural areas.	10 percent real increase in investment budget over 1986, with emphasis on agriculture and rural development.	Protection and further real increase in investment budget allocated for development purposes.

d. Promotion of investment in drawback industries;

e. Greater participation in programs which support Guatemalan export growth, such as the Caribbean Basin Initiative;

f. Revision of the free trade zone (ZOLIC) legislation to make investment in that sector more attractive.

g. Evaluation of possible privatization of selected public sector enterprises.

The measures listed are highly positive, but have long been on the agenda of both the public and private sectors without concrete action. Over the next two years, as stabilization policies are fully in place, the ESF policy dialogue will shift to focus on these and other policy measures which support the growth of production, particularly in the nontraditional export sector. ESF funds will support concrete actions by the Guatemalan government to achieve the ~~agenda listed~~ above. As discussions continue, alternative or additional related policy changes may be added.

3. Strengthening Public Sector Programs of Investment in Productive Infrastructure Supporting Rural Development:

In the January 1986 ESF PAAD, USAID stressed the preservation of the public sector investment budget, particularly for programs in rural areas designed to provide essential basic infrastructure. Local currency generations similarly were used to protect development expenditures through coverage of counterpart for externally funded projects, and support of domestically funded investments with a development orientation. This emphasis will continue and will help maintain the Guatemalan FY 1986 investment budget at about the same level as in FY 1985 in real terms (about a 30% nominal increase).

For FY 1987 and 1988, successive real increases in the central government investment budget will be sought, with further GOG commitment to meeting the basic infrastructure needs of the highlands and other rural areas. As was discussed in the FY 1986 PAAD, this focus is critical for Guatemala as its social indicators (particularly in health and education) lag far behind those for other countries at similar levels of national income (see Table 1). In addition, it is doubtful that small farmers in the highlands and other areas of the country will be able to participate in the push to increase

export of nontraditional agricultural products without supporting public sector investment. Without roads, water systems, schools and other such investments, the small farmer will be left behind in Guatemala's return to positive income growth.

E. Justification for ESF Cash Transfer

Guatemala's foreign exchange shortage, most severe in 1986 and 1987, will continue throughout the rest of the decade due to the heavy debt service burden in the near term. If the foreign exchange constraint is not met, national output will not grow and real per capita incomes would be in danger of falling even further. USAID's timely support of Guatemalan efforts to correct the policy problems which underlie the present economic crisis will help assure that this process will continue moving forward throughout the 1980s.

The objectives of the proposed two-year $175 million ESF program in FY 1987 and 1988 are:

-- To restore Guatemala to a path of moderate growth, with no further decline in real per capita income;

-- To continue to support the implementation of Guatemala's economic stabilization program;

-- To promote greater public support to the process of economic development, particularly through investment in productive infrastructure in marginal rural and urban areas; and

-- To support growth and diversification of private sector production, particularly of the export sector, through:

a. Encouraging further adoption of policies which are supportive of private investment, through increased incentives for domestic savings and for export;

b. Improvement of the regulatory environment within which exporters operate; and

c. Full unification of the exchange rate, and phase-out/replacement of the temporary export tax with other revenue and expenditure measures.

TABLE 3

REGIONAL COMPARISON

SELECTED DEVELOPMENT INDICATORS

	GUATEMALA	HAITI	HONDURAS	COSTA RICA	EL SALVADOR
Per capita Income (1983)	$1,120.00	$300.00	$670.00	$1,020.00	$710.00
Tax Revenues/GDP (1983)	0.063	0.127	0.120	0.155	0.112
HEALTH					
Population/Physician (1980)	8,610	8,200	3,120	1,460	3,220
% Population w/ Potable Water	49.8 (1980)	NA	55.0 (1980)	87.5 (1983)	53.2
Child Mortality (Age 1-4) (1983)	5.0	15.0	8.0	1.0	6.0
Infant Mortality (1983)	67.0	107.0	81.0	20.0	70.0
EDUCATION					
% Primary Age Population Enrolled in Primary Schools (1982)	73.0	69.0	99.0	106.0	61.0
% Population Age 12-17 Enrolled in Secondary Schools (1982)	16.0	13.0	32.0	48.0	20.0
Literacy Rate (last census)	45.4	NA	59.5	89.8	59.7

Sources: World Bank - World Development Report 1985
SIECA - VII Compendio Estadistico Centroamericano 1983

These ESF objectives are consistent with the overall program strategy and the goals of the DA portfolio. A key factor in meeting these objectives will be the availability of fast-disbursing ESF assistance to meet Guatemala's critical lack of foreign exchange. USAID/Guatemala proposes that all ESF disbursements in FY 1987 and 1988 be made through the cash transfer mechanism. The availability of cash transfer funds will provide significant leverage in our promotion of difficult, but urgently needed, policy reforms.

A commodity import program, by comparison, would limit the effectiveness of ESF resources in responding to Guatemala's economic crisis. We would gain no additional benefit, as the largest exporter to Guatemala is the U.S., in a magnitude much larger that the level of assistance contemplated.

Section Three - DA Programming and Policy Dialogue Plans

A. Introduction

Individual project narratives for each new start intended for FY 1987 or FY 1988 are provided in the Implementation Section 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 for future discussions. The order of appearance for the new activity narratives is given in the Table of Contents. They are grouped by functional account purposes as follows: ESF; Agriculture, Rural Development and Nutrition; Education; Health; and Special Development Activities.

DA Policy Dialogue themes continue to 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 increases in small farmer productivity and income and a greater share in the rewards of growth for the Altiplano Indians. A number of macroeconomic reforms affecting private sector growth opportunities, such as interest and exchange rate adjustments, 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 the more efficient air and land transport of commodities 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 USAID's ESF and DA dialogues with both the Government of Guatemala and the private sector identify and resolve the full range of 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.

Because of the importance of the agricultural sector in the social, economic and political fabric of Guatemala, the country's overall development and growth go hand-in-hand with that of the agricultural sector. By providing more access to production support (especially financial resources) to expand on-farm investments and use of improved technologies, greater access to land and product markets, and greater employment opportunities, both the goals of increased production and small farmer advancement can be promoted.

The stagnation of intraregional trade and continued low traditional commodity prices argue for an emphasis on expanding nontraditional agricultural exports. A second major area for programming and policy dialogue during the ACTION PLAN time frame concerns the establishment of appropriate export incentives, increased reliance on market forces, and a smoother flow of expanded credit and marketing services to small-scale farmers. To help smallholders, projects in agricultural diversification will center on boosting production of new exportable crops. The Agribusiness Development Project 520-0276 is assisting the private sector to develop food processing industries which will provide expanded and higher value markets for small farmer produce.

Also, expanded assistance will be provided to physical land improvements, such as soil conservation and irrigation through the establishment of a national Soil Conservation Service funded under the proposed FY 1987 Agricultural Diversification and Resource Management project. Since crop diversification has been facilitated by soil terracing and irrigation and has had a very favorable impact on land productivity and small farmer incomes, this intervention will also be expanded under this new project to include a private sector fruit and vegetable technology transfer effort.

The absence of effective group participation and action in financing marketing and technical services, such as that related to cooperatives, is also a serious constraint in limiting income levels of the small farmer. To alleviate this constraint, in FY 1986, USAID plans to initiate a $11 million Cooperative Strengthening project (520-0286). Policy discussions have been carried out with 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 stated support of cooperatives is important in view of frequently antagonistic positions toward cooperatives taken by previous governments. USAID support for BANDESA will be important, particularly since the latter orga-

nization is still plagued by over-bureaucratization and slowness in processing credit applications.

Although the National Agricultural Development Bank (BANDESA) has historically provided useful financial resources (credit) to individual small farmers, the experience with lending to cooperatives has been quite negative. At the same time that USAID is pushing for institutional improvements within BANDESA, it will be implementing an FY 1986 project with cooperative federations to strengthen and recapitalize their operations so that the private cooperative movement can finance its own production and investment needs.

Through its existing projects, USAID will continue to support greater on-farm and off-farm employment opportunities and improved access to product markets through market information, on-farm (or cooperative) product collection, grading and packing, off-farm product processing, and exports.

Technological innovation and improvements in infrastructure are necessary to conserve the natural resource base and raise productivity. Policy dialogue in this third major area focuses on insuring public investment of sufficient magnitude to deliver services and infrastructure to the small farmer, especially the Highland Indians. The Highlands Agricultural Development Project (520-0274) is increasing small farmer production mainly through the introduction of land terracing, small-scale irrigation and access road construction. To maintain rural roads, a special road maintenance program under the same project was initiated in FY 1985. To expand internal access to inputs and markets, the Farm-to-Market Tertiary Roads Project (520-0352) will link the access roads to the primary national road network. Natural resources will be futher conserved by improving watershed and soil conservation management practices through the Agricultural Diversification and Natural Resource Management Project (520-0349).

C. Education

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

Guatemala's literacy rate is still below 50%. At present, the Government of Guatemala provides only 1.7% of its GDP and 12.5% of its budget for education, the lowest contribu-

tions 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.

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 mandating bilingual education in schools with a predominantly Indian population. For the first time in 400 years, the use of the country's Indian languages spoken by 50% of the population has been legalized. In late December 1984, a $12 million Bilingual Education Project (520-0258) was signed. This project will eventually reach 400 primary schools throughout Guatemala and benefit about 260,000 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 commitment to integrating the indigenous population more fully into the national life and growth opportunities.

Further USAID dialogue goals in the education sector include: (1) expanding technical educational opportunities for persons in the lower socio-economic stratum; (2) conducting a comprehensive analysis of school finances with the objective of reforming policy relative to budget priorities and the GDP (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. Under the Altiplano Higher Education Project (520-0304), educational opportunities are being expanded into rural areas to allow the adult Highland Indians to acquire advanced educational skills to be more competitive in the economic mainstream. To further expand training opportunities for rural residents in occupation/vocational skills, the Private Sector Skills Training Project (520-0324) will augment the services of the National Training Productivity Institute to reach and serve rural communities, groups and entrepreneurs. Complementing efforts to decentralize technical and higher education institutions, the Primary Education Management Project (520-0320) will support the national decentralization plans of the Ministry of Education to deliver primary education nation-

wide. This project will foster local control of the school system and identify ways in which communities can help finance schooling at the local level.

The Central America Peace Scholarships Project (597-0000.1) is a major nontraditional training initiative recommended by the National Bipartisan Commission on Central America (NBCCA). The 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 groups. During 1985 the USAID sent more than 800 participants for short-term training programs and 25 long-term participants began training in education, agriculture, private sector promotion, and health and population. At present, the 5-year estimated allocations for Guatemala total $27.5 million. The FY 1985 allocation was $5.1 million. For FY 1986 it is $5.8 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 offers minimal family planning education and continues to permit private organizations to operate in this field. USAID assistance has taken the form of technical assistance with the intent to spread knowledge of family planning methods and to 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. Over the ACTION PLAN time frame USAID intends to continue to work with the Government of Guatemala in expanding the delivery of

family planning services through the Ministry of Health outreach.

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 the development of a more favorable policy climate and the removal of bureaucratic barriers to production and trade. Also critical to success 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 three years, the USAID has engaged in a policy dialogue with various elements of the private sector to induce them toward greater involvement in development-oriented activities on the one hand, while exploring the sector's requirements 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. However, USAID was able to initiate two projects in March 1985 using a combination of ESF and DA funding. This established a basis for further discussions and negotiations.

Responding directly to the problems of channelling sorely needed foreign exchange 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 all ESF funds available to Guatemala in FY 1985. The project is designed to expand existing agribusiness enterprises, establish new ones, create 2,000 jobs, 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.

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 organizations 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. Over the past year activities to strengthen the wool industry of Momostenango, the principal artisan craft of that area, have been initiated.

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 both a $10 million private sector project in FY 1987, specifically focused on small and medium-sized industrial enterprises (520-0341) and the Privatization Project (520-0296) which will encourage policy reforms and actions relating to parastatals.

IMPLEMENTATION PLAN INDEX

NBCCA GOALS	CDSS GOAL STATEMENT	BROAD OBJECTIVE CATEGORY	PAGE No.
1. Economic Stabilization	To support GOG adoption of stabilization policies to restore external and internal balance, reduce inflation and set the stage for sustainable growth in real per capita income by the end of the decade.	A. Balance of Payments	24
2. Laying the Basis for Long-Term Growth	To promote broader national support for the process of economic growth and development, particularly in rural areas where infrastructure is generally not in place and private sector investment has not previously been encouraged.	A. Agricultural Production (including on-farm employment and infrastructure)	27
		B. Private Sector/Export Promotion	32
3. Deepen Equity and Expand Participation in Development among Heretofore Disadvantaged Guatemalans	Achieve increased rural incomes and productivity through: (a) greater demand for small farmer and micro-enterprise production;	A. Off-farm Employment	35
	(b) expansion of human capital endowments of the rural poor through programs in health and education; and	B. Education/Literacy	38
		C. Health/Nutrition	41
		D. Population	45
	(c) expanded and improved productive infrastructure accessible to the rural population.	See Goal 2.B	
4. Democratic Institutions and Human Rights	Assist Government of Guatemala to maintain the momentum of the democratization process.	A. Democracy Initiatives	52
		B. CAPS Scholarships	48

NBCCA GOAL 1: Economic Stabilization

Broad Objective A (Balance of Payments): Achievement of balance of payments equilibrium and fiscal balance, at a rate of growth which is positive in real terms.

Specific Objective	Performance Indicators	Key Assumptions
a. Achievement of balance of payments equilibrium through higher export earnings and the removal of policies which subsidize imports.	a. Target - Stabilized economy by the end of 1988.	a. No unanticipated exogenous shocks to the macroeconomy will be forthcoming.
b. Reduction in the public sector fiscal deficit through policies of central government expenditure discipline, elimination of Central Bank exchange losses and improvement in the financial positions of the parastatal enterprises.	b. Benchmarks: (1) Central Government deficit limited to 2.5 percent of GDP in 1986 and 1987. (2) Central Bank losses eliminated by end of 1987.	b. Government of Guatemala continues progress in implementation of its stabilization program. c. Political stability is maintained, and investor confidence returns.
c. Implementation of monetary policies consistent with the inflation target of a return to pre-1985 levels by the end of 1987.	(3) Exchange rate fully unified by the end of 1987, at realistic level with mechanism for adjustment. (4) Export tax phase-out schedule in place by 1987.	d. Sufficient inflows of compensatory financing to meet interim balance of payments financing gaps in 1986 through 1988.
d. Adoption of more market-oriented pricing policies for consumer products.	(5) Interest rate policy of positive real rates for savers and borrowers in place by end of 1987. (6) Further reduction in the number of price-controlled products in 1987 and 1988, over number on list in 1986. (7) December-December inflation 20 percent in 1986 and 10 percent in 1987 and 1988. (8) Export growth of 10 percent per year in 1986 through 1989, over level of $1[illegible]2.3 million in 1985. (9) Nontraditional export growth (non-CACM) of 15 percent per year in 1986	

Projects	Number	LOP Funding
Continuing		
Economic Stabilization		47,350,000
ESF Program Development		500,000
New		
Economic Stabilization/ Structural Adjustment		175,000,000

Policy Dialogue Actions

USAID dialogue will continue to stress the adoption of policies to achieve the goals of (1) reduced inflation levels, (2) full unification and maintenance of adjustable, market-oriented exchange rates, (3) reduction in the central government deficit to levels consistent with meeting inflation targets without unduly limiting credit available to the private sector, and (4) positive real interest rates for savers and borrowers.

Narrative

The policy conditions recommended in the USAID/Guatemala's FY 1986/1987 Action Plan and January 1986 ESF PAAD are fully contained in the Government of Guatemala's economic stabilization program for 1986. These were (1) substantial movement toward exchange rate unification, (2) improved fiscal system performance and elasticity with respect to inflation, (3) no real decrease in the 1986 investment budget over 1985, (4) the removal of petroleum products from the essential commodity exchange market (Q1 per $1), (5) interest rate policy which moves toward the goal of positive real rates, and (6) reduction in the list of price-controlled consumer commodities.

The Mission has rephrased the nontraditional export product benchmark in terms of exports to non-CACM markets, to separate out the impact of the current obstacles to regional trade. In conformity with how the Government of Guatemala aggregates export data, the benchmark will consider cardamom as a traditional product. The new benchmark in this area will be a 15 percent annual increase in nontraditional exports over the base year 1985 figure of $129.9 million. As of the most recent projections, the 1986 level will be $150 million, a 16 percent increase.

The exchange rate changes under the proposed economic package still allow for exchange losses stemming from the payment of previously contracted external debt at the Q1 per $1 rate, since the official exchange market will have no inflows. However, the new temporary export tax will offset these losses and limit the monetary impact. This meets the spirit, if not the letter of the FY 86/87 Action Plan benchmark of "no deficit for foreign exchange transactions in the official rate market."

The FY 1986 study of revenue options and of the public sector investment budget was initiated through a Cooperative Agreement with Syracuse University in August of 1985. Further work in this area will be carried out through the remaining funds in the Syracuse contract, and through FY 1986 ESF Program Development funds. Analysis of the public sector investment budget is being carried out within the Mission as part of FY 1986 ESF local currency programming.

In FY 1987 and 1988, USAID/Guatemala will evaluate program achievements again according to both policy reforms implemented and changes in the macroeconomic indicators. Expectations of progress in the stabilization area are reflected in the benchmarks. With the achievement of these benchmarks and assuming continued GOG support of policies which maintain external and internal balance and which control inflation, the Guatemalan economy should be enjoying sustainable moderate real per capita growth rates by 1988.

(NOTE: ESF policy dialogue goals in the area of structural adjustment are discussed in the Private Sector/Export Promotion objectives and indicators. Goals for public sector support of development infrastructure are discussed with the Agricultural Production objectives and benchmarks. Justification for a cash transfer disbursement of FY 1987 and FY 1988 ESF funds is presented with the Macroeconomic Policy Dialogue Plan and in the new ESF project description.)

Budgetary Impact

Project	FY 1987	FY 1988
Economic Stabilization/ Structural Adjustment	75,000,000	100,000,000

ABCDA GOAL 2: Laying the Basis for Long-Term Growth.

Broad Objective A: (Increased Agricultural Production): Increased agricultural productivity through: (a) greater demand for small farmer produce, and (b) increased access to physical capital through improvement in economic infrastructure, land markets and cooperative credit programs.

Specific Objectives	Performance Indicators	Key Assumptions
a. Increase production of nontraditional higher value crops over period 1986-1991. b. Increase rural incomes from on-farm employment. c. Link small producers to privately-owned processing and marketing operations. d. Improve access to land guaranty and quality by small and medium farmers.	a. Target: over the period 1985-1990, 7950 small farmers increase their income by 150% and an additional 3,550 small farmers increase non-traditional crop production 100%. b. Benchmarks: (1) 1987: 10% real increase over 1985 level in investment budget in support of rural infrastructure. 10,500 hectares terraced (3,150 hectares for small farmer vegetable production). 7,000 small farmers will have received credit from BANDESA credit to cooperatives and 6,000 small farmers benefitting from Central Bank trust. 900 kms. of access roads will be under the operational maintenance program. 400 kms. of farm-to-market roads will be constructed. 5,000 hectares of land purchased and 1,500 families settled on purchased land.	a. Percentage of the GOG devoted to the provision of infrastructure in the country remains at least at 1985 levels. b. Major infrastructure built over the past four years remains on line and operating. c. Sufficient credit to small farmers delivered in a timely manner. d. GOG committed to policy of increasing non-traditional agricultural exports. e. Cooperatives operating as businesses and GOG continues to support cooperative movement.

NEDCA GOAL 2: Laying the Basis for Long-Term Growth.

Broad Objective A: (Increased Agricultural Production): Cont.

Specific Objectives	Performance Indicators	Key Assumptions
	(2) 1988: Additional 1,500 has. of small scale irrigation serving 4,500 small farmers, thereby increasing output by 400% 1985. Additional 4,500 hectares of soil terracing serving 22,500 small farmers, thereby increasing output by 150% from 1985. 45 diversified farm models employed by 450 pilot farmers. 25 cooperatives and one cooperative federation re-capitalized. Additional 200 kms. farm-to-market roads constructed and maintenance program covering 1,100 kms. of farm-to-market roads. 2,500 additional hectares of land purchased above 1987 aggregate level.	

Projects	Number	LOP Funding
Continuing		
Small Farmer Marketing	0238	3,400,000
Small Farmer Diversification Systems	0255	9,196,000
Highlands Agricultural Development	0274	12,000,000
Agribusiness Development	0276	12,500,000
Family Fish Ponds	0290	343,000
Cardamom Cultivation and Commerc.	0317	290,000
Pilot Commercial Land Markets, Phase I	0330	1,000,000
Pilot Commercial Land Markets, Phase II	0343	4,000,000
Farm-to-Market Roads	0332	10,000,000
New		
Cooperative Strengthening	0286	11,000,000
Ag. Diversification and Resource Mgt.	0349	14,000,000
Fish Ponds II (PVO)	0351	300,000
Pest Management (PVO)	0350	300,000
Farm-to-Market Tertiary Roads	0352	10,000,000

Policy Dialogue Actions

USAID will encourage the GOG to provide sufficient public investment to deliver services and infrastructure and facilitate the flow of credit and marketing services to small-scale farmers. In conjunction with continued GOG investment, the dialogue will support GOG initiatives to streamline procedures for small farmer credit eligibility, including enhancement of the role of cooperatives as collective units in delivering credit to their individual members. Of particular concern will be the introduction of management techniques to improve the performance of BANDESA in providing credit to small farmers and cooperatives. For those publicly-owned agricultural enterprises which serve as brokers for small-farmer production, the GOG will be encouraged to privatize the enterprises. In conjunction with the macroeconomic dialogue, establishment of appropriate export incentives for nontraditional agricultural production will be supported as well as increased reliance on free market forces.

Narrative

The strategy for agricultural production is aimed at increasing economic returns on productive assets owned by or available to small farmers through selective interventions. Included are

management improvements and the transfer of low cost technologies to significantly raise productivity levels on small farm units. Both credit and appropriate technology will be provided to increase nontraditional production, change traditional farming systems to accommodate diversified production, and to increase higher levels of on-farm employment.

In FY 1985, 43 small farm models were developed to demonstrate appropriate technologies for increasing production and diversifying from traditional cropping patterns. Since early 1985 USAID projects have been responsible for the installation of 450 hectares of small-scale irrigation benefitting 1,350 small farmers and increasing incomes by 400%. In addition, 1,600 hectares of soil terracing have been built, benefitting 8,000 small farmers and increasing output by 100%. These land improvements have been responsible for the diversification of 400 hectares of land into fruit and vegetable production, providing increases in the value of exports of Q2.4 million. Also, 60 hectares of public lands have been reforested since early 1985. Beginning in 1985 nine farms throughout the country, totaling 2,137 hectares, have been transferred to 583 landless or land-poor rural families, providing potential increases in the value of production of some Q14 million.

Improved access to production support programs, especially technology and credit, have been important components of many USAID agricultural development projects. During 1985, Q600,000 in credit from BANDESA has been made available to 275 small farmers to finance farm improvements, technological inputs and technical assistance, much of this related to crop diversification. To facilitate the transport of increased production to markets and/or collection points, 525 Kms. of farm-to-market roads were maintained and an additional 12 Kms. were constructed in 1985.

Given the success with physical land improvements, crop diversification, and productive land transfers, USAID will continue to expand these interventions during the 1987/1988 period through the on-going Penny Foundation Commercial Land Markets Project, while increasing crop diversification and land improvements activities under the new Agricultural Diversification and Resource Management project.

Within the existing project portfolio, USAID will continue to support greater on-farm employment opportunities and improved access to produce markets through on-farm (or cooperative) produce collection, grading and packing of non-traditional agricultural production. Paramount to achieving greater access to

productive land, markets, production support, and employment is the organization and strengthening of rural groups to defend their own interests. This effort will continue and be expanded through the FY 1986 Cooperative Strengthening Project and through the FY 1987 Agricultural Diversification and Resource Management Project, which will help organize fruit producer, vegetable producer and irrigation associations. To increase access to markets, the Farm-to-Market Tertiary Roads Project will link farm-to-market access roads to the national paved road network by constructing or upgrading existing tertiary roads to respond to heavier traffic resulting from increased production.

Budgetary Impact

Project	FY 1987	FY 1988
Agricultural Diversification and Natural Resource Management	4,600,000	9,400,000
Farm-to-Market Tertiary Roads	5,000,000	5,000,000

MISSION GOAL 3: Laying the Basis for Long-term Growth

Broad Objective B (Private Sector/Export Promotion): Increase incentives for private sector production and investment, through strengthening of the small-medium business sector, promotion of nontraditional exports and improvement of the regulatory environment for business.

Specific Objective	Performance Indicators	Key Assumptions
a. Increase private sector investment. b. Increase value of small farmer production processed and marketed through private channels, with an emphasis on export marketing. c. Support and strengthen private sector institutions providing services (e.g. credit, marketing, management assistance and training) to private business. d. Strengthen private sector capacity for technical analysis of public policies. e. Promote privatization of parastatal enterprises. f. Regulatory reform including: reduction in export red tape, fewer bureaucratic impediments to carrying out business, and government policy to actively promote investment and export.	a. Targets: (1) By 1990, Guatemalan exports will have increased by 60 percent in real terms with respect to 1985 base figure of $1062 million. (2) By 1990, net foreign investment will have increased by 10 percent per year over the $90 million level in 1984. b. Benchmarks: (1) 10 new medium-sized agribusiness enterprises established or expanded by the end of FY 1987. (2) Fifty small-medium businesses assisted with credit or technical assistance by the end of FY 1988. (3) Information systems for exports and markets operational by end of FY 1986. (4) Fifteen percent annual increase in nontraditional exports (non-CACM) over 1985 base figure of 129.9 million. (See Goal 1a Benchmark 8 narrative.) (5) By 1988, a new organization or chapter will represent small-medium business interests and will provide training and other services to its membership. (6) By 1988, privatization (full or partial divestiture) or structural improvement of at least two [illegible]	a. Democratically elected government increases political stability and restores business confidence. b. Reductions in public sector deficit from 1986 to prevent excessive restrictiveness on credit to private sector. c. Economic stabilization program proceeds on schedule, particularly export tax phase-out and exchange rate unification. d. Private sector has capacity to respond to a positive investment climate, and will take a lead on growth. e. Government of Guatemala encourages and supports private investment, both domestic and foreign, in the country. f. GOG budget maintains existing real levels of infrastructure investment and maintenance. g. Private sector successful in liberalizing GOG air freight and land transport policies.

Projects	Number	LOP Funding
Continuing		
Small Farmer Marketing	520-0238	3,400,000
Rural Enterprises	520-0245	6,850,000
Agribusiness Development	520-0276	12,500,000
Private Sector Development	520-0337	1,500,000
New		
Industrial Development	520-0341	10,000,000
Privatization of State-Owned Enterprises	520-0296	10,000,000
Private Sector Skills Training Development	520-0324	5,000,000

Policy Dialogue Actions

USAID will work with public and private sectors on a wide range of policy issues affecting the productive sector: macroeconomic policies, taxation, privatization, foreign exchange regime, drawback and free zones. Such policy dialogue will be pursued to create a climate for private sector/export-led expansion and economic recovery. Efforts will be undertaken to improve the GOG policy environment for improving private sector confidence and investment and promote specific policies designed to encourage local capital formation and exports.

Narrative

Programmed activities in support of private sector initiatives were begun in FY 1985. USAID has encouraged public/private sector dialogue by supporting policy seminars, investment promotion, and pilot private sector economic development. Commodities for export and market information systems were purchased and the Nontraditional Exporters Guild has been effective in generating nontraditional agricultural exports through marketing contacts, furnishing computerized information sources, and leading the private sector to take advantage of Caribbean Basin Initiative trade opportunities. Three fruit and vegetable processing plants in and around Guatemala City were expanded using subloan credits from AID-sponsored projects. This financing increased the processing capacity of these plants by some 9 million pounds per year, the majority of which is for export. Four small farmer cooperatives also received financing

to improve primary grading, packing and storing of nontraditional fruits and vegetables for exports. Twenty-five small/-medium sized enterprises have received technical assistance to improve marketing, production and general management capability.

The USAID funded a Private Sector Assessment which highlighted the need to modify the policy, procedural and attitudinal framework of both public and private sectors. In addition to the policy dialogue being undertaken through efforts to support balance of payments, the new projects identified for FY 87 and FY 88 will build upon the present private sector analysis and will assist in pursuing the key policy changes required to support economic growth by the public and private sectors in Guatemala. Efforts will be undertaken to expand private sector investment beyond that presently being placed in agricultural processing and open other areas for enterprise expansion.

Budgetary Impact

Project	FY 1987	FY 1988
Industrial Development	7,000,000	3,000,000
Privatization of State-Owned Enterprises	3,000,000	7,000,000
Private Sector Skills Training Development		5,000,000

MEDDA GOAL 3: Deepen Equity and Expand Participation in Development among Heretofore Disadvantaged Guatemalans

Broad Objective A (Employment): Achieve increased rural incomes and productivity through greater demand for small farmer and micro-enterprise production.

Specific Objectives	Performance Indicators	Key Assumptions
a. Increased employment in rural or marginal areas. b. Provide opportunities for off-farm employment.	a. Target: Decrease percentage of economically active population unemployed or underemployed from 1984 estimate of 43.4% to 30% by 1990. b. Benchmarks: (1) 1987: 10 new medium-sized agribusiness enterprises established or expanded since 1985 relying on small farmer production. 50 small business assisted with credit and technical assistance since 1985. 50 additional communities with diversification potential electrified since 1985. (2) 1988: 3 agricultural processing facilities serving 1,200 small farmers operations since 1985. 10 successful small/medium enterprises receiving working capital loans in rural areas. Initiation of construction of at least 2000 low-income houses.	a. Private sector takes active role in investing in activities which create new employment opportunities. b. GOG policy adjustments in 1986 and 1987 create favorable conditions for investment and new employment. c. Public sector investment levels are adequate to provide requisite physical infrastructure for expansion of the industrial sector. d. Banks willing to adopt policies which encourage small enterprise lending. e. Private sector expands investment in low-income housing.

Projects	Number	LOP Funding
Continuing		
Rural Enterprises Development	520-0245	7,170,000
Rural Electrification	520-0248	10,600,00
Electrical Power Reserve	520-0344	7,000,000
Agribusiness Development	520-0276	12,500,000
New		
Private Sector Skills Training	520-0324	5,000,000
PACT/ASINDES	520-0348	1,050,000
Industrial Development	520-0341	10,000,000
Secondary Cities and Rural Housing	520-0261	300,000

Policy Dialogue Actions

As discussed in the Policy Dialogue Section, both macroeconomic and sector-specific policy dialogue will be undertaken to create a favorable environment for expanded private sector investment as well as remove artificial constraints to production and exports. Efforts will also be undertaken to further encourage the Government of Guatemala to provide the needed infrastructure which new and/or expanding enterprises will need to establish their activities.

Narrative

Over the past decade, the major focus of the USAID program was to introduce means by which on-farm employment, particularly for the small producer, could be expanded in order to raise rural incomes and productivity. This program has been particularly effective in changing production practices to meet demands of the various export markets. However, with the curtailment of the Central American Common Market, many of the nonagricultural enterprises developed over the past decade have been forced to cut back their production since new markets have been slow to materialize. At the same time the population has been growing at a steady rate of approximately 3% per year, creating a surplus of labor force entrants competing for the limited jobs available. With the expansion in agricultural production, there is an increasing need to develop the processing infrastructure to accommodate the production as well as to produce complementary commodities to support the export marketing services.

Despite efforts to reduce underemployment in agricultural areas, a new generation in the labor force is further exacerbating the problem. To help counteract the growing unrest as more and more people find themselves without any viable means of employment, USAID is working with both the public and private sectors to provide the necessary infrastructure for expanding the industrial base and to encourage the development of labor-intensive enterprises. The on-going project portfolio directs efforts to expand employment opportunities in rural areas as a means to offer off-farm employment and curtail migration to the major metropolitan areas. The new activities will expand the industrial base to include marginal urban areas as well. Activities will focus on the expansion of micro-enterprises.

Under the Electrical Power Reserve Project, a generator was put into operation in late 1985 to assure an adequate supply of electricity while steps were being taken to bring the Chixoy power plant on line. The Rural Electrification Project has connected 70 communities during 1985, thus opening up new sites for small enterprises. In addition, the Rural Enterprises Project (520-0245) expended or approved the eligibility for approximately $2.0 million in over 2,000 subloans to small business located outside Guatemala City. Three new processing plants began operations in late 1985 and opened up more than 200 jobs, primarily filled by women, who prepare fruits and vegetables for freezing and export.

Budgetary Impact

	FY 1987	FY 1988
Private Sector Skills Training		5,000,000
Industrial Development	7,000,000	3,000,000
Secondary Cities and Rural Housing	300,000	

NBCCA GOAL 3: Deepen Equity and Expand Participation among Guatemala's Disadvantaged Groups

Broad Objective B (Education/Literacy): Improved literacy rates and greater educational opportunity for the rural population, both male and female, particularly in the areas of bilingual primary education, skills upgrading and higher education programs.

Specific Objective	Performance Indicators	Key Assumptions
a. Increase enrollment of primary school age population. b. Increase number of adults achieving fourth-grade education. c. Increase higher education opportunities for the Mayan Indian population.	a. Target: By the year 2000, universal primary school enrollment and literacy rate increased to 60 percent (from 1980 census figure of 45.4 percent.) b. Benchmarks: (1) Net enrollment rate in primary schools increased by 6 percentage points over the 1985 rate of 63 percent as follows: Year Percentage 1986 65 percent 1987 67 percent 1988 69 percent (2) By 1987, 25 percent of all new primary school positions filled by bilingual Indian personnel. (3) Rural radio station providing agriculture and health messages in indigenous languages (1700 hours per year). (4) Highlands higher education program established in 1987. (5) By FY 1990, 60 percent of CAPS long- and short-term participant trainees will be either Indians or women. (6) Percentage of GDP assigned to public sector education expenditures increased from 1.7 percent to 3.1 percent by 1987.	a. Fluency in Spanish and fourth-grade literacy will increase social and economic opportunities for Mayan Indian population. b. GOG will continue to allocate sufficient resources following completion of donor activities, so that recurrent costs of bilingual education and decentralization programs are met. c. In the interim period, other donor support continues at present levels.

Projects	Number	LOP Funding
Continuing		
Rural Primary Education Improvement	520-0282	12,000,000
Adult Literacy	520-0311	700,000
New		
Altiplano Higher Education	520-0304	5,000,000
Primary Education Management Improvement Project	520-0320	10,000,000
Private Sector Skills Training Development	520-0324	5,000,000

Policy Dialogue Action

Mission will continue policy dialogue with the GOG regarding decentralizing the educational system. Items to be covered in the dialogue include doubling sessions to increase the use of the existing physical infrastructure, community support and supervision of local schools, alternative means of addressing the educational needs of the migrant population, and GOG commitment to adequate financing of the educational system through national budget allocations.

Narrative

During calendar year 1985, the Ministry of Education (MOE) appointed 150 bilingual teachers, who account for 24% of all new primary school positions. Bilingual materials from pre-primary through the third grade have been developed and field tested. First grade bilingual materials have been printed and were distributed to 400 schools in the Highlands for the opening of the new scholastic year which began in January 1986. In addition, the MOE continues to carry out the longitudinal study initiated in 1982 to monitor achievement, promotion and retention rates of students in the experimental bilingual program versus students in comparison schools taught only in Spanish. The longitudinal study has documented a promotion rate of 75% for students in experimental schools versus 65% for students in comparison schools. Student drop-out rates were significantly lower in experimental classes, while achievement scores in math and reading were significantly higher. It is expected that the program will have a cumulative effect and that the above gains will be even higher in 1986.

In FY 1986 the USAID continues to assign a high priority to improving primary education in Guatemala. Increased access to primary education together with improved quality of the education system will assist in incorporating all segments of the population into the productive sectors of the economy. Furthermore, the Mission is firmly convinced that the only effective way to increase the level of literacy in Guatemala is through the improvement of the primary educational system.

The USAID will support the GOG's effort to decentralize the country's educational system during FY 1987 . Through policy dialogue with the GOG, the Ministry of Education will be encouraged to institute a series of reforms to improve the efficiency of the existing system, particularly to foster local control of the school system and increased local support and financing. To support this policy dialogue a new project, Primary Education Management, will be initiated to provide the resources for initiating these reforms. As part of the decentralization process, the USAID is also working to encourage Guatemala's extensive private sector to expand educational opportunities in rural areas and provide greater coverage in subject areas where the private sector has more expertise, such as technical and managerial education. Through the Altiplano Higher Education Project USAID is assisting a local private university to strengthen its activities outside the capital city. The Private Sector Skills Training Development Project will also seek to extend technical and managerial training opportunities to more rural areas outside of the primary and secondary urban population centers.

Budgetary Impact

	FY 1987	FY 1988
Education Management Improvement	10,000,000	
Private Sector Skills Training Development		5,000,000

NECCR GOAL 3: Deepen Equity and Expand Participation in Development Among Heretofore Disadvantaged Guatemalans

Broad Objective C: (Health/Nutrition): Improve primary health care delivery, alleviate chronic malnutrition (nutrition) and reduce infant mortality (health).

Specific Objectives	Performance Indicators	Key Assumptions
a. Expand coverage of primary health care services nationwide and include the delivery of immunizations and oral rehydration therapy on a regular basis. b. Reduce infant and child mortality/morbidity. c. Increase nutritious food consumption in most vulnerable "at-risk" groups (pregnant and/or lactating women and children under five years of age).	a. Target: Nationwide preventive health care services available to all persons regardless of socio-economic status. b. Benchmarks: (1) 80% of rural children 5 years and under receive complete doses for six immuno-preventable diseases by 1990. (2) 80% of pregnant women will receive two doses of tetaus-toxoid by 1990. (3) Immunization services provided on a regular basis at the community level through all established MOH facilities by 1988. (4) Oral rehydration therapy services established in MOH health posts, health centers and hospitals in 22 departments by 1990. (5) 33% decrease in hospital and health center admissions due to diarrheal related conditions by 1990. (6) Consultation contacts between mothers/children and the MOH system increase from 30 percent coverage in 1986 to 60 percent by 1990. (7) All children in pre-primary through the third	a. GOG budget for primary health care services remains at least at the 1985 level. b. Private sector continues provision of services in the densely populated urban areas and expands into the traditionally neglected agricultural areas of the country. c. GOG continues Vitamin A fortification and school supplemental feeding programs. d. Vaccinations will be carried out as permanent routine service offered by the MOH outreach systems and fixed facility network, and will be supplemented by more intensive strategies based on epidemiological need.

Projects	Number	LOP Funding
Continuing		
Community-Based Health and Nutrition Systems	520-0251	9,500,000
Potable Water and Sanitation	520-0335	1,000,000
Potable Water Systems	520-0336	500,000
Child Survival/Immunization/ORT	520-0339	9,700,000
New		
Private Sector Oral Rehydration Therapy	520-0342	4,000,000
Highlands Environmental Sanitation	520-0333	5,500,000

Policy Dialogue Actions

Ministry of Health will be encouraged to increase the availability and acceptability of preventive health care services by expanding the capability of existing personnel. Within this policy dialogue, health promotors should be recognized as an effective and critical resource in a nationwide outreach system based on preventive health care. The establishment of health education services will be promoted, including environmental sanitation measures and nutrition education as well as purely medical interventions.

Narrative

During 1985, the USAID increased its support for Child Survival through the development of a project addressing both immunization and oral rehydration therapy needs of the most-at-risk population, i.e.; children five years of age and under and pregnant females. The USAID-funded activities are complementing the services being offered under the UNICEF-sponsored immunization campaign which is providing the first series of immunizations required for increasing immunization coverage rates, thereby improving child survival indicators. It is expected that by 1990 a routine process will be established which will guarantee that every school-aged child is protected with a complete set of immunizations against the most common immuno-preventable diseases. At the same time under the maternal/child health programs carried out by CARE and CRS, recipients of Title II supplemental foods are being advised of the importance of vaccinations and how to properly administer oral rehydration therapy.

To complement the purely clinical approach to the prevention of childhood diseases, potable water and environmental sanitation systems are being provided in those communities which are not already connected to the national network. During 1985, under three separate projects, approximately 50 water systems were constructed. At the same time, activities have been undertaken to educate community users of the systems in appropriate hygiene practices as well as improved food preparation techniques.

In the short-term, USAID projects will concentrate on the effective incorporation of Child Survival interventions into the MOH system. Interventions, such as immunizations and oral rehydration, will contribute both to reduction in infant and child morbidity/mortality rates and to strengthening the capacity of service delivery through the public health infrastructure. Presently the Ministry of Health offers thirty percent coverage and is expected to increase to sixty percent by 1990 as a result of improvements in the primary health care delivery system.

In the long run, the private sector will be encouraged to increase its coverage of geographic areas and population groups which lie outside the MOH's fixed facilities. Public and private sector health-related activities will complement each other. Initial private sector involvement in the provision of preventive primary health care will be through oral rehydration therapy services and the local production of oral rehydration salts. To explore alternative private sector preventive health care service delivery strategies, the USAID will mount a pilot project focusing on the delivery services to the migrant agricultural workers, a population group which has been traditionally difficult to reach by the fixed public health system.

Since the demand for potable water and environmental sanitation systems far exceeds resources available through either the national government or international donors, USAID will continue to monitor donor activity in this area and assure that systems being installed do not duplicate other activities. At the same time USAID will further strengthen the educational programs dealing with personal hygiene and food preparation to maximize both the health and nutrition improvements which a cleaner environment can provide.

Budgetary Impact

	FY 1987	FY 1988
Private Sector Oral Rehydration Therapy (520-0342)	4,000,000	
Highlands Environmental Sanitation (520-0333)		5,500,000

NSCCA GOAL 3: Deepen Equity and Expand Participation in Development Among Heretofore Disadvantaged Guatemalans

Broad Objective D (Population): Increase provision of voluntary family planning services

Specific Objectives	Performance Indicators	Key Assumptions
a. Increase use of contraceptive methods among population of reproductive age.	a. Target: Increase contraceptive use among married women of fertile age from 25% in 1983 to 40% in 1990. b. Benchmarks: (1) Contraceptive Prevalence Survey taken in 1988 to determine progress since 1983. (2) TV and radio spots aired countrywide and other educational materials being produced in support of IEC by end of FY 1987. (3) Obtain 50,000 new users in FY 87 and 60,000 in FY88. Retention rate of continuing users at 70%. (4) Through the Contraceptive Social Marketing Program (IPROFASA), by the end of FY 1987 approximately 1,300 outlets selling contraceptives will be serviced.	a. The Government of Guatemala reverses its present decision to accord low priority to the provision of family planning services and information. b. The private sector intensifies its efforts to cover the demand for services and information to pick up the deficit in information and services.

Projects	Number	LOP Funding
Continuing		
Expansion of Family Planning Services	520-0288	14,186,000
New		
Private and Voluntary Organizations	520-9999	3,000,000

Policy Dialogue Actions

USAID/Guatemala will continue to stress the need for dialogue on the issues of population growth and family planning to induce a favorable policy determination by the GOG.

Narrative

The Population Reference Bureau estimates Guatemala's population growth rate by mid-1985 as in excess of 3%, one of the highest rates of growth in Latin America and one which will nearly double the population in 20 years. With diminishing natural and financial resources, particularly available arable land in this agriculture-based economy, this growth rate will place intolerable strains on the Government of Guatemala.

Over the past three decades the GOG has been inconsistent in its approach to the problem. Support of family planning programs by the public sector has been largely left to the personal leanings of each Minister of Health. Over the past 4-5 years, incumbent Ministers have permitted family planning programs to be carried out by the MOH.

The recently appointed Minister of Health has declared that family planning programs have low priority. Although the Ministry of Health has not been a vigorous promotor of family planning programs, the availability of reversible methods at MOH facilities nationwide has been a large and important component of the total distribution system. The overall family planning effort nationwide would be adversely affected by the withdrawal of the MOH, but it would not be crippled. However, as a result, USAID/Guatemala is handicapped in forming its forward population policy.

Budgetary Impact

	FY 1987	FY 1988
Expansion of Family Planning	2,800,000	2,800,000
PVOs	1,500,000	1,500,000

NBCCA GOAL 4: Democratic Institutions and Human Rights

Broad Objective B (CAPS Scholarships): Increase nontraditional participant training to counter Soviet Bloc efforts and enhance trainees' opportunities and understanding of democracy

Specific Objectives	Performance Indicators	Key Assumptions
a. Substantial increase in the number of persons trained in nontraditional fields under the CAPS program.	a. Target: By 1989 at least 150 long-term participants and 3,500 short-term participants from socio-economic disadvantaged groups in Guatemala will receive U.S. scholarships which will provide deeper exposure to the democratic process as well as to economic and development subjects selected to close the human capacity and work force gaps experienced by this population. b. Benchmarks: (1) By 1987, 90 participants per year from the socio-economic disadvantaged groups in long-term training in the U.S. (2) By 1988, 25 students who received remedial training placed in long-term training programs. (3) Annually at least 400 short-term participants receiving training in the U.S.	a. Sufficient number of disadvantaged persons exist with necessary study skills to take advantage of training opportunities. b. Training opportunities for the target group will continue to be viewed favorably by the national leadership.

Projects	Number	LOP Funding
Continuing		
Rural Scholarship Program	520-0312	300,000
Central American Peace Scholarships	597-0000.10	27,500,000

Policy Dialogue Actions

The CAPS program for the period FYs 1986-1989 will use five special committees composed of distinguished public and private sector Guatemalans to identify and pre-select candidates from the target group. This activity will not only offer disadvantaged Guatemalans special growth opportunities, but will deepen the democratic process in country.

Narrative

In response to Agency, Congressional and Mission desires for a rapid CAPS start-up, a separate FY 1985 program was developed with the initial Country Training Plan (CTP) in March 1985. Following the timely allocation of funds by AID/W, participants began to go to the States in May 1985. At that time, the Mission anticipated we could recruit a total of some 240 participants in ten short-term programs with 20 long-term scholarships in various disciplines, five each in education, agriculture, private sector promotion, and health and population. A high percentage of the scholarships were to go to women and/or indigenous citizens. The reality surpassed our expectations. The actual final number for FY 1985 USAID/Guatemala direct CAPS funding will be 867 scholarships, including 621 in 21 short-term technical groups already completed, 168 in five more short-term courses in May and June 1986, 25 long-term in the States and 25 in the remedial Del Valle undergraduate program. The balance of 28 are short-term slots for future use made available from savings on short-term courses to date. The vast majority of direct USAID/Guatemala scholarship recipients are from rural disadvantaged groups. Candidates have been drawn from every department of the country. To date indigenous Guatemalans and women have formed nearly two-thirds of the total. Adding in the 23 long-term and 8 short-term Georgetown candidates and the two Arkansas candidates would bring the full USAID-associated Guatemala program total to 900. Additionally, USIS sent 26 CAMPUS program long-term scholarship recipients to the States.

To reach the target group, to help obviate language and culture shock problems, and to facilitate processing, in the FY 1985 program USAID/Guatemala tested with considerable success the group-training concept (fifteen to forty persons in each group) and arranged for all short-term training to be in Spanish. This approach will be continued for the balance of the program. We will continue to seek ways to further refine this approach, including an evaluation of the length and political/-development mix of program contents.

In the interest of fast start-up, the first year program was managed separately from the final four, with the Mission and its technical offices assuming the role planned in FY 1986 and forward for five Guatemalan technical committees and the Program Office's training unit doing the processing work now projected for a special INTECAP unit. INTECAP is Guatemala's training organization, training personnel for both the public and private sectors and drawing resources from both. It should be noted that all first year activities were designed, planned and conducted on very short time fuses. Nevertheless, follow-up thus far indicates that all went very well.

For first year activities, the Mission also opted to conduct full-day pre-orientation activities in-country, again with very positive results. The U.S. Ambassador and/or the USAID Director addressed every group during the orientation sessions and emphasized not only the specific technical concerns of each group, but in particular the larger NBCCA themes for the program. This practice will be continued as part of the INTECAP unit's responsibilities.

Following three weeks of technical training in a wide range of sites throughout the U.S., each short-term group was programmed for a week's visit to Washington, D.C. to deepen the scholarship recipients' exposure to the U.S. cultural and political scene. These programs were arranged by ST/IT using the facilities of the International Center in Washington and will be continued.

Finally, for a number of the groups, particularly those composed of indigenous and other disadvantaged personnel who had no prior experience with planes or international travel, the Mission arranged for its own Training Officer to accompany them to the States and through the first week of training. This "survival orientation" proved to be particularly useful and provided important feedback. This function will also be continued through the INTECAP unit.

Budgetary Impact

The original project paper envisons a five-year CAPS program in Guatemala with $27.5 million in funding. First year funding (FY 1985) was $5.1 million. The FY 1986 allocation is $5.8 million. Between five and six million are anticipated for each year of the ACTION PLAN period.

NBCDA GOAL 4: Democratic Institutions and Human Rights

Broad Objective A: (Democracy Initiatives): Promote development institutions capable of responding to participation by population at large.

Specific Objectives	Performance Indicators	Key Assumptions
a. Strengthen legislative institutions and the ability of their members to deliberate effectively on issues affecting economic growth and the participation of all sectors in the benefits of growth. b. Improvements of the administration of justice systems.	a. Target: By 1989 at least five Guatemalan administrative units delivering decentralized resources and services to rural communities in response to their expressed needs. b. Benchmarks: (1) By 1987, establish mechanism for decentralized delivery of financial resources for community development activities through Government of Guatemala channels. (2) By 1987, Government of Guatemala designating 6% of its local currency budget for municipality-controlled activities. (3) By 1988, municipalities allocating resources to meet community needs. (4) In 1987 and 1988, use ILANUD regional administration of justice training opportunities at least three times a year. (5) In 1987 and 1988, at least two training programs each year under Democracy Initiatives to improve government legislative or administrative performance.	a. The newly elected civilian government will continue to encourage participation of the electorate in the democratization process. b. Military leadership will permit popular participation in the decision-making process. c. Prior initiatives in decentralizing the delivery of public sector services will be expanded. d. Popular human rights groups will be permitted to continue their dialogue with governmental entities. e. Congressional actions will permit the improvement of the legal system and the administration of justice.

Projects	Number	LOP Funding
Continuing		
Centrally-funded Democracy Initiatives	N.A.	N.A.
Regionally-funded Administration of Justice	N.A.	N.A.
Local Economic Development	520-0331	2,000,000
Central American Peace Scholarships	597-0000.1	27,500,000

Policy Dialogue Actions

The Mission will continue to work with GOG leadership to assist in decentralizing central control for the delivery of services and essential infrastructure to rural areas which have been bypassed under prior administrations. Support will also be provided for Guatemalan congressional initiatives to improve the professional skills of its members as well as other elected civil servants more generally. Improvements in the administration of justice are called for by the new Constitution and will be a specific target for activities and available resources.

Narrative

Democracy initiatives and Administration of Justice activities are of recent origin in Guatemala. During 1985, following extensive dialogue with the military government then in power, national elections were scheduled and brought to a successful conclusion late in the calendar year. Given past experience, USAID withheld any direct planning in this area until the commitment of the incumbent government was assured. Once such commmitment was obtained, through the LAC Regional Human Rights Project, USAID provided funds for the purchase of security ballot paper for 13.2 million ballots for the presidential, congressional and mayoral elections held in November and December 1985. In addition, the Center for Electoral Assistance and Promotion (CAPEL), located in San José, Costa Rica, received a grant to advise and assist two Guatemalan institutions in training officials for monitoring balloting procedures and tabulating votes. USAID also provided $7 million under the Electrical Power Reserve Project (520-0344) to provide back-up generating capacity to assure adequate power for the conduct of elections.

Following the elections which culminated in a freely elected civilian government, USAID assisted in identifying four leaders to participate in a regional Administration of Justice seminar. A member of the new Guatemalan Congress attended the seminar for legislators given in Honduras and enthusiastically endorsed such a training opportunity for Guatemala. A contractor from the regional Democracy Initiatives Project has visited Guatemala and is working on preparations for a similar seminar here in June 1986. Complementing these actions, USAID provided more than 800 CAPS long- and short-term scholarships, principally for disadvantaged indigenous and women participants.

Under the Democracy Initiatives Project and through programming of the local currency and development assistance activities, USAID has begun a two-prong program through intermediaries to train legislators and to provide selected local governments with financial resources so that they can respond to the communities needs. As in the past, USAID will draw on regional activities to assist in the strengthening of the legislative process within the Guatemalan Congress. Using development assistance funds, USAID is working with the newly established Ministry of Development to demonstrate ways in which the Central Government can be responsive to local interests. This emphasis on a grass-roots approach to development is to encourage a government more active and responsive to the perceived needs of its citizens.

Training under the CAPS Program will continue to demonstrate to the participants the role of the citizenry in the democratic process. Through the continuous evaluation and follow-up program sponsored by the CAPS Program, it is planned that the conceptual ideas presented in an academic setting will be reinforced through in-country contact with and among the participants who have completed their training. USAID will also use a similar approach in reinforcing the concept of the administration of justice in a democratic environment. The regional Administration of Justice project is being expanded to include $1.3 million for direct participation by Guatemala. This program will include a country assessment as well as a range of special training, seminar and exchange opportunities.

Budgetary Impact

	FY 1987	FY 1988
Regional Administration of Justice	500,000	500,000

Section Three - Other Aspects

A. Priorities, Mortgage and Pipeline

Priorities (FY 1987)

	Amount ($000s)
1. By Sector	
a. FN	
520-0000.1, PD&S	550
520-0343, Pilot Comm. Land Mkts.	1,000
520-0349, Agric. Divers. and Natural Resource Management	3,600
520-9999, OPGs	500
520-0352, Farm-to-Market Tertiary Roads	5,000
Sub-Total	10,650
b. HE	
520-0000.2, PD&S	300
520-0342, ORT/Private Sector	4,000
Sub-Total	4,300
c. EHRD	
520-0000.3, PD&S	200
520-0320, Primary Education Mgmt.	10,000
Sub-Total	10,200
d. SDA	
520-0000.4, PD&S	100
520-0341, Industrial Development	7,000
520-0145, SDF	100
520-0296, Privatization	3,000
520-0261, Secondary Cities and Rural Housing	300
Sub-Total	10,500
e. POPULATION	
520-0000.5, PD&S	50
520-0288, Expansion Family Planning	2,800
520-9999, OPGs	1,500
Sub-Total	4,350
f. ESF	
FY 1987 Economic Stability/ Structural Adjustment	75,000
Sub-Total	75,000
TOTAL PROGRAM	115,000
TOTAL DA	40,000
Grant	26,000
Loan	14,000

		Amount ($000s)
2.	Priorities for Total FY 1987 Package	
a.	Econ. Stabilization/Structural Adjustment (ESF)	75,000
b.	520-0000.4, PD&S (SD)	100
c.	520-0341, Industrial Development (SD)	7,000
d.	520-0000.3, PD&S (EHRD)	200
e.	520-0320, Primary Education Management (EHRD)	10,000
f.	520-0000.1, PD&S (FN)	550
g.	520-0343, Pilot Comm. Land Mkts.	1,000
h.	520-0349, Ag. Divers. and Natural Resources Management (FN)	3,600
i.	520-0288, Expansion of Family Planning (POP)	2,800
j.	520-0145, Special Dev. Fund (SD)	100
k.	520-9999, OPGs (FN)	500
l.	520-0000.2, PD&S (HE)	300
m.	520-0342, ORT/Private Sector (HE)	4,000
n.	520-0352, Farm-to-Market Tertiary Roads (FN)	5,000
o.	520-9999, OPGs (POP)	1,500
p.	520-0296, Privatization (SD)	3,000
q.	520-0000.5, PD&S (POP)	50
r.	520-0261, Secondary Cities and Rural Housing (SD)	300
TOTAL PROGRAM		$115,000
TOTAL DA		40,000
Grant		26,000
Loan		14,000

Mortgage

There are no mortgages within the FY 1986 program to be carried over into FY 1987. The proposed FY 1987 program includes six new bilateral projects, three new grants and one add-on to an existing private sector grant. Of the bilateral projects, two will be fully funded in FY 1987. These are the $300,000 Secondary Cities and Rural Housing Project 520-0261 and the $10.0 million Primary Education Management Project 520-0320. The remaining four new FY 1987 projects as currently structured will require an FY 1988 mortgage of $19.4 million. The three new grants will be fully funded within the FY 1987 OYB. The add-on to the existing family planning grant 520-0288 will be split-funded between FYs 1987 and 1988. The FY 1988 mortgage for this grant will be $2.8 million. In summary, none of the FY 1987 OYB will be required for past year's mortgages and there is no mortgage funding beyond FY 1988. A total of

$22.7 million or about 57% of the proposed FY 1988 funds will be required to complete funding of new projects and grants to be initiated in FY 1987.

Pipeline

Prior to the initiation of the Central American Initiative (CAI), the DA OYB in Guatemala varied between $10 million to $12 million annually with a pipeline of about $40 million or between 50% to 66% of the active portfolio at any given time. At the end of FY 1985, after the first year of the CAI, the pipeline of active projects had increased to about $84 million or 74% of an active portfolio with an obligated value of $115 million.

The $33 million OYB for FY 1986 and the projected OYB for FY 1987 of $40 million and $40 million in FY 1988 continue to inject a large amount of new annual DA funds into the portfolio, though not quite as large as the initial FY 1984 supplemental and FY 1985 build-up. As a result of this infusion of new funds, the Mission's pipeline is anticipated to increase both in actual dollar value and as a percentage of the active portfolio through at least the initial implementation stages of new project activities.

It is anticipated that the pipeline at the end of FY 1986 will be about $99.8 million, increasing to $105.5 million at the end of FY 87 and then beginning to drop off slightly by the end of FY 1988 to $96.7 million. At the same time the active portfolio will grow from about $115 million at the end of FY 1985 to roughly $169 million by the end of FY 1988. Although, because of major new funding, the pipeline will increase in absolute terms from FY 1986 through FY 1988, the percentage of the portfolio in the pipeline will begin to decrease again to about 57% by the end of FY 1988, as the initial FY 1984 supplemental and FY 1985 CAI activities begin to be completed. The Mission will enter the ACTION PLAN period with 27 active projects. Eleven new starts are intended for FY 1987 while six projects will terminate, for a total of 32 projects in the portfolio at the end of FY 1987. This number is expected to remain constant for FY 1988, with four new starts and four terminations.

In summary, during the next three years the Mission anticipates a continued upward trend in the pipeline as a direct result of the CAI build-up. However, with the exception of an initial ballooning in the pipeline caused by the first large infusion of new funds in FY 1985, the percentage of funds in the pipeline proportionally will remain at pre-CAI levels of approximately 57%, indicating that the Mission should be able to absorb and use the new incoming funds in a timely and efficient manner and without a large accumulation of excess funds.

B. FY 1987 Documentation/Authorization Schedule

No.	Project Title	Authorized Amount (LOP)	PID*	PP*	Obligation
	ESF/87 2/	75,000	Concept Paper 09-86	(PAAD) 11-86	12-86
520-0352	Farm to Market Tertiary Roads	10,000	10/86	03-87	05-87
520-0342	ORT/Private Sector	4,000	10/86 1/	--	12-86
520-0288	Expansion Family Planning (Add on)	14,200	N.A.	07-86	10-86
520-0320	Primary Ed. Management	10,000	05-86	11-86	12-86
520-0296	Privatization	10,0000	12-86	04-87	06-87
520-0341	Industrial Development	10,000	06-86	09-86	12-86
520-0349	Agric. Divers. and Resource Management	14,000	01-87	05-87	07-87
FY 1988 PROJECTS					
	ESF/88 2/	100,000	Concept Paper 09-87	(PAAD) 11-87	12-86
520-0324	Private Sector Skills Training Development	5,000	05-87	08-87	12-87
520-0333	Highlands Environmental Sanitation	5,500	09-87	03-88	06-88
520-0353	Rural Electrif. III (Shelf Project)	10,500	06-87	10-87	12-87

* Approval for field authorization requested for all DA projects.
1/ Concept paper for Handbook 13 grant proposals.
2/ Concept Paper and PAAD to be approved in AID/W.

NEW PROGRAM NARRATIVE

PROGRAM TITLE	:	Economic Stabilization/Structural Adjustment
PROGRAM No.	:	To be assigned by AID/Washington
PROGRAM FUNDING	:	FY 1987: $75,000,000 Grant : $37,500,000 Loan : $37,500,000 FY 1988: $100,000,000 Grant : $50,000,000 Loan : $50,000,000
L.O.P.		$175,000.000

Program Purpose: The proposed program will provide immediate balance of payments support to Guatemala to relieve the severe shortage of foreign exchange, and to support continuing USAID policy dialogue with the Government of Guatemala. The dialogue will be directed toward the implementation of follow-on policy actions which fulfill the stabilization goals of the Guatemalan government's economic program. In addition, policy measures which encourage export and reduce regulatory impediments to private sector initiative will be stressed.

Program Rationale: In 1986, the newly elected Government of Guatemala has proposed a stabilization policy package whose measures include substantial movement toward unification of the exchange rate, reduction in the fiscal deficit and greater flexibility for interest rate policies. Additional policy actions will be required to complete the stabilization effort in 1987. Looking beyond correction of the major external and internal imbalances present in the Guatemalan economy, new policy initiatives will be required to create greater incentives for the export sector and to reduce the excessive regulatory red-tape which impedes private sector initiative. ESF support to the public sector investment budget will help Guatemala "catch-up" with the rest of the region in essential rural infrastructure such as roads, water systems, irrigation, education and health facilities. Without such support, Guatemala's small farmers will be left out of the opportunity to produce high value crops for the growing export market. Availability of quickly disbursing foreign exchange assistance will ease the social costs of restructuring the economy, in allowing Guatemala to achieve import requirements and maintain production.

On the stabilization side, the measures taken in 1986 will require additional tightening and refinement to fully achieve the goals of external and internal balance and the return to pre-1985 levels of inflation. In 1987, full unification of the exchange rate will be sought, along with mechanisms to allow orderly exchange rate adjustment in line with market forces. The new export tax, a temporary measure to meet the instantly higher fiscal requirements which arose when all export products were given parallel market treatment in May of 1986, must be phased-out due to its dampening of export profitability. Revisions in interest rate policy may be necessary to further stimulate domestic savings and channel investment funds into the highest return projects.

As the Guatemalan economy stabilizes, the emphasis of the ESF program will shift to support the adoption of policies more at the sectoral level which will provide a greater stimulus to investment and sustainable economic growth. To facilitate the structural adjustment of the Guatemalan economy, USAID will look for implementation of measures committed to by the Cerezo government to support private sector "reactivation," particularly in the nontraditional export sector. Among these promised measures are (1) the dismantling of unnecessary and/or costly regulatory impediments to conducting business; (2) activities in support of management improvement, financial health and privatization of parastatal enterprises; and (3) activities which allow Guatemala to take better advantage of the CBI incentives.

The third area of policy emphasis for the proposed FY 1987/88 ESF program is the strengthening of public sector investment in support of rural development. The Mission's macroeconomic policy dialogue and DA portfolio have stressed the development of export production of nontraditional crops. There are barriers to participation of the rural poor in this effort, especially in the highlands. These obstacles include a low level of physical infrastructure such as roads and marketing facilities and lack of investment in human capital such as education and health. Previous Guatemalan governments have placed low priority on including the rural disadvantaged groups in national growth. The new Cerezo government hopes to reverse this trend, a change in national orientation our 1987/88 ESF program plans to support through policy dialogue and local currency support of rural development.

Program Description: The proposed project would provide for a Cash Transfer to the Government of Guatemala of $75,000,000 in FY 1987 and $100,000,000 in FY 1988. The dollar funds would be

deposited in a U.S. correspondent bank for the Guatemalan government each year. The FY 1987 ESF will be disbursed in two tranches, with the first to take place early in the fiscal year. FY 1988 monies may be tranched 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 on-going program and strategy. Anticipated local currency uses will include counterpart funding for USAID's DA portfolio, establishment of an operating expense trust fund and programs in support of other donor activities and the private sector. Local currency will also be used to preserve development activities of the central government investment budget.

The policy dialogue will focus on specific areas of public sector revenues, the public investment budget, unification of the exchange rate, interest rate policy and measures to improve the regulatory environment within which the private sector, particularly the export sector, operates.

Relationship to Mission Strategy: The ESF policy dialogue will continue to focus specifically on increased Government of Guatemala support for rural development. Local currency programming will support and complement USAID project investments in rural areas. The ESF policy dialogue will urge essential macroeconomic policy reform and the removal of sectoral constraints to growth. The combined support for both stabilization policies and measures oriented toward higher growth and investment will help enable Guatemala to achieve external balance in the medium term by reducing the demand for imports and fomenting exports.

The ESF program is responsive to the NBCCA recommendations to support host country macroeconomic policy reforms as a means to stimulate growth. It also supports policy adjustments which will motivate greater investment and production by the private sector, another NBCCA goal.

Target Group: The group most vulnerable to Guatemala's half-decade of negative real growth were the poor, whose real incomes were slashed by the mounting unemployment and accelerating inflation which characterized the economic downturn. The successful implementation of Guatemala's stabilization program, supported by ESF cash transfer funding starting in 1986, should arrest the decline in real incomes among Guatemala's poorest segments. The urban and rural poor are also directly supported through the preservation of the public sector investment budget, specifically expenditures in roads, sanitary facilities and other basic infrastructure.

The private sector will be strengthened through greater dollar availability for productive imports and through establishment of a policy environment more conducive to growth. Guatemalan democracy will also be assisted through the program's easing of the political cost of implementing tough but necessary stabilization measures.

Plan for Presentation of Concepts Paper: Due to the newly expanded focus of the ESF policy dialogue into the area of structural adjustment in favor of the export sector and the desirability of reviewing Guatemala's progress under the stabilization program about to be implemented, USAID/Guatemala proposes presentation of an ESF Concepts Paper to AID/W in September of 1986, to be followed by the PAAD in November.

NEW PROJECT NARRATIVE

PROJECT TITLE	:	Agricultural Diversification and Resource Management
PROJECT No.	:	520-0349
PROPOSED FUNDING:		FY 1987 Grant: $ 3,600,000
LOP	:	Grant : $ 7,000,000

Project Purpose: The purpose is to provide a series of nationwide services to farmers to help them improve the management and productivity of their soil and vegetative resources.

Description of the Problem: During the last twenty years, there have been increasingly strong pressures on agricultural land in Guatemala, especially on small farms in the crowded highlands. This has forced subsistence farmers to exploit more marginal land and/or search for more remunerative production opportunities. As a result, previously underdeveloped lowlands are being cleared, fragile hillside lands are being placed under production, already cultivated lands are being exploited more intensively, and small farmers are rapidly diversifying to export vegetable crops which do not meet export standards or international demand characteristics.

This intensification of agricultural and economic activity has placed a great deal of stress on the natural resource and agricultural support systems that sustain them. The problem faced has three characteristics: (a) the speed of exploitation of natural resources has been so rapid that the ability of the land, water and forests to recover naturally is greatly reduced; (b) the agricultural and economic returns realized from this intensive exploitation have been almost entirely generated by an immediate increase in consumption or destruction of the natural resources, rather than a long-term, sustained increase in the productivity of these natural resources on a rational basis; and (c) if farmers are not growing the appropriate quantity and quality of diversified crops to meet market demand, they may be even worse off economically than before diversification because of increased uses of costly inputs, lower product prices, and no excess earnings to invest in the protection of their natural resource base.

Proposed Means to Deal with the Problem: The project will have three principal components: Crop Diversification, Land Management, and Forest Management.

The Crop Diversification component will continue to assist the public sector institutions to expand their crop diversification activities, while simultaneously creating a private sector entity to provide complementary services in fruits and vegetables to small farmers. Support to the public sector agricultural extension service (DIGESA) and agricultural research service (ICTA) will be provided by an extension of the USDA/-PASA technical assistance agreement presently in place within the Small Farmer Diversification System Project (520-0255). Emphasis will be placed on dissemination of crop diversification techniques developed under 0255 through existing representative farms and through the organization of vegetable producers and fruit producer associations. These associations would provide small farmers with an advocacy unit, as well as a forum for problem identification and resolution dealing with fruits and vegetables.

A private sector productivity center will be established and will have the following responsibilities:

1. Research: A small staff will undertake variety trials on "leading" farmers' parcels in various climates and soils in order to determine the adaptability of market-demanded new and existing fruit and vegetable varieties for export. These would be very short-cycle trials, leaving the more sophisticated, basic research on these crops to be contracted by the center with Guatemalan universities and ICTA.

2. Extension: Through on-farm trials considerable interest can be generated in new crops and/or varieties. Once a crop/variety is "adapted", it will be disseminated by the center to farmer groups through on-farm demonstrations, field days, intensive information campaigns (pamphlets, video, radio, etc.), and formal farmer education. The center will have a small staff for this purpose and will also utilize DIGESA for distribution of information and farmer training.

3. Information and Training: One of the principal responsibilities of the center will be to compile and disseminate existing fruit and vegetable information, both at the national and international level. It will also contract private firms and/or Guatemalan universities to undertake specific studies on identified production constraints. The center will be a means to channel national and international marketing information

gathered by the Guild of Exporters of Non-Traditional Products and the National Agricultural Marketing Institute to the growers. A specialized unit within the center will be responsible for the development of extension materials and planning and carrying out farmer training activities. Where possible the center will use existing DIGESA and ICTA training centers as part of its collaborative effort with the Guatemalan public sector. Additionally, the center will manage a training fund for long-term specialization in fruits and vegetables as well as a scholarship fund for Guatemalan students to do their thesis research in topics of interest to the center.

In order to ensure a small-farmer orientation and participation in the center, as well as broad public and private support, the center will have a board of directors composed of representatives of the Exporters Guild, the GOG research and extension services, the Guatemalan universities, and a majority representation by small farmer fruit and vegetable group delegates.

The Land Management Component will be carried out by DIGESA through the creation and operation of a nationwide Soil Conservation Service which will provide the technical and operational direction to the following interventions:

1. General land use planning (crops, pasture, forest, etc.) and identification of productive potential (using LANDSAT imagery) given soil, temperature, rainfall and slope characteristics, with special attention paid to fragile lands;

2. Implementation of detailed and semi-detailed soil surveys to identify carrying capacity for tree crops, annual crops, or livestock;

3. Continued construction/implementation of directly productive small-scale irrigation and soil erosion measures, such as soil terraces, contour planting and permanent pasture improvement which provide immediate increases in productivity;

4. Installation of indirectly productive soil erosion control measures, such as live windbreaks, seeded hillsides and retention dams, which provide long-term increases in productivity; and

5. Instruction of farmers on appropriate use of irrigation water in order to avoid excessive runoff, soil erosion and salinization.

The Forest Management Component will be implemented by the National Forestry Institute (INAFOR) and will include the following activities:

1. Implementation and updating of a nationwide forest inventory, using LANDSAT imagery and aerial photography in order to identify quantity of trees by species and location, as well as to control deforestation in ecologically fragile areas;

2. Preparation of a nationwide forest development plan;

3. Expanded reforestation program, especially with fast-growing fuelwood varieties, on both public and private lands;

4. Continued assistance in pine forest management; and

5. In collaboration with DIGESA, the development of an agroforestry intervention which combines trees, crops and pasture for both short-term and long-term income.

Relationship of Project to AID Country Strategy: This project follows on very effective prior and existing interventions of USAID in: soil terracing; small-scale irrigation; crop diversification; processing, storage and exporting of nontraditional agricultural products; farmer organization; and pilot activities in reforestation and pine forest management. As additional fragile lands are placed into use, increased rural incomes and sustained productivity (the cornerstones of the USAID rural development strategy) can be achieved only through adequate management of these delicate resources.

Target Group Identification: Direct beneficiaries will be approximately 12,000 fruit and vegetable farmers already producing for the market. Approximately 50,000 farmers will be directly impacted by the land management activities, while an additional 15,000 producers will be direct beneficiaries of the forest management interventions.

Request for Delegation of PID and PP Approval Authority: Given past USAID experience indicated above, the Mission requests delegation of PID and PP approval authority, since the proposed project is fully consistent with the existing strategy and current portfolio in the sector.

Detailed Project Development Plan:

1. Completion of PID by Mission December 1986

2.	Mission review of PID	January 1987
3.	Completion of PP by Mission	May 1987
4.	Mission review of PP and authorizations	June 1987
5.	Project Agreement prepared by Mission and signed	July 1987

Participant Training: All farmers undertaking the land and forest management activities described above will receive short-term practical training in their rural areas in Guatemala provided by DIGESA and INAFOR. Also, 10 technicians from each of these institutions will receive short-term training. Twenty university graduates will receive an average of two years of training in foreign countries in the production, processing and marketing of fruits and vegetables. Also, the 12,000 fruit and vegetable farmers who are direct beneficiaries will receive specialized, short-term training in Guatemala.

NEW PROJECT NARRATIVE

PROJECT TITLE	:	Farm-to-Market Tertiary Roads		
PROJECT No.	:	520-0352		
PROPOSED FUNDING:		FY 1987:	Grant:	$ 400,000
			Loan :	$4,000,000
		FY 1988:	Grant:	$ 600,000
			Loan :	$5,000,000
LOP	:		Grant:	$1,000,000
			Loan :	$9,000,000

Project Purpose: To upgrade tertiary roads that connect the national road network with access roads constructed and maintained within the GOG's labor intensive rural access roads.

Description of the Problem: Since 1978, the labor intensive rural access roads program developed by the GOG with AID support has constructed about 707 kilometers of all weather rural access roads in the Guatemalan highlands utilizing labor intensive construction methods. These roads have provided previously isolated rural communities with year-round access to agricultural inputs, technical services and local and regional markets. Also, participating community members have significantly increased their incomes through social payments for labor during road construction. Currently, the GOG is constructing an additional 800 kms. of access roads under the AID-financed Farm to Market Roads Project (520-0332).

Although Guatemala has a good system of main arteries, both the access roads constructed and under construction are connected to the national road network by tertiary and some key secondary nonasphalted roads which in the majority of cases are of poor quality. This reduces the frequency of trucking services thereby raising freight costs for small farmer produce and agricultural inputs, as well as reducing the dependability of services at critical harvest seasons. The result is reduced incentives for small commercial farmers to invest in higher value crops as well as for the private sector processing/packing industry and other potential rural business investors.

Proposed Means to Deal with the Problem: In order to provide guarantee all year access by the rural farming community producing nontraditional crops to regional, national, and international markets, the transportation link must be improved between the paved, national highway network and the small all-

weather access roads recently constructed in highly populated, agriculturally rich, but income poor mountainous regions of Guatemala. This link, consisting of tertiary and some secondary, unpaved year-round gravel roads will be upgraded with project funds. This upgrading will consist of road bed widening, some road realignment, and improvements to existing drainage infrastructure and running surface material.

Because these roads pass through the more populous areas of the Guatemalan highlands, local labor will be used where practical. This effort will be supported by heavy equipment to transport gravel for improved running surfaces and major road cuts and fills in realigned sections.

AID loan funds will finance the cost of skilled and unskilled labor to upgrade these tertiary roads, as well as the purchase of required heavy equipment. The project will give priority to those areas already benefiting from past AID financed crop diversification, small scale irrigation and soil conservation activities which resulted in increased potential for marketing cash crops.

Grant funds will finance engineering supervision for up-grading and improvement of secondary and tertiary rural roads. The project will also draw on grant funds to evaluate the social and economic impact of the project.

Host Country Entities Involved: The General Directorate of Roads (DGC) of the Government of Guatemala (GOG) will play a key role in project design, and will implement the project.

Target Group Identification: Direct beneficiaries of the project will be approximately 10,000 families providing labor for tertiary road improvement. Other beneficiaries include about 45,000 families living in the project areas where the labor-intensive rural access roads program will be centered.

Request for Delegation of PID and PP Approval Authority: The project has no policy issues that require AID/Washington resolution. The Mission engineering office has designed and successfully implemented various labor intensive access roads construction, rehabilitation, and maintenance programs with the host country during the past 10 years. Therefore, the Mission requests approval to authorize the PID and PP in the field.

Detailed Project Development Plan:

1. PID will be approved in the field October 1986

2.	FY87 PD&S funded PP design team contracted and in place	January 1987
3.	PP approved within the Mission	March 1987
4.	First portion of loan/grant funds obligated	May 1987
5.	Final portion of loan/grant funds obligated	November 1987

NEW PROJECT NARRATIVE
(Shelf Project)

PROJECT TITLE	:	Rural Electrification III		
PROJECT No.	:	520-0353		
PROPOSED FUNDING:		FY 1988:	Grant:	$ 500,000
			Loan :	$10,000,000
LOP	:		Grant:	$ 500,000
			Loan :	$10,000,000

Project Purpose: To provide electrification to rural areas where the introduction of electricity will allow a more productive utilization of existing resources and infrastructure.

Description of the Problem: One of the key constraints to the AID program objective of improving productivity and incomes of poor rural families is the lack of adequate infrastructure in the rural areas. Although electricity alone does not lead to spontaneous development activities, it is an essential factor to promote development of areas or communities with economic growth potential and a basic infrastructure.

The availability of electrical service is extremely important for the improvement of agricultural technologies, agricultural diversification, irrigation, crop processing, development of agro-industries and other rural industries. Furthermore the promotion of nontraditional export crops, especially vegetables, in most cases, requires processing for which electricity is essential. Any private sector intervention in the rural areas, especially in industry or agro-industry will have as a necessary prerequisite the existence of an adequate supply of electrical energy.

The electrical service coverage of Guatemala's rural areas is the lowest in Central America: only 7% of the rural population has access to electricity. Until 1985 one of the basic reasons for this low coverage was the lack of abundant electrical energy in the country, but with the successful start-up of the 300 MW Chixoy hydroelectric power plant this obstacle is diminishing and the main future constraint is distribution.

In the past the high cost of electricity has been a serious constraint for the productive use of electricity at the household level in Guatemala. However, with the availability of low-cost energy from Chixoy, the costs of home lighting with electricity will be lower than other possible alternatives in the rural areas.

Besides its effects on economic development of the communities or regions, the availability of electricity has a definite effect on the household economy. If properly complemented with a productive uses of electricity program, it can promote the creation or improvement of home industries, crafts and small commerce.

Another area where electricity will be increasingly important in the following years is environmental sanitation and health. It has been estimated that in approximately 5 more years all the springs available for gravity-fed potable water systems will have been used or contaminated in the highlands. The next more economic alternative is pumping underground water. In order to do this, the availability of electricity is essential since the depth of the water table in the highlands does not allow the use of hand pumps and electricity is now a cheaper alternative for pumping than the use of fossil fuels.

Currently, no other donor is supporting rural electrification in Guatemala. INDE is planning to request IDB or World Bank assistance for this purpose but given INDE's commitments with these institutions for the Chixoy hydroelectric plant, financing for rural electrification will probably not be granted before 1990.

Means of Dealing with the Problem: The proposed project will increase the rural electrification coverage in Guatemala, providing 50,000 new rural connections in approximately 250 communities with potential for the productive uses of electricity. The emphasis of the project will be to provide electricity for productive uses and therefore the construction of three-phase lines, which are more suited for industrial uses, will be an important portion of the construction activities. Approximately 400 Kms. of subtransmission lines and 800 Kms. of distribution network will be built, of which approximately 50% will be three-phase lines.

Besides household connections, the project will also provide commercial connections for small industries, businesses, farms and shops, charging variable connection rates according to size and potential consumption. The project will include an extensive productive uses of electricity program, which will cover not only the consumers connected through this project, but also those connected through previous projects. This productive uses program will include training, promotion of productive uses and demonstration projects.

Grant funds will be used to provide INDE with technical assistance to improve its administrative and technical capacity related to rural electrification, especially in areas such as

metering, collection, general financial management, improvement of rural electrification design standards and construction procedures.

Host Country Entities Involved: The implementing unit will be the Rural Electrification Division within the National Institute for Electrification (INDE). During the on-going rural electrification project, this implementing unit has developed a considerable administrative and technical capacity and is able to cover all steps of community selection, design, construction and supervision of electrification systems in the rural areas. The experience gained by the implementing unit and by INDE's Construction Department, as well as the equipment purchased under the current project, will facilitate the implementation of the new project.

Target Group Identification: The project will directly benefit approximately 300,000 rural inhabitants in 250 communities, located all over the country with the exception of the Department of El Petén.

The communities will be selected through procedures already successfully tested in the on-going project, which will assure that the introduction of electricity in the selected communities is a development factor complementing existing infrastructure and resources. In this manner the purpose of using electricity mainly for productive uses will be reinforced.

Request for Delegation of PID and PP Approval Authority: The project has no policy issues that require AID/W resolution. Thus the Mission requests both PID and PP approval authority.

Detailed Project Development Plan:

1.	Completion of PID by Mission	June 1987
2.	Mission review of PID	July 1987
3.	Completion of PP by Mission	October 1987
4.	Mission review of PP and authorizations	November 1987
5.	Project Agreement prepared by Mission and signed	December 1987

NEW PROJECT NARRATIVE

PROJECT TITLE	:	Highlands Environmental Sanitation		
PROJECT No.	:	520-0333		
PROPOSED FUNDING:		FY 1988:	Grant:	$ 500,000
			Loan :	$ 5,000,000
L.O.P.	:		Grant:	$ 500,000
			Loan :	$ 5,000,000

Project Purpose: To expand availability of environmental sanitation in six western highland departments through the provision of potable water, excreta disposal facilities and health education to small rural communities.

Description of the Problem: Guatemala has a total population of approximately 8 million, most of which live in approximately 18,400 rural communities of less than 2,000 inhabitants. Only 24% of this large rural population has access to potable water and sanitation services. Although AID financed projects currently under implementation are helping to alleviate this problem, the percentage of rural population without basic sanitation services is still very high. The sanitation conditions in the western highlands, the target area of the project, are further complicated by the rough terrain which makes the provision of potable water more difficult.

According to the most common indicators, the health situation in Guatemala ranks among the worst in Latin America. For 1984 the general death rate was 10.0 per thousand and the infant mortality rate was 79.82 per thousand, both among the highest in the continent. The conditions in the rural areas are even worse; it has been estimated that in highland rural areas, the infant mortality rate may reach 150 per thousand. The contribution of deficient environmental sanitation to this serious health situation is demonstrated by the fact that water and sanitation related diseases such as intestinal infections and parasitism are the main causes of morbidity and mortality in the country.

Other donors and PVO's such as IDB, CARE and UNICEF are involved in construction of potable water systems and latrines, but their joint efforts result in the construction of approximately 120 potable water systems per year, far below the needs of Guatemala's rural areas.

Proposed Means to Deal with the Problem: The project will provide potable water systems and latrines to 125 communities in the western highland departments of Sololá, Totonicapán, Quetzaltenango, San Marcos, Huehuetenango and El Quiché, benefiting approximately 10,000 households. In addition, a basic health education program will be implemented in each community by a team of social workers and health promoters who will also be in charge of community organization.

The communities will provide all the unskilled labor for the water systems construction and will pay, during 10 years, a fee which will cover approximately 30% of the subproject's total cost. The community labor will be organized through a community water committee which will also be in charge of the maintenance of the system and fee collection. The maintenance of the systems will be supervised by a maintenance engineer who will also make periodic tests of the water in all benefited communities, to guarantee its sanitary quality. The community organization, maintenance and fee collection systems have been successfully used in the on-going environmental sanitation component of Project 520-0251.

The new project will use the infrastructure and administrative capacity created under Project 520-0251 which includes a regional center in the department of Totonicapán, a latrine factory, laboratory and design equipment, warehouses and vehicle maintenance facilities. As in the previous project (520-0251) this effort will be coordinated with other donors and PVO's, to avoid interference and duplication of efforts. The areas of action are already well defined: IDB, through another Ministry of Health office, finances larger systems and UNICEF and other PVO's have specific geographic areas of activity.

Host Country Entities Involved: The project would be carried out by the implementing unit created under Project 520-0251, under the Environmental Sanitation Division of the Ministry of Public Health. The unit was substantially strengthened in 1984 and has sufficient technical and administrative capacity at the central and regional levels to undertake the new activity.

Target Group Identification: The project will benefit approximately 50,000 indigenous small farmers or landless laborers living in 125 rural communities, ranging from 150 to 1,500 inhabitants, in the highland departments of Quetzaltenango, Totonicapán, San Marcos, El Quiché, Huehuetenango and Sololá. The environmental sanitation conditions of the beneficiaries will be substantially improved by the availability of safe water and excreta disposal systems, which will provide the necessary

physical infrastructure for the future implementation of an integral health program.

Request for Delegation of PID and PP Approval Authority. The project has no policy issues that require AID/Washington resolution. Thus the Mission request both PID and PP approval authority.

Detailed Project Development Plan

1.	Completion of PID by Mission	September 1987
2.	Mission Review of PID	October 1987
3.	Completion of PP	March 1988
4.	Mission Review of PP	April 1988
5.	Project Agreement prepared by Mission and signed	June 1988

NEW PROJECT NARRATIVE

PROJECT TITLE : Child Survival/ORT in the Private Sector

PROJECT No. : 520-0342

PROPOSED FUNDING: FY 1987: Grant: $ 4,000,000

L.O.P. : Grant: $ 4,000,000

Project Purpose: The purpose of this project is to expand the coverage of the National Oral Rehydration Therapy Program through the promotion, production, prescription and distribution of Oral Rehydration Salts (ORS) by the private sector.

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 increasing the mortality/morbidity rates caused by water and sanitation related diseases. Over the past four 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. During FY 1986 the Ministry of Health plans to initiate a national Oral Rehydration Therapy Program, with USAID financial assistance, which will establish Oral Rehydration Therapy services within Guatemala's national health system. Availability of ORS technology will be greatly extended and the reliability of its supply will be assured through a combination of support for quasi public-sector production, and support for marketing of ORS and distribution capacity within the private sector.

Means of Dealing with the Problem: To complement and supplement the MOH's goal of significantly reducing infant and child death and disability associated with diarrheal disease, the Mission will provide four million dollars in grant funds to the private sector for additional support to the National Oral Rehydration Therapy Program.

The Mission will work closely with the Government through policy dialogue to develop an attractive environment for private sector involvement in ORT, and to establish complementary distribution and promotional activities.

The project will undertake the expansion of a national ORT program by:

1. Producing and distributing ORS within the private sector;

2. Designing and mounting an ORS marketing campaign to increase use of ORS through the private sector;

3. Training of pharmacists in the promotion and proper use of ORS; and

4. Supporting local private voluntary organizations in the operational aspects of ORT implemented through mixed delivery strategies which will reach problematic and geographically remote areas.

The results of the Private Sector ORT Project will be the expansion of coverage of an essential preventive health care intervention which will, if widely used appropriately, significantly contribute to the reduction of infant mortality and morbidity primarily among the most vulnerable "at risk" portion of the population (children five years old and under). The project will assure Guatemalans are provided with a viable alternative for this preventive health care intervention which might be more accessible or more acceptable through the private sector to some community members. It will provide a reliable alternative (packets acquired through commercial sector) should the public sector ORT/ORS system fail.

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, their families will participate in the benefits of growth and have more of their disposable income available for other household requirements.

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

Request for Delegation of Concept Paper Approval Authority: This project has no policy issues that requires AID/Washington resolution. The Mission requests delegation of the Concept Paper approval.

Detailed Project Development Plan:

1.	Completion of Concept Paper by Mission	September 1986
2.	Mission review of Concept Paper	October 1986
3.	Request for proposals	November 1986
4.	Mission review of proposals	December 1986
5.	Project Agreement prepared by Mission and signed	December 1986

Special Concerns: This project proposes to involve women intensely in the promotion and use of ORT and in the adoption of proper environmental santitation practices with the objective of improving the overall health condition of the Guatemalan family and thereby their productivity. The private sector will become involved in the production of promotional ORT materials, in the production and marketing of ORS packets and in its distribution. Private voluntary organizations working with health and nutrition related activities will also become involved in making this preventive health care program intervention more widespread.

Participant Training: Approximately US$400,000 will be set aside to sponsor short- and long-term training.

NEW PROJECT NARRATIVE

PROJECT TITLE :	Expansion of Family Planning Services		
PROJECT No. :	520-0288		
PROPOSED FUNDING:	FY 1987:	Grant:	$ 2,800,000
L.O.P. :		Grant:	$14,200,000

Project Purpose: Guatemala was one of the first nations in Latin America to acknowledge officially "there can be no question that there is a link between population and economic and social development." However, the government has not made the same dedicated and vigorous effort to implement this policy as have the countries experiencing large fertility declines. As a consequence, Guatemala's fertility rate today is the highest in Central America, and there is little firm evidence of major fertility decline as yet. For two decades some officials within the Government of Guatemala have favored voluntary family planning as a public health service. However, other officials, equally as powerful, opposed it or placed low priority on it. Consequently, the policy and program have never been strong, committed, and organized with sufficient personnel to provide strong family planning information and services.

This lack of information and services is quite clearly at the base of Guatemala's dangerous rate of population growth. The Contraceptive Prevalence Survey held in 1983 showed a strong correlation between lack of information and availability of services and non-use of modern contraception. Over 81% of Guatemalan women knew about some modern method of contraception, and of these, some 65% expressed a desire to use a method. Only 25% were actually using a method, however.

Guatemala's growth rate is high by any demographic standard, and is almost certain to remain that way for the remainder of this century unless declines in fertility take place. The country is preponderantly rural (59 percent in 1985). Most of the commercially useful agricultural lands have already been brought under cultivation. Meanwhile, the indigenous population in the western regions are "piling up" on small marginal or submarginal holdings where steep slopes and overcropping are creating critical situations of soil erosion. Hunger and malnutrition are pandemic in this western region because of the inability of the land to yield enough food under the technologies used by the indigenous campesinos.

The indecisive stance by the government has not prevented one of the most vigorous, best organized, service-oriented private programs in Central America from developing. APROFAM, the private national family planning association, has been the major provider of FP services and information for over two decades. A special arrangement with the Government of Guatemala has permitted APROFAM to sponsor family planning services in public health clinics where local conditions favored it. APROFAM has trained the clinic personnel assigned to family planning work, managed the procurement and distribution of contraceptives, and gradually helped the public health clinics become normal sources of family planning information and service. Meanwhile, it has operated a series of high quality clinics of its own, primarily in urban areas, as model demonstrations of what family planning service should be. APROFAM has tested systems of providing contraceptives through field workers visiting rural communities and also by collaborating with other community-based systems. All of these private sector activities were carried out with the knowledge and permission of the government.

Means of Dealing with the Problem: Project 520-0288 "Expansion of Family Planning Services" was begun in August 1982, and encompasses a number of activities: increased assistance to APROFAM; establishment of a Contraceptive Social Marketing Program (CSM); assistance to the MOH; new initiatives in the private sector, and provision of contraceptive commodities. The additional funds requested will permit a continuation and expansion of these activities. Emphasis will be on strenghtening the private sector's ability to provide increased information and services. APROFAM will be an important receiver of additional assistance, but other major program participants such as CSM, the Peasants' League and the Independent Campesino Movement will be receiving increased support. Some funds will be used to extend technical assistance for the CSM program. Commodity procurement will be a large element in the additional funding.

Target Group Beneficiaries: Beneficiaries of this project during the ACTION PLAN period will be an estimated 400,000 new and continuing users of some form of modern contraceptive among women between 15-44, mostly among poor rural indian and ladino groups.

Request for Delegation of PP Supplement Approval Authority: The project has no policy issues that require AID/W resolution. Thus, the Mission requests PP Supplement approval authority.

Detailed Project Development Plan:

1.	Completion of PP Supplement by Mission	June 1986
2.	Mission review of PP Supplement	July 1986
3.	Mission authorizations	August 1986
4.	Project Agreement prepared by Mission and signed	October 1986

NEW PROJECT NARRATIVE

PROJECT TITLE :	Primary Education Management		
PROJECT No. :	520-0320		
PROPOSED FUNDING:	FY 1987:	Grant:	$ 4,000,000
		Loan :	$ 6,000,000
L.O.P. :		Grant:	$ 4,000,000
		Loan :	$ 6,000,000

Project Purpose: The purpose of the project is to improve the Ministry of Education's (MOE) rural primary education management capacity by strengthening its supervision system and decentralizing its administrative and instructional systems.

Description of the Problem: Through the Education Administration Project (520-0259), covering the period 1980-84, USAID identified serious constraints to primary education program planning and management. At present, all planning, budgeting, and personnel decisions are made at the central level of the MOE in Guatemala City. The quality and efficiency of primary education is further weakened by an ineffective school supervision system.

The Mission's Rural Primary Education Improvement Project addresses the problem of ineffective participation by monolingual Indian children in rural primary education services which in turn contributes to low access and internal efficiency problems in rural education programs. The nonformal education program is aimed at reaching large numbers of heretofore educationally marginal rural adults and out-of-school youth. Neither project is dealing with the management and logistic constraints affecting primary education which constitute one of the most critical impediments to strengthening the quality and efficiency of the education system in delivering services.

Proposed Means To Deal With Problem: The Primary Education Management Project builds upon the previous limited efforts of the Educational Administration Project and continues to try to improve the management capabilities of the MOE. The project will strengthen the rural primary school supervision system by training educational supervisors to improve their technical as well as administrative skills. The project will assure that supervisors have transportation and per diem necessary to carry out their responsibilities in an effective manner.

The project will also support the national decentralization of the administrative and national support systems of the Ministry of Education through the creation of Regional Education Offices. These offices will be responsible for assuring maximum efficiency of existing physical and human resources. For example, they will identify primary schools which can be used for double shifts and thereby increase the capacity of the existing system. Also, they will adjust the school calendar to community migration patterns and thus reduce student drop-out and failure rates. The Mission will enter into policy dialogue with the GOG on two important issues, collaborating with them to identify mechanisms for local financing of the school system at the community level and working with them to increase participation on the part of communities in the supervision of the local school systems.

In support of the bilingual education policy the project will concentrate on improving the efficiency of the primary education system.

Relation of Project To AID Strategy: The NBCAA Report calls for achieving universal access to primary education in Central America. The AID Policy Paper in Basic Education and Technical Training calls for the decentralized management of the educational system. The project responds directly to the above mandates.

Target Group Identification: Direct beneficiaries of this project include 4,000 primary school teachers, 800 school principals, 166 educational supervisors, and 100 administrative and technical personnel. Indirect beneficiaries will be the 900,000 students enrolled in the country's primary education system.

Request for Delegation of PID and PP Approval Authority: The project is fully consistent with NBCAA recommendations in the primary education sector. It is also congruent with the Mission's education sector strategy to increase access to and the efficiency of Guatemala's primary education system. 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 PID and PP.

Detailed Project Development Plan:

1.	Completion of PID by Mission	May 1986
2.	Mission review of PID	May 1986

3.	Completion of PP by Mission	October 1986
4.	Mission review of PP and authorizations	November 1986
5.	Project Agreement prepared by Mission and signed	December 1986

NEW PROJECT NARRATIVE

PROJECT TITLE	:	Private Sector Skills Training		
PROJECT No.	:	520-0324		
PROPOSED FUNDING:		FY 1988:	Grant:	$ 5,000,000
L.O.P.	:		Grant:	$ 5,000,000

Project Purpose: The project will expand INTECAP's (National Training Productivity Institute) capacity to train individuals in priority rural production activities. INTECAP will provide skills training to economically active, unskilled and semi-skilled individuals who have not had access to formal vocational or technical training programs.

Description of the Problem:

Nearly half of Guatemala's labor force is rural and is principally engaged in seasonal traditional agriculture. Subsistence and wage-labor agriculture are insufficient to provide earnings needed to support an acceptable living standard in rural areas. As a result, increasing numbers of rural individuals are migrating to urban areas or undertaking cottage industry activities to expand income-generating opportunities.

Lack of training in rural areas seriously limits the ability of rural individuals to engage in productive opportunities. At the same time, the growth of new economic activities in rural areas and the productivity of emerging rural businesses are constrained by a shortage of appropriate labor.

National organized training services are offered through INTECAP, a semi-autonomous training and productivity institution overseen by the Ministry of Labor and financed with a one percent (1%) payroll tax levied on private firms. INTECAP has seven (7) training centers; three are located in Guatemala City and four in major departmental capitals. Training to acquire or improve occupational/vocational skills is very much limited to residents of the cities where training centers are located. Residents of small towns have little access to such centers due to poor road and transportation networks. The scarce training opportunities available at small towns and villages are limited to traditional cottage crafts. INTECAP has offered outreach services in the past but its efforts have been limited by budget realities.

Proposed Means to Deal with the Problem: Over a five-year period the project will build on the current resources and successful efforts of INTECAP to reach and serve rural communities, groups and entrepreneurs. INTECAP will improve and expand its services to rural areas through this project which has three components.

Component One: The first component consists of a series of new mobile rural skills training activities. Eight (8) mobile outreach training units will offer short duration (up to 140 hours) courses in fruitculture, horticulture, small animal production, beekeeping and by-product use, sewing, tailoring, wood and leather work, rural construction/carpentry/ electricity, textiles, etc. Each mobile center will have two qualified instructors, equipment and the materials necessary to offer two courses simultaneously in each location and will serve 500 individuals per year. Centers will rotate as needed. Participants will total 20,000 over a five-year period.

This component will face constraints such as low levels of literacy and numeracy skills among the rural population, poor communications and inadequate support facilities in rural communities. In order to overcome the foregoing constraints, INTECAP regional offices will stress the execution of (1) training needs assessments at the local level; (2) formal requests for training by organized community groups, PVOs, cooperatives; and (3) close articulation with NFE promotional services and appropriate GOG rural development programs.

Component Two: The second component consists of expanding on-going training and technical assistance activities for small businesses. Services will be offered to small and medium size businesses in areas such as production organization, product protection and improvement, financial/credit management, marketing, etc. Approximately 3,000 rural entrepreneurs will be trained over a five-year period. This component will foment the development of existing and emerging agribusinesses (food production, processing, marketing) in order to utilize existing agro-industrial resources.

The training strategy will be based on mobile courses to small groups of entrepreneurs. In order to overcome obstacles such as limited markets and resistance to technological change, trained INTECAP regional technicians will conduct specific industrial development needs assessments and market surveys. Written agreements will be used to formalize training/technical assistance actions. Follow-up visits will be carefully programmed with the participants. Nonformal education (NFE) promotion outlets, particularly radio, will be used to announce

the availability of services. Contacts with local business organizations, cooperatives, will also be exploited.

Component Three: The third component consists of the expanded offering of extension courses in electricity, metal mechanics and auto mechanics for out-of-school youth in rural areas. Six mobile units will provide training using the job station-training center approach. Participants will learn through a four-day work week experience at the job station and one day of training at the center. The center will offer theory and laboratory experiences to participants. Center instructors will visit the participants at the work station at least once a month to monitor progress.

INTECAP trained 300 rural individuals through the job station-training center program during 1983 and 1984. The number of participants will double under this project component; thus, 1,500 participants will be trained over the life of the project.

Project Costs: The total AID project contribution will be $5,000,000, divided as follows: Component One, $2,300,000; Component Two, $1,100,000; and Component Three, $1,600,000.

Relationship of Project to AID Country Strategy: Skills training opportunities among underemployed/underproductive rural and marginal urban workers are vitally important to support a broad-based increase in productivity and income in rural areas sought by the Mission. The Mission has singled out this project as an effective mechanism to enhance the production and earning potential of rural workers.

Target Group Identification: Direct beneficiaries will be approximately 20,000 rural and marginal urban workers, 3,000 entrepreneurs and 1,500 out-of-school youth.

Request for Delegation of PID and PP Approval Authority: The project responds to the NBCCA recommendation to expand technical and vocational education related to agriculture and real job opportunities in rural areas. USAID/Guatemala believes that there are no policy issues requiring AID/W review and requests delegation of PID and PP authority to the field.

Detailed Project Development Plan:

1.	Completion of PID by Mission	April 1987
2.	Mission review of PID	May 1987

3.	Completion of PP by Mission	August 1987
4.	Mission review of PP and authorizations	September 1987
5.	Project Agreement prepared by Mission and signed	December 1987

Special Concerns

This project will be carefully articulated with other Mission projects aimed at improving agricultural diversification and productivity, expanding credit and marketing opportunities and increasing utilization of new infrastructure resources. Efforts will be made to facilitate the participation of Indian men and women in training activities in order to foster equal participation in benefits by these groups.

NEW PROJECT NARRATIVE

PROJECT TITLE :	Industrial Development		
PROJECT No. :	520-0341		
PROPOSED FUNDING:	FY 1987:	Grant:	$ 3,000,000
		Loan :	$ 4,000,000
L.O.P. :		Grant:	$ 6,000,000
		Loan :	$ 4,000,000

Project Purpose: The purpose of the project will be to improve the institutional environment necessary for more dynamic economic industrial development in Guatemala and to assist the country's productive sector to participate more actively in promoting exports.

~~Description of the Problem:~~ A Private Sector Assessment presently in its final phase of implementation has identified numerous constraints to more dynamic growth of Guatemala's industrial sector. While many of these constraints relate to government macroeconomic policy and are a disincentive for investment and export promotion (e.g. the multiple exchange rate regime), others are directly related to the day-to-day systems of doing business in Guatemala. For example, growth of businesses such as the cut flower industry, apparel drawback, and perishable nontraditional agricultural produce has been constrained by government procedures, antiquated transport systems and a conservative financial system. The objective of increasing exports and promoting investment as a precondition to industrial development cannot be accomplished without improving the existing institutional environment for doing business in Guatemala.

In addition, as a subpart of the overall private sector assessment, a survey targeted at small and medium size enterprises confirmed that a major constraint to the growth of this sector is a lack of credit for working capital. In essence, the Guatemalan financial system, made up of commercial banks and financieras, has traditionally been reluctant to make loans to small business borrowers due to their inability to meet existing collateral requirements, often as high as 200%. Medium-sized firms, although better capitalized than small businesses, also have difficulties in obtaining credit due to collateral requirements. In addition to the credit constraint, small- and medium-size business firms lack adequate and cost effective technical assistance to address their production, marketing, accounting and general management problems. All of these problems affect even more severely rural-based businesses.

Project Description: The project will include several discrete components, each aimed at resolving specific constraints to more equitable, export-oriented industrial development in Guatemala.

1. Export Credit ($2.5 million loan and $500,000 grant): A finding of the private sector assessment is that many medium and larger firms, which do not presently export, are interested in doing so. For example, many textile and apparel operations have expressed an interest in exporting now that the GOG has changed exchange rate policies to make the exporting of nontraditional products more attractive. Such firms require financing of plant machinery, materials and equipment. Presently there are no medium and long term credit lines for such purposes. Part of this component would include grant funding to share in the cost of carrying out feasibility studies to determine cash flow potential of sub-project finance though the credit line.

2. Assistance to the National Export Council ($500,000 grant): The newly elected GOG has created a National Export Council as one of its first acts in recognition of the need to promote exports. The council is headed by the vice-president of the Nontraditional Exporters Guild and includes appointees from key government agencies in the export process, i.e. the Central Bank, the Ministry of Finance and the Ministry of Economy. The Council has made an informal request for partial funding of its trade and investment promotion activities, including a GOG trade and investment promotional service in the U.S., streamlining of the export process (which might include the creation of a one-stop center for all export procedures), and general budget support. Both dollar and local currency funding are required to cover domestic operations and various foreign exchange costs, such as technical assistance.

3. CBI Promotional Activities ($500,000 grant): Presently the Mission has a $250,000 grant to the Camara Empresarial (CAEM) for promoting and coordinating activities in support of the CBI. Since the original grant was made, CAEM has broadened its support within the private sector and successfully carried out a number of activities such as coordination of Guatemala's participation in the C/CAA Caribbean Basin Conference held in Miami last November. $500,000 in grant funds provided under a new project will cover training, technical assistance and logistical support for a continuation of CAEM's promotional activities.

4. Small and Medium Enterprise Support ($3.5 million loan; $5 million grant): This component will provide credit to small- and medium-size businesses which have either not been eligible for credit or which require increased lines of credit to expand their operations. As an incentive to banks to provide such credit, a guarantee mechanism will be established which will be managed as a trust, including a board of trustees and an executor.

5. Support for a Small Business Chamber ($1.0 million grant): One of the conclusions of the small and medium business survey was the need for an organization which the small businessman could turn to for assistance and support. This component would provide funds for the institution's start-up, technical assistance, as well as an in-country management training program for small entrepreneurs to be carried out by the organization.

Relationship of the Project to AID Country Strategy: The promotion of investment and exports is a basic policy of AID in support of the CBI. This project will provide Guatemala with needed institutional support and credit to begin to take advantage of the CBI. In addition, by using private sector institutions to meet small and medium businesses' needs, the project is consistent with both CBI and Mission strategy, focusing on growth with equity. The project is also consistent with the recently elected democratic government's policy of greater economic participation by all elements of society.

Relationship of the Project to other Donors: The World Bank and the IDB both have projects which relate to "Industrial Development", but these are exclusively large credit lines handled by the Central Bank and do not address the institutional constraints of smaller, export-oriented industrial development.

Request for Delegation of PID and PP Authority: Other than legal issues concerning the uses of guarantee funds, there are no major issues which require AID/W review. Since the Mission plans to work closely with the RLA in final design of the project, USAID requests authority for approval of the PID and PP.

Detailed Project Development Plan:

1.	Completion of PID by Mission	June 1986
2.	Mission review of PID	June 1986
3.	Completion of PP by Mission	September 1986

4. Mission review of PP and authorizations September 1986

5. Project Agreement prepared by Mission and signed December 1986

Project Design Schedule: As part of the Mission's Private Sector Assessment much of the preliminary design work will have been advanced, if not already carried out. The Mission also intends to draw on the technical services of PRE to refine the project design. Therefore, the Mission is optimistic that final project design will be completed in time for obligation during the first quarter of FY 1987.

NEW PROJECT NARRATIVE

PROJECT TITLE :	Privatization of State-Owne[illegible]prises		
PROJECT No. :	520-0296		
PROPOSED FUNDING:	FY 1987:	Grant:	$ 3,000,000
		Loan :	$ 7,000,000
L.O.P. :		Grant:	$ 3,000,000
		Loan :	$ 7,000,000

Project Purpose: The purpose of the project is to support GOG efforts to privatize state owned enterprises which are a drain on the budget and which do not have a compensating social benefit.

Description of the Problem: The recently elected government has recognized the inefficiency and burden of parastatals on the national economy in the document in which it presented its economic stabilization package. It has appointed a technical commission to prepare an analysis of parastatals to provide information for decisions on future involvement with parastatals. The government also has plans to form another mixed public-private sector commission to study the possibilities of privatizing Guatemalan state-owned enterprises. While the parastatal sector in Guatemala is not as large as that which exists in many other developing countries, there is evidence that the growth of parastatals over the past 20 years has introduced some rigidities into the Guatemalan economy, reducing incentives for private investment and increasing the burden on the GOG budget. While the Mission has just begun a study which will provide baseline information as to the extent of the parastatal problem in Guatemala, it is already understood that state ownership of key industries and/or companies is limiting free market competition and inhibiting Guatemala's ability to attract investment and promote exports in those areas.

Project Description: This project would provide $5.0 million for technical assistance, research and training to assist the GOG to develop strategies for the privatization or partial privatization of selected parastatals and provide management assistance during and after privatization to assure the transition. A firm will be contracted to identify and supply qualified experts in specialized areas to analyze the complex problems in detail, to formulate appropriate strategies for privatization and to work with the GOG and the Guatamalan private sector in implementing privatization efforts.

It is recognized that the transformation from state ownership to private hands is by no mean a panacea for all state owned enterprises. For example, in some cases privatization may not be an acceptable alternative for political reasons. Therefore, the grant funded TA and training may also include funds for helping certain parastatals (especially those which support exports, or which run larger budget deficits) to become more efficient. Additionally, grant funds will be used for similar purposes as an incentive to prospective purchasers of parastatals. TA and training will be provided for such companies during the transition to private ownership and possibly after the transition as necessary to restructure the firm.

A loan component of $5.0 million combined with GOG counterpart and possibly complemented with Title I or ESF local currency will be used for leveraging the buyout of state owned enterprises. Mechanisms for leveraging these funds such as employee and management purchase plans will be studied in project design. However, since each privatization effort is expected to be unique, numerous mechanisms will be explored and flexibility in their application will be required.

Relationship of the Project to AID Country Strategy: The privatization of parastatals has become a primary objective under AID private sector policy, as was emphasized by the AID Conference on Privatization. Since this project will provide Guatemala with needed institutional support and credit to begin to improve government efficiency and privatize selected state-owned enterprises, it is consistent with the recently elected democratic government's own stated intent to consider divesting those public owned and/or operated enterprises which are a drain on the budget and do not have a compensatory social benefit.

Relationship of the Project to Other Donors: At this time no other international or multinational donor is involved in privatization efforts in Guatemala. Nonetheless, the project will be coordinated with any projects proposed by other donor agencies for enterprises which have been targeted for privatization in order to assure that AID assistance will not duplicate or conflict with other donor efforts.

Request for Delegation of PID and PP Authority: The Mission plans to work closely with PRE in the design of the project concept and implementation alternatives. It is expected that all major legal and policy issues can be covered during PID development. Therefore, the Mission proposes that the Mission be delegated authority to approve both the PID and Project Paper.

Detailed Project Development Plan:

1.	Completion of PID by Mission	December 1986
2.	Mission review of PID	December 1986
3.	Completion of PP by Mission	April 1987
4.	Mission review of PP and authorizations	May 1987
5.	Project Agreement prepared by Mission and signed	June 1987

NEW PROJECT NARRATIVE

PROJECT TITLE	:	Secondary Cities and Rural Housing		
PROJECT No.	:	520-0261		
PROPOSED FUNDING:		FY 1987:	Grant:	$ 300,000
L.O.P.	:		Grant:	$ 300,000

Project Purpose: This project will seek to facilitate investments in low-cost shelter in 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 HG 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 HG 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 (ANACOVI).

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 and the provision of materials. 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 adequately 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 reopen negotiations for the grant.

Section Four - ESF Plan

A. Introduction

This section of the ACTION PLAN describes Mission strategy for the FY 1987 and 1988 ESF program in Guatemala. USAID/Guatemala proposes ESF levels of $75 million in FY 1987 and $100 million in FY 1988. The following discussion will justify higher ESF levels for Guatemala on the basis of the country's continuing balance of payments gaps. The leverage of a larger program will support the policy dialogue goals of:

1. Continued progress in implementing stabilization policies (1987);

2. A new emphasis on sectoral policies in support of growth of nontraditional exports (1987 and 1988); and

3. A deepened commitment to rural development and equity (1987 and 1988).

B. Balance of Payments Forecasts for 1986 and 1987

Table 2 shows recent Mission estimates of Guatemala's balance of payments for this and the following year. The table updates the March 1986 estimates contained in the FY 1986 PAAD Annex IV.

For 1986, Guatemala has made a promising effort in lining up sources of financing for its balance of payments gap. The new figure of $124.6 million is significantly lower than the previous estimate of $410.5 million. The reduction is based on USAID ESF flows and the rescheduling of Guatemalan debt both with commercial and official creditors. These compensatory financing sources are listed in more detail in Table 3 in this section. All of the credits indicated are either in place, or have a high likelihood of availability in the near term.

Not shown on the table is additional project funding from external donors which was not anticipated in the previous versions of this table, but which has a high probability of being disbursed within the calendar year. (Project funding

TABLE 2
GUATEMALA: BALANCE OF PAYMENTS

(Millions of $s)

	1982	1983	1984	1985e	1986e a/	1987e
Current Account Balance	-371.1	-223.9	-377.3	-248.6	-176.6	-171.7
Trade Balance	-188.4	35.7	-49.9	-21.1	79.7	67.9
Exports	1199.6	1091.7	1132.2	1059.7	1211.7 b/	1370.9 f/
Imports	-1388.0	-1056.0	-1182.1	-1080.8	-1132.0	-1303.0
Services/Transfers Net	-182.7	-259.6	-327.4	-227.5	-256.3	-239.6
Capital Account Balance	-14.8	321.8	400.5	303.6	52.0	-133.7
Private Net	-269.5	51.8	12.1	212.9	-20.2	62.8
Official/Banking Net	274.7	270.0	388.4	90.7	72.2	-196.5
Errors and Omissions	-7.6	-8.6	-15.5	13.6	0.0	0.0
Unfinanced Gap (Change in International Reserves)	N/A	N/A	N/A	-68.6 c/	124.6 d/	305.4 f/
Memo Items						
GDP in current Q's (millions of Q's)	8728.0	9035.0	9457.4	11022.9	13865.0 a/	15251.0 f/
GDP Deflator	5.1	6.5	3.6	17.9	20.9	10.0 g/
Guatemalan Exports to U.S. Percent of Total	26.4	32.9	39.0	35.9	N/A	N/A

a/ For a real growth target of 1.5% in 1986.
b/ Assumes average 1986 coffee price of $203 per quintal
c/ Negative indicates a surplus.
Positive indicates a deficit.
Central Bank reports that there is a little "left over" in dollars from 1985 to finance 1986 gap.
d/ Includes sources of compensatory financing and debt rescheduling listed in table on following page.
f/ For a real growth target of 2.5 percent in 1987.
g/ Target inflation rate assuming continued stabilization effort.

Source: Bank of Guatemala, USAID estimates.
May 1986 revision of Table 3, p. 27 of January 1986 PAAD.

TABLE 3

Sources of Compensatory Financing - Guatemala
(Available or in Process)

(Millions of $s)

GRANTS	
Official Transfers:	
AID ESF Grant - FY 1986	23.0
LOANS	
Central Government Long-Term:	
AID ESF Loan - FY 1986	23.0
Central Bank Long-Term:	
AID FY1985 ESF (Agribusiness Credit)	9.5
CCC-GSM-102	25.0
Central Bank Short Term:	
TCIP-AID	50.0
RESCHEDULINGS	
Commercial Banks	62.0
FIV (Venezuela)	55.0
TOTAL	247.5

NOTE: The Bank of Guatemala will not include possible inflows from the IMF in its calculations until an

This table is provided in explanation of how Guatemala's 1986 financing gap is being filled. The inflows shown are either in place or have a strong likelihood (according to the Central Bank) of being in place in the near future. With the incorporation of these inflows into the balance of payments table, the capital account figures are substantially different from those reported in earlier versions of this table. Grant ESF is reported as an official transfer in the BOP table.

Source: Bank of Guatemala, May 1986 estimate.

normally is not considered "compensatory financing," although the distinction is very blurry in the cases of some of the import financing from the InterAmerican Development Bank, and a $20 million Industrial Input credit program from the World Bank.)

The 1987 balance of payments shows a disturbing trend. Part of the progress toward meeting the large 1986 gap comes at the expense of dollar availability in 1987. The debt service requirement will continue to approach 50% of earnings from export of goods and services. This burden is partially the result of reliance on short-term credits and reschedulings to get through 1986. As a result, in 1987 an external financing gap of $305.4 million is anticipated.

Without access to external finance to help transform the short- and medium-term debt service burden into longer term financing, Guatemala is likely to pass the rest of the decade juggling debt from one year into the next. The ESF amounts requested for FY 1987 and 1988 will allow Guatemala to adjust the debt portfolio into one with a more manageable split between short/medium and long-tem debt, while at the same time maintaining growth through adequate access to foreign exchange for import of vital inputs. USAID/Guatemala's contribution to this effort is expected to be part of an overall effort which includes participation by other donors, and continued progress toward rescheduling of existing debt by commercial and official lenders.

In addition to the balance of payments justification for the ESF funds requested, an additional rationale stems from the Mission's interest in supporting the new government's commitment to rural development. Local currencies from the larger ESF flows over the next two years will be used to protect Guatemala's investment spending in this area, and to fund modest expansion in several key sectors including education, roads and agricultural small-scale infrastructure (e.g. terracing, market facilities, irrigation and other support to production.) To complement these efforts, additional local currencies will be channeled to programs in support of private sector agricultural product processing and export, to provide domestic and foreign markets for small farmer production.

Local currency plans will be developed to avoid the pitfalls of the past, to concentrate on those areas with a proven high rate of return and positive effect on the incomes and production of Guatemala's disadvantaged groups. USAID will also carefully study the issues of absorptive capacity, and

ways to design the program so that Guatemala picks up the effort on its own increasingly each year. These investment programs will be essential if Guatemala is to catch up with the rest of the region to progress toward NBCCA goals in the areas of education, health, agricultural production and employment.

C. Policy Dialogue

The proposed agenda for the ESF policy dialogue in FY 1987 and 1988 is covered in detail in both the Policy Dialogue Plan and in the ESF New Project Description, and will not be repeated here.

D. Mechanics of Program:

This section will briefly review USAID's plans for management of the ESF program in FY 1987 and 1988.

1. Cash Transfer - The Mission proposes use of the cash transfer mechanism for ESF loan and grant funds in FY 1987 and 1988. Given that Guatemala's predominant source of imports is the United States, a Commodity Import Program (CIP) would be of limited usefulness in encouraging greater trade between the two countries. Projectizing the ESF funds would stretch the Mission's project management capacity, and would defeat the purpose of allowing Guatemala to meet critical import needs on a timely basis. Both the CIP and project modes of disbursing ESF would limit USAID's leverage in the policy dialogue process.

2. Schedule of Disbursement - For FY 1986, USAID/Guatemala proposed that the entire ESF allocation be disbursed upon the implementation of an acceptable, comprehensive economic package. Since the basic package will be in place, additional ESF funds in following years will support not only follow-on stabilization actions but also structural adjustment policies in favor of growth in the nontraditional export sector. For FY 1987, USAID/Guatemala proposes a two-tranche disbursement of ESF funds. The first tranche of one-half of the total is envisioned for the end of calendar year 1986, upon evidence of progress in taking additional stabilization measures such as the temporary export tax phase-out and readjustment of interest rates, if necessary. At the same time, the Guatemalan government's progress in improving administration of its tax system (as outlined in their economic plan) will be reviewed. The second tranche in FY 1987 will be linked to full unification of the exchange rate (likely to be undertaken in mid-year 1987), and to concrete steps toward improving the policy environment for exporters of nontraditional products.

For FY 1988, USAID/Guatemala also envisions a two tranche disbursement, again with the first tranche available to the Guatemalan government at the end of the 1987 calendar year.

3. Local Currency - Local currency uses in support of public sector investment and the private sector have already been outlined above. Additional local currencies will fund a Mission operating expense trust fund. Local currency uses are discussed in detail in the ACTION PLAN LOCAL CURRENCY PLAN.

4. Submission of Concepts Paper and PAAD to AID/Washington: Since USAID is proposing a growing ESF program over the next two fiscal years, accompanied by policy dialogue which focuses not only on macroeconomic stabilization issues but also sectoral level policies in the area of nontraditional exports, submission of a CONCEPTS PAPER in September 1986 is proposed for the FY 1987 program. The concepts paper will outline in greater detail both the specific policy changes the ESF monies will support and the specific areas in which local currency will underwrite rural development, both through public investment and through programs with the private sector.

Contingent on approval of the CONCEPTS PAPER, USAID/-Guatemala will submit a FY 1987 PAAD in early November of 1986. Approval of the PAAD will coincide with the beginning of formal ESF negotiations with the Guatemalan government, with a target date for the first disbursement in December 1986.

A number of issues have been identified by USAID as requiring further study and a greater depth of analysis in anticipation of the FY 1987 and 1988 ESF programs. This is particularly true in the case of sectoral policy, which is a new area for the ESF policy dialogue. Supported by PD&S funds, USAID will contract outside studies of key areas during the summer of 1986 to provide the necessary information. This effort will be supported by the on-going Private Sector Assessment and Privatization studies being carried out by the Mission.

Section Five - P.L. 480 Plan

A. Title I

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 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 amount of agricultural products programmed to enter Guatemala under Title I for the ACTION PLAN period should be about of $19.0 million annually, composed of $14.0 million of wheat and $5.0 million of vegetable oil. An increase to $25.0 million ($6.0 million of tallow) may be required if the financial situation of the country deteriorates further.

Presently, the Mission is negotiating with the Guatemalan Government the FY 1986 Title I agreement and the self-help measures which the latter will undertake during the next three years in support of its short-run stabilization and recovery program and its longer-run growth and development program. Title I local currency generations will be used in a coordinated fashion with ESF generations to support the GOG economic and financial adjustment packages to be put in place in May 1986.

Among the self-help measures which the U.S. Title I negotiating team seeks to reach agreement upon are the following:

1. Movement of the Title I commodities, to the fullest extent possible, through the private sector. Considerable progress in this direction has already been accomplished for wheat and cooking oil in the last year.

2. Satisfactory resolution of air transport constraints to increased nontraditional agricultural exports. In the last year no meaningful progress was made against this objective.

3. Review and adjustment, where necessary, of government policies relating to agricultural input and product prices in order to provide improved incentives to domestic production. The economic adjustment package due to be put in place in May takes several early steps toward this objective. More is intended for the ACTION PLAN period. Special studies in the ACTION PLAN period to determine needs in this respect are financed by FY 1986 Title I local currency and ESF dollars.

4. Higher interest rate ceilings on savings deposits and loans for the private and public sector banking system so that these rates more closely approximate positive, real interest rates.

5. Analysis of the Guatemalan dairy sub-sector in order to improve production and marketing efficiencies and to determine the feasibility of the privatization of a government-owned processing plant; and

6. Maintenance in FY 1987 of the real value of public sector investment levels dedicated to agriculture and rural infrastructure and, pending abatement of inflation pressures, an increase in FY 1988.

Title I local currency generations for FY 1986 uses will be the local currency equivalent (figured at $1.00 = Q2.50) of $4.2 million for reforestation, $2.8 million for PVO activities, $1.6 million for plant protection, $0.1 million for the creation and support of a Title I Program Coordination Unit, and $8.4 million for supporting the government's investment budget in agriculture and rural infrastructure and on-going AID projects. The remaining $1.9 million will be used to make the Initial Payment and the Currency Use Payment. Activities contemplated for FY 1987 and FY 1988 with local currency are the Quetzal equivalent of $10 million for supporting the government investment budget, $3 million for cooperative strengthening, $4 million for PVO activities, and $2 million for plant protection.

These local currency uses provide direct support to expanding rural infrastructure, strengthening target group performance, improving agricultural productivity and broadening private sector development efforts through PVOs. Beginning

with the FY 1987 Title I agreement, the Mission plans on using the new Section 108 provisions of Title I to channel additional funds to private sector development activities. The programming principles underwriting both P.L. 480 and ESF local currency generations and further details on uses are outlined in SECTION SIX, immediately following the Title II portion of this section.

B. Title II

The 1986 Guatemala CDSS states that the food the average Guatemalan of the Altiplano raises is inadequate to meet the nutritional needs of his family, and at some point during the year, insufficient in terms of quantity. Virtually all of the children in his village suffer from some level of malnutrition and are easy prey to any epidemic. The poorest half of the population (some 4.0 million persons) suffer from a deficit of almost 50% of the minimum daily requirement. According to the Gómez classification, 81% of Guatemalan children under 5 years of age can be considered malnourished. Over the 1974-1982 period, thirty percent of this "most at risk" age group weighed below 75% of the standard weight and can be considered severely malnourished. The 1978 Guatemala Health Sector Assessment states that despite a self-sufficiency in corn production (a dietary staple), the real consumption of corn has decreased and at an annual rate of more than 6%. In 1983 the Ministry of Health found that the main causes of death for infants and pre-schoolers were dehydration due to diarrhea, lower respiratory infections, measles, whooping cough, perinatal related problems, and malnutrition.

The Mission is addressing the nutritional problem through a series of projects which focus on income generation in the target area, preventive health services, primary and non-formal educational programs and the diversification of the small scale farmer's production. Additional internally and externally financed developmental projects include those which seek to provide the landless access to agricultural land as well as to technologies for managing natural resources in areas already intensively developed. Recently, USAID began direct support for immunization and oral rehydration therapy programs under Child Survival project activities. Over the next five years, supplemental feeding programs managed by private voluntary agencies such as CARE and CRS will continue to constitute an essential element in the health and welfare of the "most at risk" population in Guatemala.

Food for Work programs (also managed by CARE and CRS) are targetted on the poorest segments of the population where off-farm employment opportunities are non-existent and recipients lack economic resources to meet required dietary needs. In addition, activities utilizing the Food for Work commodities address critical developmental problems of deforestation and lack of infrastructure in rural areas through the construction of access roads, schools, bridges, and potable water systems in the western highlands. These programs plus U.S. supported World Food Program (WFP) activities are directly related to USAID'S strategy of laying the foundation for future growth and spreading the benefits of growth and to complementing public sector investment for essential infrastructure.

During the 1970's USAID had supported school feeding programs to bridge the distribution and nutritional gap. The GOG in the later 1970's assumed full responsibility for the school feeding program in which children were provided a fortified corn food product. In the early 1980's, given the economic decline experienced by the country, austerity measures undertaken by the Government limited the availability of foreign exchange and affected the quality and quantity of food available for school feeding programs. To fill the gap, the World Food Program has designed several projects which assist the Government in addressing this target population. USAID does not presently foresee any direct Mission involvement in school feeding, but will utilize its scarce resources to address the needs of the most-at-risk population as described above.

The Mission supports the CARE and CRS programs as presented in their FY 1987 Operational Plans. Both organizations have programs designed not only to address the food supplement needs of the nutritionally deprived population, but also to emphasize training and other economic development activities which permit recipients to take measures to improve their nutritional intake. The food for work programs complement the direct maternal/child health programs by expanding the means to increase the availability of food for the lowest 50% of the population. USAID has held discussions with both CARE and CRS regarding a new food for work program for selective depressed urban areas. To support the new government in carrying out economic stabilization measures, CARE has submitted an 18-month proposal to use food for work commodities for labor-intensive activities in the marginal areas of Guatemala City. The program will be carried out with the office of the mayor of Guatemala City and will draw heavily on municipal personnel and capital resources.

Section Six - Local Currency Planning

A. Introduction

For FY 1986 and over the 1987-88 ACTION PLAN period, there will be a sharp increase in the amount of local currency generations available for joint U.S. and Guatemalan government programming. The Title I program is expected to continue at relatively high ($15 to $20 million a year) levels. ESF balance of payments inputs, projected at $47-plus million for FY 1986, $75 million for FY 1987 and $100 million for FY 1988, will add substantial new amounts.

With the exception of a special $10 million ESF allocation in 1983 and the 1985 ESF-funded agri-business project, USAID/Guatemala's program has traditionally been from development assistance sources and a strong development assistance portfolio is in place. The annual addition of substantial new local currency funds offers an extraordinary opportunity to sustain and enhance the longer term development program, but great care must also be taken to ensure that agreed-on uses of the local currency are compatible with the goals of economic stabilization and recovery which are the reason for the new ESF inputs.

A balance must be struck between the short term (three to five years) economic stabilization and recovery needs and the longer term development requirements. At a time of relative economic stagnation, low government reserves and the absence of a credible and adequate fiscal system, these local currencies can and will be used to bridge the revenue gap until recovery is underway and corrective and adequate fiscal measures are in place to sustain growth and development.

B. Sources and General Availabilities of Local Currency

The following table gives the general levels of local currency expected to be available over the period FY 1986 through FY 1988, i.e, the current fiscal year and the ACTION PLAN period. FY 1986 is highlighted as it is the first year of the new ESF program and uses of local currency determined for this year will set the tone and trend for the following years. The conversion rate used for calculation of the Quetzal value of dollar inputs is relatively conservative, Q2.50 = $1.00.

Title I and ESF Dollar and Local Currency Availabilities

(Millions) - ($1.00 = Q2.50)

Source	1986		1987		1988	
	$	Q	$	Q	$	Q
Title I	19.0	47.5	16.0	40.0	18.0	45.0
ESF	47.35 1/	118.4	75.0	187.5	100.0	250.0
TOTAL	66.35	165.9	91.0	227.5	118.0	295.0

1/ $47.85 million is available. However, $500,000 is being held for special studies and will not generate Quetzales for local currency programming.

C. Principles of Local Currency Programming

The programming of local currencies is historically susceptible to expediency or "Christmas tree" mentalities. As USAID/Guatemala enters an era of substantial local currency availabilities for joint programming with the Government of Guatemala, it is important that clear and adequate guiding principles be set forth that will ensure this major new program input is fully compatible with and supportive of the total effort over the life of such availabilities. These principles will also be useful in setting parameters for negotiations with the government on uses. The following, in bulletized form, are the programming principles the Mission has identified at this time as most critical to getting this program off on the right foot.

-- Local currency will be used only in a manner consistent with support of the twin goals of short-term economic stabilization and recovery and enhancement of the longer term development program;

-- Although some exceptions for compelling and valid new requirements (such as support of PVOs and the private sector, democracy initiatives or administration of justice activities) will be considered, these will be vigorously limited in volume and the vast bulk of available funds will be matched

against budgetted but unfinanced investment requirements, at least for FY 1987, to avoid contributing to monetary inflation or adding to the domestic deficit. If inflation abates substantially in FY 1987, FY 1988 uses may include expansion of selective public sector investments critical to economic recovery and growth, such as basic infrastructure;

-- In covering these requirements, the first priority will be to selectively absorb GOG counterpart costs needed to sustain and validate the dollar and commodity investments of USAID, U.S. PVOs, and international donors, specifically the World Bank, the IDB, WFP and UNDP. However, such coverage should be of an investment nature and Title I and ESF local currencies should not without extraordinary justification be used to expand the size of government nor to cover recurring costs. Second priority should be for those types of expenditures within the GOG investment budget which have the highest economic, political stabilization and development payoff, such as irrigation, potable water, rural roads, school and clinic construction, and support to the private sector.

-- There will be no mortgaging or split funding of any activity with local currency funding. Each year's allocation of funds must stand alone although costs picked up may be for expenditures spread over several years.

D. Projected Uses of Local Currency

In programming available local currency, the Mission seeks to ensure full integration of resources from both Title I and ESF resources toward the twin goals of short-term economic stabilization and recovery and longer term development along the guiding principles stated above. However, given the separate negotiating processes and decision-makers involved in Title I and ESF agreements and the traditional focuses of Title I local currency uses, it is a more practical approach to describe the proposed uses of Title I and ESF separately. Still, every step is being taken to ensure all uses serve the larger purposes in an integrated way and are consistent with the guiding principles. The following uses are those currently envisioned. The principal concentration is on FY 1986 resources, as these are currently being negotiated for the separate FY 1986 Title I and ESF balance of payments agreements.

1. Fy 1986 Title I

Available: $19 million for Q47.5 million.

Uses

-- Five percent (5%) initial payment	Q 2.375 million
-- Five percent (5%) Currency Use Payment (CUP)	Q 2.375 million
-- Pine Forest Management with INAFOR to undertake forestry planning, policy dialogue, fire prevention, forestry extension, and management assistance (specifically excluding USAID support for the operational costs of the CELGUSA pulp mill). The local currency will be complemented by US$1.5 million reobligated funds from FY 1986 DA funding.	Q10.500 million
-- PVO support and private sector, local agricultural and rural development activities	Q 7.000 million
-- Continued support to the MoscaMed program to expand its impact on the export of fruit trees free of infestation	Q 4.000 million
-- The creation and support of a three-person Program Coordination Unit (manager, accountant, secretary) within the Ministry of Finance, to be responsible for the coordination of all technical, budgetary and administrative activities related to the design, implementation and reporting of all existing and future P.L. 480, Title I and ESF programs. This unit would be financed for three years under this agreement.	Q 0.250 million

Support for the government's stabilization program through budgetary investments in agricultural and rural development activities.	Q21.000 million
TOTAL	Q47.500 million

Brief notional uses of Title I proceeds for FY 1987 were given in the earlier Title I narrative. FY 1987 and FY 1988 availabilities and uses are subject to actual Title I levels in each of those years, the experiences of FY 1986 and specific negotiations for each year.

2. FY 1986 ESF

Available: $47.35 million for Q118.4 million.

Uses

-- From the FY 1986 ESF agreement, the Quetzal equivalent of $750,200 for the USAID/Guatemala OE Trust Fund.

-- CARE, CRS, WFP counterpart requirements to sustain the Title II and FFW programs underway or contemplated.

-- GOG counterpart required to sustain World Bank, IDB and UNDP projects, when such counterpart is not already securely arranged for.

-- Allowable off-budget activities jointly agreed on.

-- Investment budget line items.

Notes:

-- USAID/Guatemala OE Trust Fund estimated requirement for the balance of FY 1986 is the Quetzal equivalent of $250,000. For FY 1987 it is currently calculated at the Quetzal equivalent of U.S.$750,200. This will be met initially from the carryover balance of funds made available from the FY 1986 ESF agreement and augmented by additional funds from the FY 1987 agreement.

-- Counterpart requirements for CARE, CRS and WFP are intended to cover serious shortages in GOG contributions to the integrity of existing and planned activities. The principal, but not exclusive factor, here is covering in-land transportation and management costs of food for peace and food for work programs.

-- The actual amount needed for CARE, CRS, WFP, IBRD, IDB and UNDP counterpart payments needs further analysis of the total commitments, actual regular availabilities from normal GOG or other sources and the resultant shortfall.

-- It is Mission intention that for FY 1987 at least, off-budget allocations will be stringently limited in an effort to set a ceiling on activities that, despite their desirability, might otherwise contribute to new inflationary pressures and run contrary to the stated monetary stabilization goal.

-- The on-budget allocations will be as earlier described, i.e., against productive investment line items, particularly those promoting private sector growth or financing the rural infrastructure underwriting growth.

FYs 1987 and 1988 availabilities and uses are subject to actual ESF levels for those years and will be the subject of specific negotiations for each year, again within the framework of the twin goals of short-term economic stabilization and recovery and the longer term development program as well as within the guiding principles earlier ennunciated.

Section Seven - Special Topics

A. PVOs

Introduction

In the FY 1986-1987 Action Plan cogent arguments of the need for continued and expanded PVO operations in Guatemala were presented. To meet the challenge of accomplishing the stated goals of PVO program support and expansion within the increasingly limited direct-hire management time available, USAID worked in the last year on developing a PVO umbrella management organization to act in our stead and within accepted guidelines. Over the next two years, the Guatemalan PVO umbrella organization, ASINDES, will be strengthened through a collaborative arrangement with the U.S. PVO Private Agencies Collaborating Together (PACT) which will provide technical assistance and training to individual member PVO organizations and personnel as needed. The PACT/ASINDES grant also provides a mechanism to permit ASINDES to fund small PVO projects directed primarily to rural development.

Strategy

Continuing the Congressionally-mandated effort to encourage and support PVO operations in Guatemala, USAID has been encouraging U.S. and Guatemalan PVOs to become more active in the country. In addition to two U.S. PVOs (CARE and CRS) which have been carrying out development activities as well as managing P.L. 480 Title II food distribution programs, USAID has discussed with other potential U.S. PVO organizations economic development programs addressing the needs of the rural and marginal urban poor. A result of this discussion was the presentation of the previously mentioned proposal by PACT to assist ASINDES to provide training to its members as well as to establish a fund which could assist in the financing of discrete PVO activities.

ASINDES represents 90 percent of the U.S. and Guatemalan PVOs active in Guatemala. The use of this umbrella organization will broaden PVO perspective of national needs and priorities and foster better relationships and interaction among themselves and with the Central Government. It is planned that

once ASINDES has demonstrated its design and management capability, the organization will program and manage Title I and/or ESF local currency generations set aside for support to a number of smaller U.S. and Guatemalan PVOs.

The overall objective in supporting PVO activities is to provide opportunities for greater participation of the poor in the development process through nongovernmental organizations. Activities funded in support of this objective include those directed to (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 continues to give particular geographic emphasis to activities in the western highlands.

Priority is given to interventions targetted toward self-sustained development, such as (1) farm management and crop diversification output, as well as efforts to expand the agricultural resource base through market mechanisms which are bringing currently unproductive land under ownership willing and able to farm it; (2) improvement of environmental sanitation in rural areas and expansion of outreach rural health care programs; (3) literacy and skills training; (4) promotion of low-cost shelter programs in marginal urban areas, market towns and small rural settlements; and, (5) support of family planning information and delivery systems.

Food Distribution Programs (Title II)

USAID sees the chronic low nutritional levels in Guatemala as the result of a number of factors, including low income, a scarcity of agricultural land and inputs for the majority of rural residents, inadequate health and sanitation services, and high population growth rates. The principal direct interventions aimed at correcting this problem are the improvement of rural water supplies and sanitation practices and the distribution of P.L. 480, Title II commodities through voluntary agencies. Improved nutrition is also a result sought from a package of PVO agricultural projects aimed at crop diversification and production and income increase as well as from activities aimed at lower birth rates.

Title II supplemental feeding focuses on nutritional deficiencies, especially protein deficiencies, suffered by the most needy persons, who cannot obtain adequate nourishment. Most heavily targetted through programs at health centers and posts throughout the country are children and mothers in the

Maternal/Child Health category. In 1986 evaluations were initiated to analyze the effectiveness of Title II supplemental food inputs. As a result of initial findings, CRS and CARE have reconfigured the commodity mix provided under the Maternal/Child Health components of their programs. World Food Program project activities are providing temporary assistance to dislocated persons until they are resettled. Maternal Child Health activities are directly supporting the child survival immunization/oral rehydration therapy program activities being undertaken on a nationwide basis.

In late December 1985, during AID Administrator M. Peter McPherson's visit to Guatemala, the Mission had extensive consultations with senior level officials of the incoming government on the full range of options and issues surrounding the planned comprehensive economic recovery program and potential AID balance of payments support. One critical concern of all parties was how to alleviate the short-term impact of needed austerity measures on particularly vulnerable, low-income groups in areas of high level chronic unemployment and underemployment.

Mission officers discussed with the new Minister of Finance in particular the possibility of an emergency food distribution and food for work program in selected urban areas. An 18-month food for work campaign under an expanded Title II program managed by CARE is intended for start-up in May 1986 and will provide essential food commodities for labor-intensive urban public works projects such as road cleaning and maintenance, maintenance of public parks, provision on minimal infrastructure into marginal living areas, etc. The potential beneficiaries for the emergency FFP program are some 10,000 families in 56 slum areas of Guatemala City. CARE and the Mayor's office will select those areas where unemployment/underemployment and the hardship impact of the economic austerity measures are greatest.

B. Other Donor Coordination

USAID/Guatemala views other donor coordination principally as comprising an exchange of information and identification of potential funding support or cofunding opportunities with four distinct groups: (1) macroeconomic 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 Oganizations' 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 for and usefulness of close coordination and discussion with the other potentially major balance of payments donors or lenders. During FYs 1985 and 1986 Mission officers have been especially active in the in-country donor coordination of activities affecting economic stabilization, particularly since two of the three major multilateral donors (the World Bank and the IMF) do not have country representatives. It is expected that this exchange of policy information will continue and that USAID personnel will meet with representatives of other institutions, both multilateral and bilateral, supporting economic stabilization to coordinate future dialogue with the leading GOG institutions. USAID FY 1986 ESF planning has been discussed in considerable detail with the IMF, the World Bank and the IDB in an effort to influence and enlighten their own planning.

USAID/Guatemala continues the traditional AID practice of breaking new ground in full program or pilot activities. These activities are monitored by multilateral and bilateral donors and plans to extend the activities are undertaken by other donors if such assistance is warranted. For example, in both the agriculture and education sectors, USAID/-Guatemala has in the recent past initiated activities in resource management and bilingual education and now both the World Bank and the IDB have large scale projects either in design or in actual implementation carrying out an expansion of such activities to provide regional or nationwide coverage. Where required, USAID/Guatemala considers providing local currency bridge financing between the end of scheduled program activities and the initiation of follow-on other donor projects as well as local currency (from ESF generations) counterpart for World Bank, IDB and UNDP development projects in cases where the Government of Guatemala requests such assistance.

2. USAID coordination with and strategy for PVO 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. Annually a compilation of all project activities being sponsored by bilateral and multilateral donors is published by the UNDP in Guatemala and the USAID reviews its new project portfolio against this listing to avoid duplication of effort. Some organizations of the UN system have themselves used limited resources to plan for further expansion of ongoing programs and have sought to coordinate with other donors to assist in the financing of these activities. Both UNICEF and WHO have taken the lead in sectors where they have expertise. USAID follows such plans closely and coordinates its projects to support them when feasible, as in the case of the Child Suvival Immunization and Oral Rehydration Project (520-0339). 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 considering an FY 1986 or 1987 grant to the Binational Center of the American-Guatemalan Institute to strengthen and utilize its English language training capacity in support of the CAPS program.

b. USAID program and project plans always include review of the potential for Peace Corps involvement. Annually USAID provides funds and backstopping for the Peace Corps Small Project Activities Fund (SPAF). In FY 1986, additional funds for a specific health activity element within SPAF was approved. Peace Corps Volunteers provide oversight assistance for those USAID Special Development Fund (520-0145) sub-project sites where volunteers reside. With the rapid expansion of the USAID program in Guatemala, additional Peace Corps Volunteers are supporting USAID project activities in the Highlands. USAID also encourages PVOs to use Peace Corps Volunteers as a means of augmenting their provision of services. At present, CARE employs 47 full-time PCVs in its program and a number of others part-time.

(4) (c) Coordination with the State Department centers on <u>Democracy Initiative</u> and <u>Administration of Justice</u> activities. During 1985, this included arranging 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. During 1986 Democracy Initiative training for the members of the new Congress is scheduled and training for municipal level leaders is contemplated for at least some of Guatemala's 335 municipalities. Training for rural township mayors and/or other key rural functionaries is also being explored. Under administration of justice activities, four Guatemalan participants attended a regional seminar held in Guatemala during the first quarter of 1986. The Administration of Justice regional project is being expanded in FY 1986 to include much wider participation by Guatemalans during the balance of FY 1986 and for the ACTION PLAN period. A range of activities will be preceeded by a country survey of administration of justice practices. Simultaneously, a number of personnel will be trained at ILANUD in various specific administration of justice skills. Consideration will also be given to designing a program to provide training to approximately 300 newly appointed Justices of the Peace, since the new constitution prohibits mayors from serving as both Mayor and Justice of the Peace.

C. Women in Development

USAID continues to emphasize integrating activities addressing women in development into project design and implementation, rather than designing separate components for women within individual projects. Guatemala's National Census Office maintains labor force statistics disaggregated by sex. The Ministries of Health and Education maintain statistics by sex and age. Using this national data base, the impact of project activities on women is 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 measure the degree to which women are being brought into the economic and social mainstream.

USAID has undertaken in the development of projects 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. In FY 1986, USAID is evaluating the potable water and environmental sanitation systems introduced by PVOs and how these systems affect the members of the community, including whether and how women have benefited from the introduction of such systems.

Through projects in the agriculture sector where emphasis is being placed on developing off-farm employment opportunities, a number of jobs for women have been opened up in the processing of fruits and vegetables. Under the Small Farmer Marketing Project, new or expanded processing plants have created 240 jobs and women occupy 220 of them (or 92%). As 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 supported to introduce women to the use of credit for small enterprises and to expand the financial community's awareness of women's credit worthiness. Given the success of the USAID-sponsored pilot activity, the IDB Small Projects Program has provided additional funds to expand the credit line to more women-owned micro-enterprises.

Regular project evaluations have recommended activities to improve the opportunities of women receiving services and USAID personnel are now implementing these recommendations. For example, under the Small Farmer Diversification Project, the 1985 evaluation recommended that more women professionals be employed to assist in the delivery of extension services and to introduce improved food preparation within the home. The Ministry of Agriculture places women in the field to work with the extension program and Peace Corps is assigning six volunteers to work with the improvement of food preparation to increase the impact of new produce being introduced into the diet.

Under training programs sponsored by the Mission, a concerted effort has been made to increase the number of female participants, with a primary focus on rural residents. Women are a major target group for participation in the new Central American Peace Scholarships project, with greater than a third of all FY 1985's 900 program participants being women. More than a third of those were Indian women. 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.

For the medium-term USAID will continue to direct its core activities toward increasing rural incomes while at the same time improving rural living conditions and providing women with the skills necessary to take advantage of 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 participation 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. Given the low statistical base from which they begin, females are expected to benefit disproportionally well from the bilingual education program.

Maintenance of the disaggregated data collection systems 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. In FY 1988 an evaluation will be conducted to assess the degree to which off-farm employment opportunities have increased the income of female employees.

D. Gray Amendment

In FY 1985 twenty percent (20%) of USAID issued contracts and procurement actions were awarded to Gray Amendment firms. In the first six months of FY 1986 USAID awarded forty eight percent (48%) of contracts and procurement actions to Gray Amendment firms. We anticipate that we will be able to meet the ten percent (10%) target schedule over the full course of the year.

The possibilities of the Gray Amendment are considered in all contracting and procurement actions. The Gray Amendment has been a constant topic at staff meetings, staff notices and individual consultations. Over the past two years we have gained considerable knowledge of the possibilities to contract with Gray Amendment firms and in our programming process considerable effort is made to determine competent qualifying firms. A listing of Gray Amendment contracts/cooperative agreements by name of contractor, type of ownership, date, and amount follows.

FY-1985 USAID (Project-Funded Only)

Contract No.	Contractor	Gray Amendment	Amount
	Gray Amendment - Mission Issued		
0274-S-4104	Jimmy San Martén	Minority	$24,600.00
0274-C-4121	M.B.I.	Women Owned/SB	17,746.82
0288-C-4100	Jayne Lyons	Women Owned	20,000.00
0251-C-5004	Basic Group	Minority/Women Owned	82,767.48
0255-C-5069	Continental Ind. Supply Corp.	SB/Minority	117,727.46
0281-C-5128	Intradeco Inc.	SB/Minority	36,358.95
0274-C-5131	Intradeco Inc.	SB/Minority	100,908.20
0274-C-5195	Carben Export Inc.	Minority	27,917.00
0255-O-5225	Midway Distribution	SB/Minority	7,118.00
0282-O-5340	Ed Export Inc.	SB/Minority	6,291.00
0255-O-5352	Ed Export Inc.	SB/Minority	4,706.00
0282-O-5353	Intradeco Inc.	SB/Minority	64,003.00
0000-S-5121	Danilo Salcedo	Minority	4,500.00
0288-S-5204	Danilo Salcedo	Minority	75,986.00
Sub-Total			$590,630.31

Contract No.	Contractor	Gray Amendment	Amount
	Gray Amendment - AID/W Issued		
LAC-0000-C-00-5113-00	ISTI		301,267.00
520-0288-C-00-4002-00	Juarez & Assoc.	Minority *	278,000.00
TOTAL			$579,267.00
Total Procurement FY-85 (Mission Issued)			$2,959,250.74
Gray Amendment FY-85 (Mission Issued) (20%)			$590,630.31
Total Procurement FY-85 (AID/W Issued)			UNKNOWN
Gray Amendment FY-85 (AID/W Issued)			$579,267.00

* This amount added per PIO/T 520-0288-3-50027 dated 01-22-85

FY 1986

FY-1986 USAID (Project-Funded Only)

Contract No.	Contractor	Gray Amendment	Amount
	Gray Amendment - Mission Issued (October 1, 1985 to March 31, 1986)		
0248-C-6021	Peco International	SB/Minority Electric Inc.	$81,549.00
0339-C-6076	Intradeco Inc.	SB/Minority	17,910.19
0000-S-6080	Elaine Murphy	Women Owned	25,000.00
0238-C-6084	Intercon Ltd.	SB/Women Owned	38,845.00
0248-C-6086	Edison Hubbard Corp.	SB/Minority	94,356.10
0339-S-6087	Genette Ashby-Beach	Women Owned	34,986.00
0255-C-6098	Intradeco Inc.	SB/Minority	28,387.45
0248-C-6128	Franklin Export	SB/Minority	166,784.75
0000-S-6138	Oscar Vigano	Minority	31,032.00
0332-C-6151	Breen International	SB/Women Owned	242,278.65
0000-0-6025	Elaine Murphy	Women Owned	2,408.63
		TOTAL	$763,537.77

Total Procurement FY-86 (Mission Issued) (Up to March 31, 1986)	$1,596,051.96
Gray Amendment FY-86 (Mission Issued) (48% UP TO ORDER 6187)	$763,537.77
Total Procurement FY-86 (AID/W Issued)	UNKNOWN
Gray Amendment FY-86 (AID/W Issued)	NONE

SECTION EIGHT A:
LONG RANGE PLAN BY APPROPRIATION ACCOUNT (0000)

520 GUATEMALA

	FY 1985 ACTUAL	FY 1986 ESTIMATE	FY 1987 CP	FY 1987 ESTIMATE	FY 1988	PLANNING PERIOD 1989	1990	1991
AGRICULTURE RURAL DEV. AND NUTRITION								
TOTAL	22,409	16,500	13,500	10,650	11,200	14,556	12,774	14,500
GRANTS	5,400	16,500	11,500	10,650	6,200	3,556	3,774	4,500
LOANS	17,000	0	2,000	0	5,000	11,000	9,000	10,000
POPULATION PLANNING								
TOTAL	2,628	2,753	5,650	4,350	4,400	5,200	200	2,050
GRANTS	2,628	2,753	5,650	4,350	4,400	5,200	200	2,050
LOANS	0	0	0	0	0	0	0	0
HEALTH								
TOTAL	9,999	5,200	4,692	4,300	5,500	700	10,700	6,700
GRANTS	5,499	5,200	4,692	4,300	5,800	700	2,700	2,700
LOANS	4,500	0	0	0	0	0	8,000	4,000
CHILD SURVIV	0	(1,600)	(1,700)	(1,700)	0	0	0	0
EDUCATION								
TOTAL	13,506	5,200	6,250	10,200	5,200	8,900	8,452	7,500
GRANTS	4,806	5,200	2,200	4,200	5,200	2,900	2,452	2,500
LOANS	8,700	0	4,050	6,000	0	6,000	6,000	5,000
SELECTED DEVELOPMENT ACTIVITIES								
TOTAL	9,500	3,747	8,200	10,500	13,400	11,870	9,100	8,076
GRANTS	9,500	3,747	6,000	4,000	6,400	2,870	4,100	2,076
LOANS	0	0	2,200	6,500	7,000	9,000	5,000	6,000
SUBTOTAL FUNCTIONAL ACCOUNTS								
TOTAL	58,033	33,400	38,292	40,000	40,000	41,226	41,226	41,226
GRANTS	27,833	33,400	30,042	27,500	28,000	15,226	13,226	14,226
LOANS	30,200	0	8,250	12,500	12,000	26,000	28,000	27,000
INTERNATIONAL DISASTER ASSISTANCE								
TOTAL	0	0	0	0	0	0	0	0
GRANTS	0	0	0	0	0	0	0	0
LOANS	0	0	0	0	0	0	0	0
TOTAL DA ACCOUNT								
TOTAL	58,033	33,400	38,292	40,000	40,000	41,226	41,226	41,226
GRANTS	27,833	33,400	30,042	27,500	28,000	15,226	13,226	14,226
LOANS	30,200	0	8,250	12,500	12,000	26,000	28,000	27,000
ECONOMIC SUPPORT FUND								
TOTAL	12,500	47,850	70,000	75,000	100,000	30,000	30,000	30,000
GRANTS	3,000	23,925	35,000	37,500	50,000	3,000	3,000	3,000
LOANS	9,500	23,925	35,000	37,500	50,000	27,000	27,000	27,000
TOTAL DA AND ESF								
TOTAL	70,533	81,250	108,292	115,000	140,000	71,226	71,226	71,226
GRANTS	30,833	57,325	65,042	65,000	78,000	18,226	16,226	17,226
LOANS	39,700	23,925	43,250	50,000	62,000	53,000	55,000	54,000
P.L. 480 (NON ADD)								
TITLE I	19,700	19,000	19,000	19,000	19,000	15,000	15,000	20,000
TITLE III	0	0	0	0	0	0	0	0
TITLE II	4,396	4,437	4,650	4,650	5,000	5,060	5,050	6,000
HOUSING GUARANTEES (NON ADD)								

ECTION Eight - B. DA Summary Budget Table

PROJECT TITLE	L/G	NUMBER	L.O.P.	FY 1986	FY 1987	FY 1988
GRICULTURE, RURAL DEV. & NUTRITION						
rogram Dev. and Support	G	520-0000.1	N.A.	400,000	550,000	600,000
ilot Commercial Land Mkts. - Phase II	G	520-0343	2,000,000	1,000,000	1,000,000 1/	1,000,000 1/
ooperative Strengthening	G	520-0286	11,000,000	11,000,000	0	0
gricultural Diversif. & Natural Resource Mgt	G	520-0349	7,000,000	0	3,600,000	3,400,000
ighlands Agriculture Development	G	520-0274	4,600,000	3,100,000	0	0
amily Fish Pond Development II (OPG)	G	520-0351	500,000	500,000	0	0
arm-to-Market Tertiary Roads	G	520-0352	10,000,000	0	1,000,000	0
arm-to-Market Tertiary Roads	L	520-0352			4,000,000	5,000,000
est Management (OPG)	G	520-0350	500,000	500,000	0	0
rivate and Voluntary Organizations (OPGs)	G	520-9999	N.A.	0	500,000	1,200,000
ural Electrification III (Shelf)	G	520-0353	10,000,000	0	0	(10,000,000)
TOTAL FOR ACOUNT - ARDN				16,500,000	10,650,000	11,200,000
Grant				16,500,000	6,650,000	6,200,000
Loan				0	4,000,000	5,000,000
EALTH						
rogram Dev. and Support	G	520-0000.2	N.A.	400,000	300,000	300,000
mmunization/Child Survival/ORT	G	520-0339	11,408,000	4,800,000	0	0
CS Funding)	G			(1,600,000)	(1,708,000)	0
ral Rehydration Therapy/Private Sector	G	520-0342	4,000,000	0	4,000,000	0
ighlands Environmental Sanitation	G	520-0333	5,500,000	0	0	5,500,000
TOTAL FOR ACOUNT - HE				5,200,000	4,300,000	5,800,000
Grant				5,200,000	4,300,000	5,800,000
Loan				0	0	0
OPULATION PLANNING						
rogram Dev. and Support	G	520-0000.5	N.A.	150,000	50,000	100,000
xpansion of Family Planning Services	G	520-0288	14,186,000	2,603,000	2,800,000	2,800,000
rivate and Voluntary Organizations (OPGs)	G	520-9999	3,000,000	0	1,500,000	1,500,000
TOTAL FOR ACOUNT - PN				2,753,000	4,350,000	4,400,000
Grant				2,753,000	4,350,000	4,400,000
Loan				0	0	0

Additional funding dependent on results of scheduled Altiplano Program Evaluation

PROJECT TITLE	L/G	NUMBER	L.O.P.	FY 1986	FY 1987	FY 1988
DUCATION & HUMAN RESOURCES						
ro.ram Dev. and Support	G	520-0000.3	N.A.	200,000	200,000	200,000
l/.plano Higher Education	G	520-0304	5,000,000	5,000,000	0	0
/.mary Education Management	G	520-0320	4,000,000	0	4,000,000	0
·imary Education Management	L	520-0320	6,000,000	0	6,000,000	0
rivate Sector Skills Training Development	G	520-0324	5,000,000	0	0	5,000,000
TOTAL FOR ACOUNT - EHRD				5,200,000	10,200,000	5,200,000
Grant				5,200,000	4,200,000	5,200,000
Loan				0	6,000,000	0
ELECTED DEVELOPMENT ACTIVITIES						
rogram Dev. and Support	G	520-0000.4	N.A.	297,000	100,000	300,000
pecial Development Fund	G	520-0145	N.A.	100,000	100,000	100,000
econdary Cities and Rural Housing	G	520-0261	300,000	0	300,000	0
ocal Economic Development	G	520-0331	2,000,000	2,000,000	0	(3,000,000)
ndustrial Development	G	520-0341	6,000,000	0	3,000,000	3,000,000
ndustrial Development	L	520-0341	4,000,000	0	4,000,000	0
rivatization of State-Owned Enterprises	G	520-0296	3,000,000	0	3,000,000	0
rivatization of State-Owned Enterprises	L	520-0296	7,000,000	0	0	7,000,000
rivate and Voluntary Organizations (OPGs)	G	520-9999	N.A.	0	0	3,000,000
icroenterprise Development (OPG)	G	520-0354	300,000	300,000	0	0
ACT/ASINDES Grant	G	520-0348	1,050,000	1,050,000	0	0
TOTAL FOR ACOUNT - SD				3,747,000	10,500,000	13,400,000
Grant				3,747,000	6,500,000	6,400,000
Loan				0	4,000,000	7,000,000
RAND DA TOTALS (ALL ACCOUNTS)				35,000,000	40,000,000	40,000,000
Grant				33,400,000	26,000,000	28,000,000
Loan				0	14,000,000	12,000,000
Child Survival				1,600,000		

Section Nine - FY 1987-1988 Evaluation Plan

A. Introduction

The FY 1987-1988 evaluation plan centers on assessing activities within the on-going project portfolio designed primarily to improve incomes and productivity of the small farmer in the Altiplano and the delivery of services to the rural poor. Projects 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 1987-1988 evaluation plan given the recent implementation. 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. 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. In FY 1987 USAID will examine the agriculture sector performance in increasing rural incomes and productivity. Similarly in FY 1988 a program evaluation will be conducted to examine the impact that all activities directed at improving the child survival rate nationwide, including P.L. 480 Title II Maternal/Child Health and Other Child Feeding activities. Such sector evaluations, however, 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 decision to be made is whether future activities should continue to be limited to this geographic area or expanded to other poverty areas of the country as well. Given the wide variety of activities undertaken over the past decade, the program evaluation will also assess the adequacy of the interventions introduced and make recommendations about future directions in the Altiplano.

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. In FY 1988, the child survival program will be evaluated to analyze the effectiveness of individual agencies in delivering preventive health care services and reducing the mortality/morbidity rate of children five and under.

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 in bilingual education and a specific process evaluation will be undertaken to ascertain acceptance of the program to new communities. Evaluation of nonformal education activities will be included as part of the program evaluation of Altiplano activities.

4. Special Development Activities

The majority of USAID's project portfolio is either directly financed by the other functional accounts or are ac-

tivities which relate closely to development objectives reflecting the regular accounts. Consequently, few project specific evaluations are scheduled in this functional account. 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 has been scheduled within project funding.

As non-projectized ESF did not materialize in FY 1985 and as of March 1986 no formal agreement has been reached for FY 86, 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 ESF 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
FY 1988 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
ARDN										
Sector Assessment and Altiplano Program Evaluation	None	3rd	4th			During the past decade, USAID has focused the major portion of its project portfolio on the geographic area of the Altiplano. The program Evaluation will assess the impact this strategy has had on increasing rural incomes and productivity and providing access to essential public services. Where appropriate, environmental impact, sustainability and women in development activities will be evaluated. Projects in the ARDN account as well as health and education projects carried out in the Altiplano will be evaluated as part of this overall program evaluation.	PD&S Proj. 0276	100 40	30 20	Team Identification

PDO: Ms. Clara L. Carr - 158

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1988 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (No./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
ARDN (Cont'd)										
0248 Rural Electrification	07/85			1st.	2nd.	PACD: 12-87 The project is to provide rural residents with access to electrical connections. The final evaluation is to assess project effectiveness and impact on the rural beneficiaries. Evaluation results will be incorporated into the new project design.	PD&S	30	30	Contractor Identification
0274 Highlands Agricultural Development	Baseline	3rd	4th			PACD: 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 will analyze the institutional effectiveness of the agencies carrying out the project activities and their roles in the delivery of services for increasing incomes and productivity of the small farmer in the Altiplano.	Project	30	15	Contractor identification

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1988 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
ARDN: (Cont'd)										
0317 Cardamom Cultivation and Commercialization	None	3rd	4th			PACD: 12-86 The purpose of the OPG is to stimulate the production, drying and marketing of cardamom for small farmers in the FTN. The final evaluation will assess the impact of project activities in increasing incomes and productivity of the small farmer, PVO effectiveness in strengthening GOG extension services, and on-farm and off-farm employment opportunities.	Project	5	10	Contractor Identification
0330 Pilot Commercial Land Markets	None	3rd	4th			PACD: 08-87 The purpose of the OPG is to establish a mechanisms whereby land poor or landless small farmers can purchase farmland offered for sale. The evalua- will analyze project results for transferring lessons learned to the larger Pilot Commercial Land Markets II Project and its impact on increasing rural incomes and productivity of the small farmer in the Altiplano.	PD&S	35	15	Contractor Identification

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1989 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (No./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
ARD (Cont'd)										
0332 Farm-to-Market Roads	None	3rd	4th			PACD: 12-89 The purpose of the project is is to construct farm-to-market roads using labor-intensive methods. The mid-point evaluation will assess the contribution these roads are making in increasing incomes and productivity in the Altiplano.	Project	25	14	Team Identification

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1988 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (No./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
HE and FCP										
Child Survival	None			3rd	4th	The program evaluation will analyze the effectiveness of individual GCG agencies in delivering preventive health care services and the impact on reducing the mortality/morbidity rate of children five and under. The role of PVOs and maternal/child health care programs will also be assessed. Projects listed below in the health account will be included in the program evaluation as well as Title II Food programs.	PD&S	50	30	Team Identification
0251 Community-Based Health and Nutrition Systems	08-85	3rd	4th			PACD: 12-88 The purpose of the project is to develop the institutional capacity of the MOH to increase coverage and effectiveness in rural health delivery systems in the target area. The evaluation will assess the impact of these preventive health services on the productivity of the Altiplano workforce.	Project	20	14	Outside evaluation team identification

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1988 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
HE and PDP (Cont'd)										
0283 Expansion of Family Planning Services	12-84	1st	2nd			PACD: 12-87 The purpose of the project is to expand the availability of family planning services through public, private and commercial sector activities. Evaluation will analyze effectiveness of IPROFASA contraceptive sale program and profitability of the private sector enterprise.	PD&S	30	5	IQC for 20 days
0339 Immunization/ ORT/Child Survival	None			3rd	4th	PACD: 09-88 The purpose of the project is to establish a system for providing immunizations against 5 immuno-preventable diseases and oral rehydration therapy nationwide. The evaluation will measure the impact of this project along with other activities which focus on reducing childhood mortality and morbidity.	Project	100	30	Team Identification

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1989 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. & Title)	Last Eval. Completed (Mo./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
R										
31 Non-Formal Education	10/85	3rd	4th			PACD: 08-87 The project is to consolidate, improve and expand the national non-formal education system. The final evaluation will assess the socio-economic impact on the target population's knowledge, attitudes and adoption of practices as well as acquired literacy and its effect on the Altiplano small farmer's income and productivity.	PD+S	14	14	Team Identification
32 Primary Education Improvement	None			1st	2nd	PACD: 11-90 The project is to expand bilingual education program from 40 pilot schools to 400. The mid-point evaluation will assess the acceptability of bilingual materials, the impact bilingual education has on retention rates in these new localities, and the effectiveness of the expansion program.	Project	50	14	None

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1989 ANNUAL BUDGET SUBMISSION

Country/Office: USAID/Guatemala

Project List (Project No. and Title)	Last Eval. Completed (Mo./Yr.)	FY 1987 Start (Qtr.)	FY 1987 To AID/W (Qtr.)	FY 1988 Start (Qtr.)	FY 1988 To AID/W (Qtr.)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral Assistance
ESF										
0331 Local Economic Development	None			3rd	4th	PACD: 08-88 The purpose of the project is to establish a mechanism whereby local governmental officials can obtain resources to meet the needs of their constituents. The final evaluation will assess the impact of the project on local government and the bolstering of democratic initiatives.	Project	25	14	Team Identification
DA										
0276 Agribusiness Development	None	3rd	4th			PACD: 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 backward linkages to small farmer production in the Altiplano as part of the program evaluation.	Project	150	15	IQC Identification

0230B

MANAGEMENT

A. Mission Management Narrative

As stated in last year's ACTION PLAN, 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 sixty percent (60%) USAID and forty percent (40%) ROCAP for FYs 1986, 1987 and 1988. 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.

During FYs 1985 and 1986 there occurred a rapid, but controlled build-up of staff, space and equipment to meet the program demands arising from the Central American Initiative. Although most elements are in place, administrative support activity will increase as more projects move into the implementation stage.

As a result of the FY85/86 buildup, the configuration of the staff, plant and equipment needs to carry out activities anticipated for the FY 87/88 action plan period is already fully determined and mostly in place. While modest adjustments to meet presently unforeseen circumstances may be necessary, these will most likely be within existing planned levels. No major reorganization of Mission management and operations nor further new systems of automation are expected.

The USDH staff levels should remain constant with such additional needs as may arise being met by use of contractors. Mission operating expenses should remain relatively stable. A local currency trust fund derived from FY 1986 ESF balance of payments, loans and grants is being negotiated as part of the FY 86 program and should be in place for FY 87/88 OE uses as specified in the budget with additional funds added in those years, as needed.

Major efforts during the Action Plan time frame concern the following areas:

1. One of the key elements in supporting project implementation is a responsive contracting and procurement system. Although the response to the increase in activity has been outstanding, the level of demands required continues to rise sharply. As contracting is one of the truly critical functions, it is essential that the Mission provide the resources to allow this office to continue to perform as it has to date. It is important to note that the Contract/Procurement Office has become, for the first time, deeply involved in grants and cooperative agreements. The primary effort will be to properly manage this activity and promote Gray Amendment activities.

2. The USAID has for years provided an above average level of training particularly for FSN employees. During the coming year it is essential to rationalize the system and to provide achievable staff development programs for all levels of staff.

3. It is anticipated that the labor force contract will undergo substantial changes during FY 1986 and FY 1987. This will be a complicated and difficult undertaking. It will be the objective of the Mission not only to provide an alternate mode of contracting that is in the best interests of the U.S. Government, but also to manage this undertaking with sensitivity for our long-term employees.

4. With the acquisition of space outside the headquarters building, and the completion of several construction projects, the Mission has largely completed an extensive security enhancement and office relocation program during the past three/four years. Nevertheless the installation of the new telephone system, the final touches on the data management system, and the last of the security arrangements remain to be carried out.

5. USAID/ROCAP does not anticipate the acquisition/construction of functional or residential space in FY 1987 or FY 1988. No expansion of the vehicle fleet is anticipated, nor a major replacement effort of office or residential furnishings.

B. Staffing Requirements

Workforce Table for FY 1987-1988

Office	USDH	PASA	USPSC	FNDH	FNPSC	Manpower Contract	TOTAL
Director	2			2			4
Program	3		1	6	1		11
Proj.Dev.& Sup.	4			6	2		12
Rural Dev.	4	6		3	2		15
Human Res. Dev.	1		1	4	1		7
Health	2			4	1		7
Exec. Office	2	1 p/t		12	7	30	52
	18	6	3	37	14	30	108

SCHEDULE A - USDH POSITIONS BY OFFICE
(FY 1987 and FY 1988)

OFFICE OF THE DIRECTOR

Director - Charles E. Costello
Deputy Director - H. Peter Kolar

PROGRAM OFFICE

Sup. Program Officer - Richard Burke
Sup. Deputy Program Officer - Clara L. Carr
Program Economist - Mary C. Ott

PROJECT DEVELOPMENT AND SUPPORT OFFICE

Sup. Project Development Officer - Edward A. Baker
Project Development Officer - Lawrence L. Odle
Project Development Officer - Daniel D. De Vito
Project Development Officer - Paul W. Wrobel

RURAL DEVELOPMENT OFFICE

Sup. Agricultural Development Officer - Harry E. Wing
Sup. Deputy Agricultural Dev. Officer - Cecil D. McFarland
Assist. Agricultural Dev. Officer - Audón Trujillo
Assist. Agricultural Dev. Officer - Thomas C. Ivers

HUMAN RESOURCES DEVELOPMENT OFFICE

Human Resources Development Officer - Frank L. Fairchild

HEALTH OFFICE

Health/Family Planning Development Officer - Liliana Ayalde
Population Advisor - Clifford Belcher

EXECUTIVE OFFICE

Sup. Executive Officer - John J. Garney
Sup. Deputy Executive Officer - Anne V. Walsh

SCHEDULE B - FNDH POSITIONS BY OFFICE
(FY 1987 and FY 1988)

OFFICE OF THE DIRECTOR

Secretary to the Director
Secretary to the Deputy Director

PROGRAM OFFICE

Training Specialist
Program Specialist
Economist
Secretary
Secretary
Clerk/Stenographer

PROGRAM DEVELOPMENT & SUPPORT OFFICE

Capital Development Advisor
Engineer
Engineer
Engineer
Private Sector/Banking Advisor
Secretary

OFFICE OF RURAL DEVELOPMENT

Agronomist
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 Off.
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*

I. American PSC's

A. Program Office

Economic Analyst (1)

The economist will be responsible for all project economic work, including but not limited to review of design of proposed projects, preparation of economic analyses for concept papers, PIDs and PPs, coordination of economist contractors for sector assessments and other project-related studies, and collection of economic data for project analysis and evaluations. The economist will backstop Mission technical divisions in project design activities and liaison with relevant counterpart agencies.

B. Executive Office

1. Part Time Executive Assistant

This position is primarily concerned with the handling of classified information and will provide other secretarial and administrative support to both USAID and ROCAP.

II. Guatemalan PSC's

A. Project Development & Support Office (PDSO)

Bilingual Secretary (2)

Under the supervision of the Chief, PDSO, takes shorthand, types letters, Project Implementation Letters, charts, telegrams, memoranda and other official documents and reports. Translates non-technical documents, handles filing, maintains log of incoming and outgoing correspondence, prepares requisitions, receives official visitors and attends telephones. Other duties as assigned by the Project Development and Support Officer.

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* (All positions apply to both FY 1987 and FY 1988)

B. Office of Rural Development (ORD)

Receptionist/Secretary (1)

Provides clerical and typing support. Provides the bulk of typing support on the WANG Word Processing System including reports, letters, telegrams, memoranda and official documents in Spanish and English. Translates non-technical documents. Handles necessary filing under the direction of the Senior Secretary, attends telephone inquiries and answers routine questions. Other duties as assgined by the Senior Secretary.

Agronomist (1)

Provides technical guidance to the ORD in soil and water conservation and use, renewable natural resources, agricultural research and extension and agricultural credit. Provides technical and administrative backstopping in the implementation of various agricultural development projects. Participates in monitoring of preparation of annual operating plans and budgets by GOG related to USAID project counterpart requirements. Designs new projects, maintains contacts with public and public sector technicians, plans for and escorts official visitors on field trips, and represents ORD at meetings, seminars and planning sessions.

C. Public Health and Population Office (OPHP)

Clerk/Steno (1)

Types letters, telegrams, memoranda and other official documentation. Takes shorthand. Translates non-technical documents, receives official visitors, attends telephones and performs other miscellaneous secretarial functions as required.

D. Human Resources Office

Bilingual Secretary (1)

Takes shorthand, types letters, telegrams, trip reports, memoranda and other USAID documents. Translates technical-level documents, performs filing tasks, prepares drafts of routine amendments to Pro-Ags, PIOs, PIDs and PPs. Handles travel vouchers, prepares travel requests and vouchers. Receives official visitors and attends telephone. Other secretarial duties as assigned by the Chief of the Human Resources Office.

E. Executive Office

Assistant Procurement Agent (2)

As Assistant Procurement Agent, drafts and prepares replies to routine correspondence both in English and Spanish, and translates as necessary. Receives official visitors and attends telephone inquiries and answers routine questions. Prepares Purchase Orders, IFBs and Contracts, takes follow-up actions, negotiates with local dealers and suppliers, furnishes advice, guidance and assistance to U.S. and local personnel for development of purchase specifications, keeps log and follow-up action on invoices, vouchers and receiving reports. Other duties as assigned by Contracts & Supply Officer and Procurement Agent.

Bilingual Secretary (1)

As Bilingual Secretary drafts and prepares replies to routine correspondence both in English & Spanish, and occasional translations as necessary. Receives official visitors, attends telephone and personal inquiries, logs requisitions, purchase orders, outgoing documents, contracts, PIO/Ts, PIO/Cs, and fedstrips. Takes follow-up actions with Mission personnel and suppliers. Maintains Mission's official filing station, including catalogs, and chron files. Other duties as assigned by Contracts & Supply Officer and Procurement Agent.

Special Assistant to the Executive Officer (1)

Supervises the maintenance of the office buildings, warehouse and Directors' residences. Prepares architectural and schematic drawings for renovations and new construction. Participates in negotiations for leases, prepares and maintains leases. Maintains liaison with landlords. Supervises packing and shipping operations, customs clearances, air port expediting, and licensing of vehicles. Supervises assistant, customs expediter and clerk-typist. Performs various administrative duties as directed by the EXO or D/EXO.

Building Operations Assistant (1)

Assists in the execution and supervision of maintenance and modifications in the office building and Directors' Residences. Coordinates office operations in the absence of supervisor. Supervises equipment maintenance and service contractors. Performs minor repairs on typewriters, telephones, radios, and office equipment. Manages USAID/ROCAP's Security

Radio activities. Inspects residences. Advises on adequacy of water supply, electrical problems. Measures residences and calculates square meters. Other special activities as directed by the EXO and/or the Special Assistant.

Assistant Personnel/Travel (1)

As Assistant to the Personnel/Travel Office, and under the direction of the Personnel Officer, is responsible for orientation of FSN employees including hours of work, wage plan, Mission policies on sick and annual leave, training, awards, promotions and code of conduct. Explains medical and insurance plans. Coordinates Washington-initiated surveys, maintains emergency locator cards, manages safe driving and length of service awards, takes follow-up actions. Maintains records, files personnel materials. Is in charge of telephone directory, visa documentation, drivers licenses, I.D. cards, flight schedules.

Roving Secretary (1)

Serves as a temporary secretary in any office where secretarial services are required. Takes and transcribes shorthand, types letters, telegrams, trip reports, memoranda and other USAID/ROCAP documents, as well as technical reports in both Spanish and English. Translates technical-level documents into Spanish or English. Keeps technical files, staff notices, manual orders and other files. Drafts and prepares replies to correspondence both in English and Spanish. Receives public visitors and telephone inquiries and answers questions on Division where located. Is in charge of the telephone switchboard at noon and when the regular operator is on annual or sick leave. Assumes other duties and responsibilities assigned by the Assistant Director for Management.

F. Program Office

Clerk/Stenographer (1)

Serves as Bilingual Secretary/Administrative clerk to the Training Officer, the Economic Officer and the Economic Assistant. Takes shorthand, types letters, memoranda, telegrams, documents. Performs translations. Assists potential participants to file applications, including arranging for Consular Officer interviews. Contacts GOG or private co-sponsoring institutions, coordinates listing of selection activities.

SCHEDULE D - SUMMARY OF GUATEMALAN POSITIONS

OFFICE OF THE DIRECTOR

Secretary to the Director - Norma Aguilar
Secretary to the Dep. Director - Aracely de Taracena

PROGRAM OFFICE

Training Specialist - Elvira de Sáenz de Tejada
Program Specialist - Roberto Perdomo
Secretary - María Elena de Hernández
Secretary - Carola Soto
Clerk Stenographer - Lourdes Solís - PSC
Economist - Vacant - PSC
Clerk/Stenographer - Vacant - PSC

PROJECT DEVELOPMENT AND SUPPORT OFFICE

Cap. Development Advisor - Gustavo Leal
Engineer - Roberto Figueroa
Engineer - Ricardo Pérez
Engineer - Victor Dardón
Private Sector/Banking Advisor - Guillermo Matta - PSC - PD&S
Secretary - Silvia Ruiz
Secretary - Graciela de Guerra
Clerk/Stenographer - Karen Yon - PSC
Clerk/Stenographer - Ingrid Jordán - PSC

OFFICE OF RURAL DEVELOPMENT

Agronomist - Mario Aragón - PSC
Secretary - Blanca de Roca
Clerk/Typist - Claudia de Pastor - PSC
Clerk/Typist - Vacant - PSC
Agricultural Economist - Vacant - PSC

OFFICE OF HUMAN RESOURCES

Education Advisor - Gilberto Méndez
Program Assistant - Julio A. Díaz
Secretary - Irma de Aguilar
Secretary - Lucrecia Borjes - PSC

OFFICE OF HEALTH

Public Health Specialist - Carlos Andrino
Doctor - Jorge Chang Quan - PSC - PD&S
Secretary - Elsa Marina de Rodas
Clerk/Typist - Karla Rodas - PSC

EXECUTIVE OFFICE

Supply/Contracts

Procurement Specialist - Dina de Castellanos
Purchasing Agent - Regina Lainfiesta
Purchasing Assistant - Alfonso Rodríguez
Clerk/Typist - Claudia Enríquez - PSC
Clerk/Typist - Corina Peralta - PSC
Clerk/Typist - Laura María Cruz - PSC

Personnel

Personel Specialist - Teresita S. de Avila
Travel Assistant - Amalia Aguilar
Asst. Travel/Pers. - Geraldine de Larraondo - PSC
Roving Secretary - Vacant - PSC

General Services

Supervisor General Services - Gregorio Loarca
Storekeeper - Nery D. Arévalo
Secretary - Vacant

Bldg. Main/Lease/Customs

Supply Assistant - Villagrán, Arturo - PSC
Building Op. Asst. - Juan Manuel Domínguez - PSC
Customs Assistant - Roberto González
Clerk/Typist - Silvia Calderón - PSC

Executive Office

Secretary - Thelma de Sobalvarro

File Room

Mail & File Clerk - Kyra de Nottbohm

AMERICAN EMBASSY ASSOCIATION CONTRACT

Motor	Pool
Supervisor/Mechanic/Drivers	13
Warehousemen/Janitors/Electrician	11
Messengers/File Clerks	3

C. Operating Expenses Procurement Plan

The total cost of all procurement is shared between USAID/ROCAP. Sixty percent (60%) is charged to USAID and forty percent (40%) to ROCAP. The items below represent replacement and in very isolated cases new procurement of FY-87 and FY-88.

Office Furniture
Object Class 310 - Functional Code U504

	1987		1988	
ITEM AND QUANTITY	COST	ROCAP 40%	COST	ROCAP 40%
Wangs - 8 at 3,500	28,000	11,200	28,000	11,200
Software - 8 at 300	2,400	960	2,400	960
PC, printer & software - 4 at 5,200	20,800	8,320	20,800	8,320
Telephone systems	80,000	32,000	---	---
Secretarial desks - 8 at 300	2,400	960	---	---
Secretarial chairs - 8 at 120	960	384	---	---
Typewriters - 8 at 400	3,200	1,280	3,200	1,280
Desks for computers/-wangs - 12 at 300	3,600	1,440	3,600	1,440
Chairs for computers/-wangs - 12 at 120	1,440	576	1,440	576
	142,800	57,120	59,440	23,776
USAID	(85,680)		(35,664)	

Residential Furniture
Object Class 311 - Functional Code U405

2 sets of furniture - 2 at 12,000	24,000	9,600	24,000	9,600
40 rugs at 400 each (20 in 88)	16,000	6,400	8,000	3,200
6 refrigerators at 600	3,600	1,440	3,600	1,440
6 washers at 350	2,100	840	2,100	840
6 dryers at 350	2,100	840	2,100	840
40 lamps at 50	2,000	800	2,000	800
2 microwaves at 400	800	320	---	---
Carpet for ROCAP office 4,000	4,000	1,600	---	---
	54,600	21,840	41,800	16,720
USAID	(32,760)		(25,080)	

ITEM AND QUANTITY	1987 COST	1987 ROCAP 40%	1988 COST	1988 ROCAP 40%
Vehicles				
Object Class 312 - Functional Code U505				
Truck for warehouse	60,000	24,000		
USAID	(36,000)			
Equipment				
Object Class 319 - Functional Code U506				
10 Radios at 1,750	17,500	7,000		
USAID	(10,500)			

XD-AAX-333-A

USAID GUATEMALA FY 1987-1988 ACTION PLAN

ANNEX ONE - CARE FY 1987-1989 TITLE II OPERATIONAL PLAN

A. MCH NUTRITIONAL PROGRAM

CARE - GUATEMALA

OPERATIONAL PLAN/AER

USG FY 1987

MCH NUTRITION PROGRAM

Cooperating Sponsor: CARE

Country: Guatemala

Date Submitted: 14 March, 1986

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AER MULTI-YEAR PLAN

INFORMATION CHECKLIST

Country: Guatemala MYP Period: 1987 - 1989

Project: MCH Nutrition Date of Action: 12 Mar., 1986

AER Required Information (As per AID/W Cable # 334505)	Where Found (Page no. or Appendix)
1. Program Goals	pp. 5 - 6
2. Criteria for Progress Measurement	pp. 6 - 7; 16 - 17
3. Statement of Problem	pp. 3 - 5
4. Program Objectives	p. 5
5. Description of Target Population	pp. 3 - 5
6. Ration Composition	Appendix "E"
7. Complementary Program Components	pp. 7; 9 - 11
8. Intervention Strategy	pp. 9 - 11
9. Linkages with Other Development Activities	p. 11 - 12
10. Monitoring and Evaluation	pp. 16 - 17; Appendices "A", "B" & "D"
11. Specific Measurement of Progress	Appendix "B"
12. Specific Budgetary Information	pp. 18 - 19
13. Logistics Plan	pp. 14 - 15
14. Bearing on Domestic Food Production	Appendix "A"
15. Supervision and monitoring of commodities distribution	p. 11 & 15; Appendices "B" & "D"
16. Foreign gov. approval of duty-free importation	Appendix "C"

AER MULTI-YEAR PLAN

Country: Guatemala Project Title: MCH Nutrition

MYP Period: FY 1987 - 89 Prepared by: Christian A. Nill

I. INTRODUCTION

This ongoing program addresses the excessively high rate of malnutrition among pregnant and lactating mothers and pre-school children in Guatemala. The project is administered by CARE and the Ministry of Public Health (MOH), whose personnel distribute approximately 34 million pounds of PL 480 Title II commodities through health centers and posts to 270,000 needy beneficiaries in all departments of Guatemala including the Petén.

During the new MYP period the MCH Nutrition project will expand upon the SINAPS concept of delivering to the rural poor an integrated package of primary health care (PHC) services that serves as a complement to commodities distribution. This objective will be achieved with the complementary project intervention of Title II Enhancement.[1]

II. PROJECT DESIGN

2.1 Statement of Problems

Life expectancy in Guatemala is a low 61 years for ladinos and 45 years for Indians.[2] Some 20% of rural Guatemalan children die before their fifth birthday; in industrialized countries, only about 2 percent do. Guatemala has a nationwide average infant mortality rate (0 to 12 mos.) of 67.7 per 1000 live births[3] and in some

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[1] See separate MYP Proposal for Title II Enhancement.

[2] Ministry of Economics. 1982. Department of Statistics. p. 23.

[3] Pan American Health Organization. 1984. Annual Report of the Director.

western highlands, this rate rises to 104-134 per 1000.[4] Indian child mortality is approximately 1.7 times greater than non-Indian (ladino) child mortality, reflecting the environmental conditions for both groups. All the above statistics signify a tragic loss for Guatemala and represent one of the highest infant-mortality rates in the Latin American Continent.

Approximately seventy-nine percent of the total population lives in poverty; almost eighty-two percent of the rural population and seventy-five percent of the urban population do not have sufficient means to meet their daily nutritional requirements. That shortage causes nutritional deficiency; not an imbalance between calories and protein. There may, however, be shortages of specific micro-nutrients and of protein, especially among the young children. Evidence of serious malnutrition comes from three main sources; estimates of food consumption, anthropometric and clinical studies, and data on child mortality. Food consumption data estimate that half of the population consumes well below suggested daily requirements. In fact, studies show that they are only receiving 62% of their minimum daily caloric requirements and 51% of their protein needs.[5]

In children under five, malnutrition reduces their resistance to diseases, is a major cause of their deaths and impairs their physical and mental development. Government and independent study groups concur that approximately 81% of all Guatemalan pre-school children suffer from malnutrition, and within that group, 25-32% suffer from moderate to severe malnutrition.[6]

Data from government health posts and centers record the high child mortality rates, which reflect the combined effects of sickness and malnutrition. Infections reduce appetite and food intake in several different ways (including the action of intestinal parasites) and they reduce the proportion of nutrients that the body absorbs. In turn, undernutrition weakens the body's immunizing mechanisms, lowers its defenses against the initial infection, while making it more susceptible to further infections, which can ultimately lead to death.

Other statistics reveal that low-income pregnant and

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[4] Council of Economic Planning, Guatemala. 1982.

[5] Ministry of Public Health. 1982. National Plan of Safety and Development. Guatemala. p. 30.

[6] Ibid., p. 227.

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lactating mothers consume only between 60-65% of the recommended minimum amounts of calories and protein. This finding signifies that the nutritional status of pregnant women is very low, especially during the critical first trimester of pregnancy.

Most malnutrition reflects a shortage of calories, protein, or both; some diets, however, are inadequate because they lack specific nutrients. We know that 20% of pre-school children suffer from a serious deficiency of Vitamin A, leading to poor eyesight, which can undermine educational performance and adult learning power. It also affects growth, skin condition and the severity of other nutritionally related illnesses.

Anemia, resulting primarily from blood loss and too little iron, is another common problem. For example, studies show that 55% of pregnant women, 40% of lactating women and 40% of children under 12 years are anemic due to iron and folic acid deficiency.

Such anemia in pregnant women has other adverse effects, as it can lead to premature birth and a much lower chance of survival for the newborn child. The more children a women bears, the greater the probability of severe anemia, so adding to the cycle of poverty, high fertility and low rates of child survival.

Guatemala's poor do not have enough income for food and, given the low income growth that is forecast for the poorest people in the foreseeable future, large numbers will remain malnourished for decades to come. This combination of diverse factors results in a problem that is quite complex and difficult to combat. Because of that complexity, more effective measures are required in the feeding program and this project will attempt to address that need.

2.2 Final Goal

Improved the health status of 535,000 rural inhabitants of Guatemala, this number comprising pregnant and lactating mothers as well as children of 0 to five years of age.[7]

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[7] The numerical target was estimated as follows:
Assuming a constant beneficiary level of 270,000 for each FY:

a) 40% are mothers => 108,000 per year;
b) 60% are children => 162,000 for first year;
c) 15% annual turnover in infant beneficiary roles => 24,300;

Then:

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2.3 Intermediate Goals

Intermediate Goal M1: MCH distribution centers effectively and accurately target vulnerable groups in their respective communities. Approximate target dates for achievement:

End of FY '87: 75% of centers comply (490 centers)
End of FY '88: 100% of centers comply (650 centers)

Intermediate Goal M2: MCH distribution centers effectively carry out educational and outreach activities in health, nutrition and hygiene, using techniques appropriate to their audiences, in relation to commodities distribution. Approximate target dates for achievement:

End of FY '88: 10% of centers comply (65 centers)
End of FY '89: 25% of centers comply (163 centers)

Intermediate Goal M3: MCH commodities distribution is effectively linked to the provision of PHC services. Approximate target dates for achievement: same as in I.G. M2.

Intermediate Goal M4: MCH distribution centers meet action standards for local program administration and beneficiary monitoring. Approximate target dates for achievement:

End of FY '87: 60% of centers comply (390 centers)
End of FY '88: 90% of centers comply (590 centers)

2.4 Project Activity Targets

Project Activity	FY 87	FY 88	FY 89
Commodities Distributions (000 pounds)			
1. All PL 480 commodities (000's of kg.)	14,781	14,781	14,781

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a The specific commodities which make up each ration may be altered, depending on field monitoring results which, combined with budgetary considerations, will help determine the ideal ration makeup. The current ration consists of 30% NFDM, 30% Cornmeal, 30% Soy-fortified bulgur and 10% vegetable oil. See Appendix "E".

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Complementary Activities[9]

2. Educational sessions/demos. at feeding centers re health, nutrition & hygiene. (# of ed. sessions/demos.)	1200	1200	1200
3. Home visits performed by center-based rural health practitioners (000s of RHP visits)	40	40	40
4. PHC consultancies/exams for MCH bens. (000s of consults/exams)	53	53	53
5. Annual Outreach Plans developed and implemented by feeding centers (# of plans)	65	65	130

III. PROJECT OVERVIEW

3.1 Project Development

In Guatemala, the MCH Nutrition project has long been established as a supplementary feeding program through the Ministry of Public Health for pregnant and nursing mothers and malnourished pre-school children. The beneficiaries eligible to be enrolled in this program must attend government health posts and centers to receive a monthly ration of PL 480 commodities designed to supplement their normal daily food intake.

Currently, 270,000 beneficiaries are enrolled in the program throughout all departments of Guatemala, including the Petén. Five years ago it was considered that this program could be made more dynamic and beneficial than in previous years by integrating commodities distribution with the provision of complementary health and educational services.

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[9] The targets for complementary MCH activities such as educational sessions, PHC consultancies and home visits will be measured by using a statistically representative sample of all MCH feeding centers. For the purposes of this proposal, a sample size of 5% was used (33 feeding centers). If the actual sample size upon measuring these PATs is other than 5%, the numerical target will of course have to be adjusted accordingly.

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Hence in late 1980 CARE began assisting and implementing the SINAPS program referred to earlier. SINAPS was the result of the combined efforts of the MOH, Pan American Health Organization and INCAP to design, implement and evaluate a program of primary health care in Guatemala. Its basic purpose was to increase the effective coverage of PHC service delivery.

SINAPS tested the hypothesis that it was feasible, considering the prevailing conditions in Guatemala, to implement an effective and efficient primary health care program based on service delivery by health technicians such as auxiliary nurses, rural health promoters and traditional midwives, with appropriate supervision and with the participation of the community.

The program implementation began in three pilot health districts of eastern Guatemala. The specific program objectives were to:

a. Develop an appropriate methodology for:

- training health personnel with special focus on non-professional personnel.

- designing, monitoring, controlling the quality and costs of, and measuring the impact of the primary health care system.

b. Strengthening the development of technical norms for primary health care personnel in Guatemala.

When the SINAPS program failed due to budgetary and organizational problems discussed earlier, it left behind some noble initiatives but at the same time a vacuum of assistance for the continued promulgation of integrated primary health care/supplementary feeding.

In 1982, the Ministry of Health approached CARE regarding the possibility of assisting in the extension of the SINAPS concept into the three highland departments of San Marcos, Totonicapán and Sololá. This program is called Integrated Community Systems of Health and Nutrition with Attention to Primary Health (APS). It was designed as part of the Government mandate to accelerate and improve basic health delivery systems in rural areas.

The APS program never came to fruition. CARE held several planning sessions during the course of 1983-84 with MOH planners, yet despite their assurances that the final plan was upcoming, nothing materialized -- perhaps in large measure due to the GOG's incipient fiscal crisis at that

time.

SINAPS and APS nonetheless serve to demonstrate the GOG's continued interest in providing integrated PHC services along with supplementary feeding. These precedents warrant the renewed efforts in this direction, albeit with a different focus, which will be undertaken by the MCH Nutrition project, only now, in the new MYP period, with the special resources which the complementary "Title II Enhancement" project will have to offer.

3.2 Project Strategy

3.2.1 General

Project strategy is to use PL 480 commodities as an aid to economic and social development, particularly related to improving the nutritional and health of the most vulnerable and neediest groups in Guatemala. This will be achieved by attempting to promulgate the delivery of integrated MCH/primary health care services.

3.2.2 Consonance with MOH policy

The MOH is cognizant of the need to improve its health services delivery system and is interested in including the following activities in the regular MCH program:

1. Scheduled medical check-ups, primary health care and basic immunizations.

2. Maintenance of health monitoring charts for each child.
3. The provision of regular demonstrations for participating mothers in the health centers and posts on subjects relating to health, nutrition, and sanitation.

4. The concept of health "outreach" as an essential PHC service.

Project Strategy is to assist the Government in its efforts to improve the health status of the people and, at the same time, also collaborate in outreach interventions that are effective in terms of their impact on health indicators, particularly infant mortality.

Emphasis will be placed on the prevention and management of those factors that are the main causes of infant mortality and disability, and for which effective health interventions are available in a relatively short time. Those factors are grouped by the MOH as follows:

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1. Diseases preventable through vaccination (whooping cough, neonatal, tetanus, measles, poliomyelitis and tuberculosis);

2. Dehydration due to diarrhea;
3. Perinatal health related problems;

4. Severe malnutrition;

5. Early weaning;

6. Short birth interval;

7. Poor environmental sanitation.

3.2.3 The Role of Rural Health Practitioners

The Rural Health Practitioner (RHP) and the Traditional Midwives are responsible for delivering the first level of health services with the supervision and support of the Rural Health Technician (RHT) and the Auxiliary Nurse assigned to local health posts.

Most of the activities performed by the RHP are of a preventive nature and related to promoting active community participation in delivery of health services. For example, immunizations and measurement of arm circumference are generally performed by the RHT. The role of the RHP is to provide information to the community to insure high coverage of these activities. For each activity of the RHP and midwife there are clearly written indicators describing when a patient should be referred to the closest health service.

The participation of the community is an essential component of the program. All sectors of the community participate in the recruitment and selection of RHPs. The RHT is required to seek candidates recommended by civil authorities, community committees, religious and social groups, indigenous health practitioners and persons identified as representatives of the community. Given the rural location of most training centers (e.g., many training centers are actually schools, churches, promoters' homes), community members are also encouraged to attend and participate in all training exercises. The responsibility for service delivery, however, remains with the assigned volunteer.

Finally, the community participates in the evaluation of services. For example, if the provision of services is inadequate or of poor quality, the community is free to select a substitute. Where service coverage is low, the RHT is required to visit the community and poll residents on the

reasons for low utilization. The basic notion is that, rather than having a single health committee responsible for the quality of service delivery, the community should have multiple channels for participation.

3.2.4 PL 480 Commodities as Incentive Tool

The PL 480 commodities are used as a resource by the MOH health personnel to enroll needy families in the program; they use the distributions as opportunities to provide improved understanding of nutrition, health and hygiene. PL 480 commodities are also used in a very important way to incentivate beneficiaries to make more routine use of PHC services at the feeding center. During the present MYP period this incentive value of supplementary feeding will be reinforced and used to maximum advantage in order to provide beneficiaries with truly integrated health services.

3.2.5 CARE Supervision and Host Agency Support

National CARE field staff will continue their tri-monthly supervision and evaluation visits of each health post and center. But in this MYP period, the mission will attempt to create a more meaningful role for its field supervision staff: an improved MCH field minitoring system, to be developed by the complementary Title II Enhancement project, will try to focus on those key indicators of project performance at the feeding center and beneficiary levels, in order to generate statistical profiles that show 1) general tendencies and patterns of MCH service delivery; and 2) performance over time for specific feeding centers. MOH will provide infrastructure and equipment, warehousing, health personnel, medicine and vaccines, and complementary programs such as anti-tuberculosis, anti-malaria, and vaccination campaigns. They will also participate directly in the planning and management of MCH enhancement activities.

The MOH covers CARE's local administrative costs, as well as transportation of all commodities from the port to the warehouses and onward to the health centers.

The government also absorbs a number of other costs including all port charges and import taxes. and provides free internal postage and telegraph service to CARE. No special conditions are imposed regarding admission, storage, transport, distribution, utilization of loss of commodities.

3.2.6 Clustering with other CARE Interveniions

Because of its nationwide coverage this project will

cluster with almost all of this mission's proposed as well as ongoing interventions, significant among these, the Rural Health Services Enhancement project, Environmental Sanitation, and Water, Women and Health. Copies of the Multi-Year Plan for these projects are available upon request.

Also, as mentioned earlier, this project will be directly complemented by the Title II Feeding Enhancement project. (The Multi-Year Plan for this project appears as Appendix "A".)

3.3 Project Impact

This project may be expected to have some form of impact on the entire beneficiary family; not only those members of the family who are specifically targeted by the MCH Nutrition project. Two examples of how this will happen:

1. The linking of PHC services to commodities distribution at each feeding center may improve the access to and routine use of such services not only by the targeted MCH beneficiaries, but also the rest of the family members, by example.

2. Educational and extension services provided by the PHC unit will improve sanitary conditions, and subsequently health status, for the whole family, too.

In many communities these types of impacts may extend, through the example that beneficiaries show their neighbors, to other non-beneficiary families, even though they don't receive PL 480 food supplements.

3.4 Project Continuity

Supplementary feeding: Given the reality of the Government's limited resources, we expect this intervention to continue for many years.

Complementary MCH activities: There is indeed an opportunity for the MOH to replicate many of these activities in its other ongoing projects that address rural primary health care. We especially hope that the example of CARE's improved field monitoring system, to be developed during the life of the project, will be utilized by the MOH to monitor and evaluate many of its ongoing projects that do

not necessarily have a supplementary feeding component.

3.5 Project Potential

A most significant aspect of this project is the expected improvement in primary health care delivery systems throughout Guatemala. The community outreach services concept is an opportunity to maximize health support services in rural areas.

The project policy is to improve health and nutrition through sectoral interventions, such as the former SINAPS and APS programs, which emphasize improved PHC health delivery systems providing growth monitoring of children, pre-and post-natal nutrition, supporting environmental health measures, and promoting proper infant feeding practices.
This approach to primary level health care is replicable under the routine working conditions of the MOH and many key elements are being extended to other health district programs. The long-term success is not the adoption of the entire SINAPS model, but the utilization of similar methodology, decision-making process and criteria for the design of primary health care services in other areas of the country.

3.6 Project Constraints

A major constraint to continued participation could be a reduced availability of PL 480 foods. A strategic element of the MCH program is the use of PL 480 commodities as encouragement for attendance at the health clinics for essential curative medical care and control.

A constraint previously experienced in the regular MCH program had been the language barrier. In isolated rural communities, few of the Indian mothers spoke Spanish and few of the health personnel communicated in the local dialect. This situation is slowly changing as more indigenous children attend school and learn Spanish. But more importantly, this constraint will be minimized by actively promoting the use of appropriate teaching techniques which serve to cross these cultural and linguistic barriers. Also, in the Outreach Services Program the health promoters and midwives will be recruited and trained to serve in their own communities, which is instrumental in breaking down these barriers.

IV. PROJECT IMPLEMENTATION

4.1 Pre-Implementation Conditions

a. Signing of CARE/GOG agreement by the beginning of the project year, delineating responsibilities of all parties. In general, the Government of Guatemala is responsible for providing infrastructure, equipment, transportation, medicines and vaccines, etc.

b. Submission to and approval by USAID of an Operational Plan and AER.

c. Development of an improved MCH monitoring system based on key indicators (as an activity of the complementary "Title II Enhancement" project).

4.2 Implementation Plan and Schedule

The following schedule describes the sequence of activities to be carried out during each fiscal year of project implementation:

a. Transportation on a quarterly basis by the Government of PL 480 food to all health posts and centers implementing the MCH program.

b. Reporting on a monthly basis by MOH personnel of food consumption, supervision and inventory.

c. Ongoing monitoring and supervision by CARE.

4.3 Logistics Plan

4.3.1 Port Facilities

The volume of commodities to be handled by this project in USG FY 1987 does not vary significantly from quantities handled in FY 86. Port facilities are excellent, with ample warehouse space for interim storage.

4.3.2 Transportation

The GOG covers all costs of inland transport of commodities to CARE's warehouse in Guatemala City, and onward to distribution centers located in 22 departments of the Republic. The GOG's transport contractor has over the years provided consistently excellent service, with minimal commodity losses. The

government for its part places high priority on this feeding program, and thus has managed to meet payments with its contractor even in the worst of financial times.

4.3.3 CARE Warehouse Facilities

These facilities are currently being utilized at approximately 70 percent capacity. No problems are foreseen in the interim storage of MCH commodities for USG FY 1987.

4.3.4 Field Warehouse Facilities

These facilities are on the whole adequate for the volume of commodities to be stored. CARE's field supervisors are constantly visiting all feeding centers to insure, among other things, that each center's warehouse meets all requirements for safe and sanitary storage of commodities. Wherever a feeding center does not meet these requirements, its beneficiary level is readjusted downward so that it can accomodate the incoming food, or, in isolated cases of incorrigible negligence, the center is culled from the program.

4.3 Technical Considerations

Not applicable.

4.4 Procurement Requirements

Not applicable.

4.5 Personnel Requirements

4.5.1 International Personnel

This project will continue to be managed by one CARE Project Manager, Heather Nesbitt, who will devote approximately 50 per cent of his/her time to same.

4.5.2 National Personnel

Please refer to Appendix "D", attached. The field supervisors referred to on that list will be directly responsible for overseeing the distribution of commodities as well as supervising and periodically reporting on each feeding center's administration of the MCH Nutrition project.

V. PROJECT EVALUATION

5.1 Final Goal

Improve the health status of 535,000 rural inhabitants of Guatemala, this number comprising pregnant and lactating mothers as well as children of 0 to 5 years of age.

Indicator: Reduction of infant mortality by 15% in the participating communities.

5.2 Intermediate Goals

I.G. #1: MCH distribution centers effectively and accurately target vulnerable groups in their respective communities.

Indicator 1: MCH distribution center beneficiary roles show a turnover rate for infant beneficiaries (0 - 5 years of age) that is 15% per year.

Indicator 2: Field validation of distribution center beneficiary roles shows that beneficiary mothers are indeed pregnant or lactating and belong to low-income, high-risk groups.

I.G. #2: MCH distribution centers effectively carry out educational and outreach activities in health, nutrition and hygiene, using techniques appropriate to their audiences, in relation to commodities distribution.

Indicator 1: MCH distribution centers carry out center-based educational activities on average three times a month.

Indicator 2: MCH Rural Health Practitioners carry out field extension in health/nutrition education, in the amount of 100 home visits per month.

Indicator 3: 75% of beneficiary mothers regularly attend 75% of center-based educational sessions on distribution days (i.e., once a month).

Indicator 4: MCH distribution centers' analyses of changes in sanitary and food preparation habits among beneficiaries reveal significant changes in 50% of beneficiary families.

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I.G. #3: MCH commodities distribution is effectively linked to the provision of PHC services.

Indicator 1: Feeding center records show that 75% of MCH beneficiary mothers obtain PHC pre- and post-natal consultancies with the frequency recommended for such visits.

Indicator 2: 90% of MCH feeding centers have at least one MOH worker who is judged as qualified to provide PHC consultancies and diagnoses.

Indicator 3: Feeding center records 75% of beneficiary children of 0 - 5 years of age receive PHC exams on at least a semi-annual basis.

I.G. #4: MCH distribution centers meet action standards for local program administration and beneficiary monitoring.

Indicator 1: Percent of distribution centers that maintain up-to-date beneficiary roles as well as clear, organized reports and records of commodities movement.

Indicator 2: Percent of distribution centers that maintain organized and up-to-date beneficiary case histories for each MCH ben., using formats recommended for this purpose.

Indicator 3: Percent of distribution centers that measure beneficiary children's growth (height and weight) in an accurate and timely manner.

Indicator 4: Percent of distribution centers that receive an acceptable rating with respect to program administration, based on a "scorecard" evaluation applied by CARE's MCH field supervisors and validated independently.

Indicator 5: Number of MCH distribution centers that develop "Annual Outreach Plans" which draw together in one operating document: 1) community needs assessment; 2) a PHC action plan designed to address those needs, with specific targets for achievement; and 3) analysis of resources available to implement the plan.

VI. PROJECT FUNDING

TYPE	AMOUNT	SOURCE
FY 1987 (firm)		
Infrastructure, equipment, warehousing, health personnel, technical assistance, medicines, vaccines, transport, and administration.	$2,200,000	MOH[10]
PL 480 Commodities	$3,347,004	USAID
Freight Value	$1,212,000[11]	
CARE Personnel & Operations	$ 238,000	MOH
TOTAL	$7,339,440	
FY 1988 (projected)		
Infrastructure, equipment, warehousing, health personnel, technical assistance, medicines, vaccines, transport, and administration.	$2,200,000	MOH
PL 480 Commodities	$3,680,000	USAID
Freight Value	$1,333,000	
CARE Personnel & Operations	$ 262,000	MOH
TOTAL	$7,853,000	

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10 Ministry of Health.

11 Based on an average of eight recent Bills of Lading (June to December, 1985). Average = $ 82.00/metric ton.

TYPE	AMOUNT	SOURCE
FY 1989 (projected)		
Infrastructure, equipment, warehousing, health personnel, technical assistance, medicines, vaccines, transport, and administration.	$2,200,000	MOH
PL 480 Commodities	$4,050,000	USAID
Freight Value	$1,466,500	
CARE Personnel & Operations	$ 288,000	MOH
TOTAL	$8,398,500	

VII. PUBLIC RECOGNITION

All commodities will be distributed in packaging that clearly identifies them as a contribution of the people of the United States of America.

VIII. USE OF CONTAINER FUNDS

Most feeding centers will use discarded containers (particularly the five-gallon pails used to package vegetable oil) in order to raise local funds for feeding center use to implement activities that are related to the program's goals. These activities will include those which are outlined in Section 2.4 of this document. Ministry of Health field staff will be responsible for all accounting procedures in relation to the use of these funds.

APPENDIX A

MULTI-YEAR PLAN

TITLE II ENHANCEMENT

MYP PROJECT PROPOSAL[1]

Country: Guatemala Project Title: Title II Feeding Enhancement

MYP Period: 1987 - 89 Prepared by: Christian A. Nill

I. INTRODUCTION

For twenty-three years CARE-Guatemala has been implementing a Mother-Child Health (MCH) feeding program in collaboration with Guatemala's Ministry of Health (MOH) using Title II commodities. For some years this mission has tried to inculcate among MOH managers and field personnel at distribution centers the idea of a "whole" MCH program which should involve the provision of certain services that are integrated with and complement mere commodities distribution. To date, however, CARE's intervention in the promotion of this idea has taken a somewhat passive form; there has been no concerted effort to adequately prepare MOH feeding centers[2] so they may be able to provide this integrated package of goods and services to project beneficiaries. At the same time, as we ask more critical questions regarding the implementation of the MCH program at the field level, this mission has begun to recognize all the more acutely the shortcomings of our present monitoring system in providing concrete and timely indicators of project performance trends and profiles.

The present Title II Feeding Enhancement proposal aims to address these problems in MCH project strategy. Hence the beneficiary target group contemplated by this project is essentially identical to the target group of our MCH project: that is to say, 270,000 pregnant and lactating mothers and pre-school

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[1] Submitted to CARE Headquarters, February, 1986.

[2] "Feeding center", "distribution center", "MOH center" and "PHC clinic or center" will be used more or less interchangeably in this proposal, unless it is contextually understood otherwise.

children who receive PL 480 food supplements in approximately 650 health and nutritional rehabilitation centers in all of Guatemala's 22 departments. The goal of the project is to impact on all of these feeding centers, through the development of an improved field monitoring system that will allow this mission to measure more accurately each feeding center's compliance with certain "action standards" which are seen as essential to the achievement of goals and objectives within the MCH program. Subsequent project activity in specific areas of MCH enhancement will concentrate on approximately ten per cent of the feeding centers as a "nucleus of change", with the expectation that this nucleus will plant the seeds of change which may be replicated in other MCH feeding centers beyond the life of this project. Moreover, it is hoped that Guatemala's MOH will utilize the principles of project monitoring to be perfected through this intervention in many of its other ongoing health and nutrition programs.

A formal process of assessment of program enhancement requirements within the MCH program has essentially never existed. For this reason the point of departure for the Title II Enhancement project shall consist in precisely this initial phase, only now by using the novel approach of employing market research principles to discern those requirements. Upon completing this important diagnostic exercise, we hope to obtain two products: 1) a finely tuned MCH monitoring system which will enable this mission to identify and respond to specific feeding center problems in a more timely, holistic and cost-effective manner as well as obtain useful diagnostic profiles of project trends at any given time; and 2) a prioritization of those enhancement requirements in the MCH program which will require the intervention of this project. The remainder of this project will then devote itself to those priority interventions which are indicated as a result of this assessment phase.

Although the logic behind this process may preclude detailed a priori descriptions of the enhancement activities which are to follow as a result of needs assessment, the mission considers that some combination of the following broad areas of intervention will probably be pursued:

- the development of an improved field monitoring system to be utilized by CARE-Guatemala, and which shall relate

the key indicators of MCH performance to CARE's ongoing policy decision-making process aimed at fine-tuning of the MCH project;

- promotion of improved field educational activities in health and nutrition;

- upgrading the administrative and monitoring capabilities and performance of feeding center personnel;

- enhance the MCH program's capability to dynamically target nutritionally vulnerable groups.

- improving the quality of project information management for the purposes of ongoing monitoring as well as future analyses of impact;

- providing the necessary resources and guidance to effectively link health/nutrition education and Primary Health Care (PHC) services to the distribution of PL 480 commodities.

II. PROJECT DESIGN

2.1 Statement of the Problem

CARE-Guatemala's MCH program has concentrated for years on the distribution of Title II commodities. This fact becomes patently obvious upon taking but a brief look at MCH PATs at least since 1980. While empirical evidence would seem to indicate that this fairly exclusive project focus has nonetheless improved the nutritional status of many mothers and pre-school children, the potential for any lasting impact on these target groups, as well as the potential for effective project continuity, are somewhat limited.

These limitations may be illustrated on the one hand by the

example of the pre-schooler whose nutritional status is effectively rehabilitated through consumption of MCH food supplements, and who later develops an acute case of nutrient-depleting gastrointestinal dehydration due to poor sanitary conditions at home as well as the parents' ignorance of those simple measures such as homespun ORT which could alleviate the child's condition. The point here of course is to integrate supplementary feeding with sanitary and nutritional education sessions at the feeding center, within the community itself through home visits, and as a regular part of routine PHC consultancies.

On the other hand, the limitations that an exclusive focus on commodities distribution imposes on project continuity may be illustrated by the example of the feeding center that effectively rehabilitates a number of food recipients, upon accomplishing this dutifully removes the from beneficiary roles to make room for new individuals from high-risk groups, and thus dissolves all contact with the rehabilitated individuals. Supplementary feeding can of course only save beneficiaries from the imminent danger of malnutrition; only through periodic PHC consultancies during <u>and after</u> MCH enrollment will beneficiaries receive the adequate attention they need so as not to "lose ground" once again.

To be sure, a number of MCH feeding centers have taken their own initiative to undertake educational sessions in health and nutrition in conjunction with commodities distribution; some others have made efforts to assure that MCH beneficiaries are accurately targeted and receive primary health care along with the food, or have taken significant strides towards perfecting their own administration and local monitoring of the MCH program. But these positive (and very particular) features of the MCH program do not belie the facts that, on the whole:

1. Except for a promising but short-lived adventure in sectoral primary health care (the SINAPS program of the

early 1980s[3]), CARE has to date encouraged this integration of MCH goods and services only on paper, even while local resources and technical know-how are admittedly insufficient to actually achieve this integration at every feeding center;

2. Even those educational sessions delivered with the best of intentions are in many cases failing to effectively reach their audiences, due to the formidable cultural and linguistic barriers which most PHC staffers are not trained to deal with;

3. Even those PHC staffers who offer regular consultancies to MCH beneficiaries are often unaware of the ways in which these consultancies can be combined with "one-on-one" health and nutrition education for the patient/beneficiary;

4. In the last analysis, those MCH feeding centers which have taken special initiatives in one or more of these areas are very few. CARE's field supervision of the MCH project reveals clearly that most feeding center personnel are overly occupied with the paperwork and mechanics of food distribution, without recognizing "the big picture" -- i.e., the provision of integrated MCH services;

5. Finally, CARE's project monitoring system is inadequate to distinguish which MCH feeding centers are meeting those action standards for the provision of integrated MCH services.[4] Our present field monitoring does not provide the key information needed to determine which feeding centers require special

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[3] Refer to the MCH Nutrition Project Proposal that corresponds to this MYP period for more details on this program.

[4] What are CARE's "action standards" for the provision of integrated MCH services? What do we mean by "integrated"? See Appendix A.1 for a first approximation towards answering these important questions.

assistance in this regard, nor which centers should actually be culled from the project; much less can it provide us with periodic profiles of project performance that could enable CARE to make informed decisions.

2.2 Final Goal

Effectively enhance CARE-Guatemala's MCH Nutrition project with respect to its field monitoring system, and in as many of the following program areas as may be indicated by an initial assessment of priority enhancement requirements:

- targeting of nutritionally vulnerable groups;
- feeding center administration and monitoring of beneficiaries;
- health, nutrition and hygiene education, both in the feeding center as well as in the field;
- feeding center PHC services;
- feeding center management of resources for commodities distribution and the provision of related services;
- MCH impact, in terms of beneficiary weight/height parameters as well as general health status.

The improvement of field monitoring will impact on 270,000 MCH beneficiaries during the life of this project, by providing CARE with a more efficient response mechanism to specific feeding center problems. The general program areas described above will be expected to directly impact on 27,000 MCH beneficiaries during the life of this project. With the replication of these activities at other feeding centers, however, it is expected that these program areas too will impact over the longer term on the total MCH beneficiary population of 270,000.

2.3 Intermediate Goals

Some of the following intermediate goals may be subject to subsequent refinement or possibly elimination, depending upon the results of a prior assessment of enhancement requirements within the MCH Nutrition project. This assessment will help determine those MCH program areas to which Title II Enhancement funds might best be applied. This assessment exercise is referred to in I.G. #1; it is described in more detail in Section 4.1 (Pre-Implementation Conditions).

Intermediate Goal #1: Complete initial survey of 10 % of all MCH feeding centers in order to develop and pre-test new field monitoring system and to establish priority program enhancement requirements to be addressed by this project. Approximate target date for achievement: April, 1986.

Intermediate Goal #2: Mission adopts and effectively utilizes improved field monitoring system which employs marketing techniques to monitor MCH Nutrition project. Approximate target date for achievement: June, 1986.

Intermediate Goal #3: MCH distribution centers effectively and accurately target vulnerable groups in their respective communities. Approximate target dates for achievement:

End of FY '87: 60% of centers comply (390 centers)
End of FY '88: 90% of centers comply (590 centers)

Intermediate Goal #4: 65 MCH distribution centers effectively carry out educational activities in health, nutrition and hygiene, using techniques appropriate to their audiences, in relation to commodities distribution. Approximate target date for achievement: June, 1988.

Intermediate Goal #5: MCH commodities distribution in 65 feeding centers is effectively linked to the provision of PHC services. Approximate target date for achievement: June, 1988.

Intermediate Goal #6: 65 MCH distribution centers meet action standards for local program administration and beneficiary monitoring.

2.4 Project Activity Targets

The comment which appears at the beginning of Section 2.3 will be seen to apply as well to the definition of this project's principal activities which follow. Also, it will be noted that the three fiscal years identified below correspond to the three-year duration of the Title II Enhancement grant; only FY 1987-88 fall within CARE's MYP planning period. The inclusion of information that pertains to FY 1986 is essential since it involves important activities that will be precursors for those that follow in FY 1987-88.

Project Activity	FY 86	FY 87	FY 88
Preliminary survey to assess priority MCH enhancement requirements:			
1. Define key project decisions & action standards as basis for survey design. (1 report)	1	-	-
2. Complete survey of 65 MCH distribution centers to test new monitoring system and determine priority enhancement requirements. (1 survey)	1	-	-
Title II Enhancement activities will then include some combination of the following, depending on priority enhancement requirements identified in (2.), above:			
3. CARE staff training re new monitoring system (# of pers/days)	48	24	-
4. MOH field personnel training re appropriate educational techniques in health/nutrition (# of pers/days)	-	650	650

5. Educational sessions/demos. at feeding centers re health, nutrition & hygiene. (# of ed. sessions/demos.)	1170	2340	2340
6. Home visits performed by center-based rural health practitioners (000's of RHP visits)	39	78	78
7. Quality of instruction in educational sessions/demos. rated as effective. (% of such sessions which receive satisfactory rating by independent validator)	30%	75%	75%
8. MOH field personnel training re linkage of PHC services to food distribution. (# of pers.-days)	-	260	260
9. PHC consultancies/exams for MCH beneficiaries (000s of consults./exams)	53	106	106
10. MOH field personnel training re development of "Annual Outreach Plans" for each feeding center. (# of pers.-days)	-	390	390
11. Annual Outreach Plans developed (# of plans)	-	65	65
12. Data Management System (DMS) developed for tabulation and analysis of monitoring information, this data to be treated statistically to indicate performance profiles and trends on a site-specific, regional, and national basis. (1 DMS)	1	-	-

13. Monitoring information from MCH feeding centers stored on DMS. (# of feeding centers)	65	420	650

III. PROJECT OVERVIEW

3.1 Project Development

3.1.1 Development of the Concept

In mid-1985 CARE headquarters signed a grant agreement with USAID for the purpose of enhancing CARE's Title II MCH feeding programs. Guatemala was one of four CARE missions selected to participate in MCH enhancement activities under this grant. The original rationale for this selection was based on the mission's express interest in the "evaluation of the communications component of the MCH program with the objective of developing an overall educational strategy and some specific educational materials for general child care"[5].

In May of 1985 CARE contracted the services of Dr. J. Carlos Manduley of INCS in Washington to visit Guatemala in order to make a diagnostic appraisal of the potential for educational enhancement within the MCH project. Dr. Manduley's report[6] provided a series of recommendations for such enhancement, starting with the implementation of a series of "model workshops" for MOH rural health practitioners on the theme of low-cost, appropriate

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[5] CARE. 1985. Title II Enhancement. CARE World Headquarters. p. 22.

[6] Manduley, J.C. 1985. Interim Consultant's Report on PL 480 Title II MCH Project and Development of a Health/Nutrition Education Package for CARE/Guatemala. 68p.

techniques for health and nutrition communication. Manduley's report at the same time revealed considerable enthusiastic support among key MOH officials for the idea of educational enhancement as part of an integrated package of MCH services. Later, in July of that year, Dr. Manduley came to Guatemala on a second TDY, for the purpose of launching the first of these workshops.

The final report[7] that related the outcome of these workshop experiences, however, was met with some skepticism by CARE-Guatemala, insofar as it appeared that the biggest challenges of health and nutrition education in Guatemala had been sidestepped: i.e., the challenge of overcoming significant cultural and linguistic barriers that are indigenous to Guatemalan society and which pose a real obstacle to effective health/nutrition communication here, as well as the challenge of linking those educational efforts to the MCH Nutrition project in a meaningful and practical way. This mission then began to rethink whether "educational enhancement" alone is all that is required to make the MCH project more effective as a delivery system for certain goods and services, or whether perhaps something more unique and more complete could be accomplished with Title II Enhancement funds.

Near the end of 1985 two important conclusions were reached: 1) we do not have an adequate awareness of what <u>specific</u> enhancement requirements exist within the MCH Nutrition project (though we do have untested <u>notions</u>); and 2) our present MCH field monitoring system is inadequate to provide this awareness through the collection of concrete information from which statistical patterns and profiles might be generated that show those deficiencies shared by many feeding centers, in their delivery of <u>integrated</u> MCH services.

These fundamental conclusions represented the watershed out

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[7] Manduley, J.C. 1985. <u>Final Consultant's Report on PL 480 Title II MCH Project and Development of a Health/Nutrition Education and Communication Package for CARE/Guatemala</u>. Parts I and II. (pp. unnumbered).

of which grew the present MYP proposal. It became logical that, to implement an MCH enhancement project, we need to get a better grasp of MCH enhancement requirements; that to get a better grasp of those requirements, we need to count on an effective MCH field monitoring system that will reveal general tendencies and deficiencies among the services that the MCH project aims to provide. And finally, it became logical that in order to obtain a more effective monitoring system, we need to efficiently focus on those key indicators of MCH implementation.

Thus, the point of departure chosen for the Title II Enhancement project was that of developing an improved field monitoring system for the MCH feeding program. In order to obtain a cost-effective monitoring system that really focuses on those key indicators of success of our delivery of goods and services in the MCH project, it was decided that this mission might best utilize the expertise of a private sector marketing firm. This decision was based on two premises: 1) that a private sector enterprise selling a certain product to a certain public needs to obtain answers to most of the very same questions that CARE needs answers for in its MCH Nutrition project; and 2) a marketing firm, if it is to remain in business, must be able to develop systems to monitor correctly those key indicators of the delivery of goods and services.

The monitoring system to be developed based on marketing techniques will accurately respond to these and other aspects of MCH programming performance. As stated earlier, the results obtained early on from a representative sample of feeding centers will aid in determining those priority enhancement areas which will comprise the focus of this project's attention and activity during the remainder of the implementation period.

3.1.2 Host Agency Role and Interest

The public health sector of the Government of Guatemala has since 1980 given priority to the provision of integrated mother-child health services for the rural poor. This interest was made evident when in the early 1980s the MOH sought and obtained CARE's collaboration for the

development of a Sectoral Integrated Primary Health Care/Nutrition program (SINAPS). This two-year program made very promising advances towards the type of integrated MCH services discussed in this proposal. In 1983 MOH/CARE made plans to expand this program into three more departments of Guatemala under the name "APS"; unfortunately, the GOG fiscal crisis during that year prevented these plans from leaving the drawing board.

SINAPS and APS nonetheless serve to demonstrate the GOG's continued interest in providing PHC services along with supplementary feeding. These precedents warrant the renewed efforts in this direction, albeit with a different focus, which will be undertaken by this project. The recently elected government in Guatemala is not likely to renege on the priority of this health area; on the contrary, it has already shown strong signs of interest in precisely this type of integrated intervention.

What may require more active promotion on CARE's part is the concept of specifically using private sector market principles to develop the monitoring system which in turn will identify the priority enhancement requirements. The MOH is, needless to say, a very large bureaucracy, dedicated at least in part to project monitoring; indeed, it is precisely this bureaucratization of MCH monitoring that has caused all of us to lose sight of those really key indicators of implementation success. Nonetheless, we have had some positive preliminary talks on this subject with GOG health officials and planners, and we are confident of the MOH's general backing for the idea.

3.2 Project Strategy

Project strategy will consist in the following main components:

1. Development of an MCH monitoring system: With the assistance of a private marketing firm, a sample survey of about 10 percent of all MCH feeding centers will be performed, in order to establish those key indicators which best serve to gauge project performance at the feeding

center level, and which also will help generate profiles of project performance in general, in a statistically valid manner. Most importantly, the improved monitoring system will render only that field information which is essential for project decision-making; other field information which may be obscurely "interesting", but which is not essential to this decision-making process, will not be addressed through monitoring procedures and formats.

2. Identification of priority MCH enhancement areas: These priorities will be established after completing the field testing stage of the improved monitoring system discussed in (1.).

3. Specific activities in the priority enhancement areas: Although the priority enhancement areas to be addressed will only come out of the previous steps outlined above, the strategy to address each of these areas is likely to follow the same generic sequence of activities:

3.1 Train key health personnel in the chosen programming area;

3.2 Evaluate their response to training over a period of time;

3.3 Provide follow-up training in the same programming area; and

3.4 Perform final evaluation of the response to enhancement activities in that programming area.

3.3 Project Impact

This project will be expected to have an impact on the entire MCH beneficiary family; not only those members of the family who are specifically targeted by the MCH Nutrition project. Two examples of how this will happen:

1. The linking of PHC services to commodities distribution at each feeding center will improve the access

to and routine use of such services not only by MCH beneficiaries (targeted mothers and children), but also the rest of the family members, by example.

2. Educational and extension services provided by the PHC unit will improve sanitary conditions, and subsequently health status, for the whole family, too.

In many communities these types of impacts may be expected to extend, by beneficiary neighbors' examples, to other non-beneficiary families, even though they don't receive the PL 480 food supplements.

The impact this project will have on women in each participating community is obvious by the very nature of MCH targeting.

Title II Enhancement is not expected to cause any negative impacts.

3.4 Project Continuity

CARE-Guatemala's MCH Nutrition project intervention is expected to continue into the foreseeable future -- at the very least, for the next five years. Its beneficiary level (currently at 270,000) may vary, depending upon the combined factors of detected need, CARE's programming potential, and of course USAID's food programming targets and ceilings.

Nevertheless, the project activities to be implemented under the Title II Enhancement project are expected to be continued by the MOH at the PHC unit level, even after such time as the MCH Nutrition intervention may be discontinued. These activities all involve the effective integration of PHC services -- something that each PHC unit should achieve and continue working at whether or not it runs a supplementary feeding program as well.

The replication of project activities in those PHC units that are not aided during the life of this project will be insured by involving key health officials and planners (including representatives of the health sector of the

government's non-MOH National Planning Secretariat) in all phases of project development, so as to create a nucleus of GOG decision-makers who will be in a position to mandate and guide project activities after the period of CARE's intervention.

3.5 Project Potential

The possibilities of replication of project activities were discussed above in Section 3.4. What we haven't yet emphasized is the strong potential this project has for replication in other CARE countries of the world. While integrated MCH services are not particularly new as a concept -- the idea is in fact at the root of CARE's food programming principles[8] -- the concept of employing private sector market survey principles to monitor the delivery of integrated MCH services to each participating community is indeed innovative, and could serve to improve in significant measure the response capabilities of MCH nutrition projects in other countries where conditions for implementing this type of system permit.

3.6 Project Constraints

1. Turnover/relocation of MOH personnel: As one may appreciate in the PATs described above in Section 2.4, training of MOH personnel will be a major component of this project intervention. The normal turnover of personnel within the MOH, or even their unfavorable relocation, say from a rural PHC clinic to a city hospital ward, may cause some attrition among the trained body of rural health workers that this project aims to create. This project will attempt to forestall too great a loss in this respect by creating a nucleus of key technicians, planners and decision-makers who will be responsible for perpetuating the knowledge gained through these enhancement exercises. These key people will be selected with an eye towards the

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[8] See CARE's Use of Food Aid: Policies and Guidelines, pp. 6-7.

likelihood of their prolonged stay within the Ministry, and they will be responsible for the replication of this project's training exercises for new rural health workers that enter the field in the future.

2. Continued GOG support for MCH Nutrition: Over the years CARE's MCH Nutrition project has represented a highly valued component of the GOG's national health sector strategy. The economic crisis of recent years, however, has made the government ever more hard-pressed to put up the cash for MCH project administration. Should its commitment to MCH Nutrition waver in the future, this would have an obvious effect on the potential for Title II Enhancement activities.

3. USAID's commitment to food aid programming in Guatemala: CARE has seen the ebb and flow of this commitment in past years. Changes in the total authorized beneficiary level for CARE's MCH Nutrition project, however, may not have an impact on the success or failure of Title II Enhancement activities; USAID's commitment to Title II Enhancement itself most decidedly would.

IV. PROJECT IMPLEMENTATION

4.1 Pre-Implementation Conditions

1. Develop list of key project decisions, decision alternatives and action standards for the MCH Nutrition project. These will serve as a point of departure for the design of a sample survey of MCH distribution centers to be performed by a marketing firm to be contracted by CARE. (This pre-implementation condition has been largely fulfilled, though some further refinement may be required; see Appendices "A" and "B".)

2. Finalize consensus on project strategy to be pursued with key MOH officials and planners. The recent

installation of a recently elected government in Guatemala (formally as of 14 January, 1986) has of course meant many personnel changes within the public health sector. CARE will need to sustain more talks with the new health sector decision-makers in order to win their support for the ideas put forth in this proposal.

4.2 Implementation Plan and Schedule

The implementation of the Title II Enhancement project will consist in basically the following phases:

PHASE 1: Develop an improved MCH field monitoring system based on marketing techniques. This phase will consist in working with a private sector marketing firm[9] to do the following:

1. Design and execute a sample survey of 10% of all CARE MCH feeding centers in order to field test those questions which relate directly to the key project decisions that CARE needs field information for. (See Appendix "B".)

2. Process survey results, and on the basis of these, a.) refine the protocol, procedures and formats for an MCH monitoring system; and b.) establish those priority MCH enhancement requirements that are to be addressed in later phases of this project.

This phase should be completed by April, 1986.

PHASE 2: Train CARE's own MCH field staff in the use of the new monitoring system, and develop a data management system

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[9] CARE-Guatemala has had two very fruitful meetings with one firm of this type -- Gamma Servicios Integrados, Inc. GSI has wide marketing experience in Central America and Mexico. GSI's director, Mr. Derek Steele, is personally intrigued by the potential for applying marketing principles to the monitoring of a development program, and has committed himself to providing GSI's services to CARE on a cost basis.

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with CARE's microcomputing facilities, which is capable of organizing the MCH field data so as to generate meaningful reports that will aid in ongoing project decision-making. This phase should be completed by the end of May, 1986.

PHASE 3: Address priority enhancement requirements through project intervention. While the exact nature of this phase will depend entirely upon which enhancement requirements have been identified through Phase 1, the following generic sequence of activities would be implemented,, whether the enhancement focus be on health/nutrition education, feeding center administration/beneficiary monitoring, beneficiary targeting, or linking PHC services to commodities distribution:

1. Train key health personnel from 65 MCH feeding centers, as well as a small number of MOH capital-based health technicians, in the chosen programming area. (One to two weeks.)

2. Use new MCH monitoring system to evaluate their on-the-job response to training over the course of about one year.

3. Provide a follow-up training session concerning the same programming area, and directed at the same health personnel, after approximately one year's time.

4. Conduct final appraisal of the degree of success achieved in enhancing the chosen program area.

4.3 Technical Considerations

None.

4.4 Procurement Requirements

No special procurement requirements for CARE headquarters, as all M&E is planned for local purchase.

4.5 Personnel Requirements

This project will require the services of one project manager, with at least 25% of his/her time assigned to this project.

V. PROJECT EVALUATION

5.1 Final Goal

Effectively enhance CARE-Guatemala's MCH Nutrition project with respect to its field monitoring system, and in as many of the following specific areas as may be indicated by an initial assessment of priority enhancement requirements:

- targeting of nutritionally vulnerable groups;
- feeding center administration and monitoring of beneficiaries;
- health, nutrition and hygiene education, both in the feeding center as well as in the field;
- feeding center PHC services;
- feeding center management of resources for commodities distribution and the provision of related services;
- MCH impact, in terms of beneficiary weight/height parameters as well as general health status.

Indicator: The indicator of achievement of the final goal will of course consist in the sum total of those intermediate goals achieved. Hence this indicator will be subject to refinement only after establishing with greater certainty those priority enhancement areas to

be addressed by this project; each enhancement area will be related to a specific intermediate goal, or series of goals. Below, in Section 5.2, is a series of intermediate goals which reflect this mission's a priori notions of the directions that Title II Enhancement may take.

5.2 Intermediate Goals

I.G. #1: Complete initial survey of MCH enhancement requirements in order to develop and pretest new monitoring system and to establish priority enhancement activities to be undertaken by this project.

Indicator 1: CARE's receipt of final report from private marketing firm on survey and monitoring methodology pretest results, by June, 1986.

I.G. #2: CARE adopts and effectively utilizes improved monitoring system for MCH Nutrition project, employing private sector market principles.

Indicator 1: Training sessions satisfactorily completed for CARE MCH staff re new monitoring protocol, procedures and formats by August, 1986.

Indicator 2: Independent validation of monitoring results is effectively functioning, based on reports rendered by validator (by October, 1986).

I.G. #3: MCH distribution centers effectively and accurately target vulnerable groups in their respective communities.

Indicator 1: MCH distribution center beneficiary roles show a turnover rate for infant beneficiaries (0 - 5 years of age) that is 15% per year.

Indicator 2: Field validation of distribution center beneficiary roles shows that beneficiary mothers are indeed pregnant or lactating and belong to low-income, high-risk groups.

I.G. #4: 65 MCH distribution centers effectively carry out educational activities in health, nutrition and hygiene, using techniques appropriate to their audiences, in relation to commodities distribution.

Indicator 1: 65 MCH distribution centers carry out center-based educational activities at least three times a month.

Indicator 2: MCH Rural Health Practitioners carry out field extension in health/nutrition education, in the amount of at least 100 home visits per month.

Indicator 3: 75% of MCH beneficiary mothers in 65 distribution centers regularly attend 75% of center-based educational sessions on distribution days (i.e., once a month).

Indicator 4: MCH distribution centers' analyses of changes in sanitary and food preparation habits among beneficiaries reveal significant changes in 50% of beneficiary families.

I.G. #5: MCH commodities distribution in 65 distribution centers is effectively linked to the provision of primary health care services.

Indicator 1: Feeding center records show that 75% of MCH beneficiary mothers obtain PHC pre- and post-natal consultancies with the frequency recommended for such visits.

Indicator 2: 90% of MCH feeding centers have at least one MOH worker who is judged as qualified to provide PHC consultancies and diagnoses.

Indicator 3: Feeding center records show that 75% of beneficiary children of 0 - 5 years of age receive PHC exams on at least a semiannual basis.

I.G. #6: 65 MCH distribution centers meet action standards for local program administration and beneficiary monitoring.

Indicator 1: 65 distribution centers maintain up to date beneficiary roles as well as clear, organized records and reports of commodities movement.

Indicator 2: 65 distribution centers maintain organized and up to date beneficiary case histories for each MCH beneficiary, using formats recommended for this purpose.

Indicator 3: 65 distribution centers measure beneficiary children's growth (height and weight) in an accurate and timely manner.

Indicator 4: 65 distribution centers receive acceptable ratings with respect to program administration, based on a "scorecard" evaluation applied by CARE's MCH field supervisors and validated independently.

Indicator 5: 65 distribution centers develop "Annual Outreach Plans" which draw together in one operating document: 1) community needs assessment; 2)a PHC action plan designed to address those needs, with specific targets for achievement; and 3) analysis of resources available to implement the action plan.

VI. PROJECT FUNDING

6.1 CARE-Managed Inputs

Refer to MYP 1.2, attached.

6.2 Non-CARE-Managed Inputs

TYPE	SOURCE	AMOUNT
FY 1986		
Field health personnel, medicines, vaccines, transportation, administration	MOH	$ 33,000
FY 1987		
Field health personnel, medicines, vaccines, transportation, educational materials, administration	MOH	$ 65,000
FY 1988		
Field health personnel, medicines, vaccines, transportation, educational materials, administration	MOH	$ 65,000
TOTAL		$ 163,000

MYP 1.2

PROJECTED FUNDING REQUIREMENTS

CARE-MANAGED

Country: Guatemala

Project Title: Title II Feeding Enhancement

SOURCES	FINANCIAL[10] M & E	P & O	IN-KIND
CARE Headquarters:			
FY 1986	0	0	0
FY 1987	0	0	0
FY 1988	0	0	0
TOTAL	0	0	0
Non-Headquarters:			
FY 1986	$ 25,000	0	0
FY 1987	$ 125,000	$ 7,500	0
FY 1988	$ 100,000	$ 8,300	0
TOTAL	$ 250,000	$ 15,800	0

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10 M & E = Material and Equipment
P & O = Personnel and Operations

APPENDIX A.1

KEY PROJECT DECISIONS AND ACTION STANDARDS FOR MCH FEEDING CENTERS

MCH MONITORING SYSTEM:
KEY PROJECT DECISIONS AND ACTION STANDARDS

1. **PROJECT DECISION:** Determine whether or not MCH commodities distribution is the best response to rural public health needs in Guatemala.

DECISION ALTERNATIVES

1.1 Continue MCH commodities distribution at current level (approx. $3.06 million per year);

1.2 Decrease MCH commodities distribution by "x" percent through selective culling of inefficient or ineffective distribution centers (see Project Decision #7, below), and seek funds for new project to better equip rural health clinics (medicines, vaccines, anthropometric instruments).

2. **PROJECT DECISION:** Fix ideal ration size, based upon the degree to which the current ration is actually reaching targeted groups (i.e., pregnant/lactating mothers and children of 0 to 5 years of age).

DECISION ALTERNATIVES

2.1 Maintain ration size at current level (10 lbs./ben./mo.);

2.2 Overall ration increase up to 13 lbs./ben./mo.;

2.3 Selective* ration increase up to 13 lbs./ben./mo.;

2.4 Selective ration decrease to 8 lbs./ben./mo.;

2.5 Alternatives 2.3 and 2.4 together;

2.6 Ration size tailored individually to the size of each beneficiary's family;

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* Selection criteria pending determination.

3. **PROJECT DECISION:** Fix ideal ration makeup, based upon the degree to which current ration makeup is accepted and actually consumed by target groups.

DECISION ALTERNATIVES

3.1 Maintain current ration makeup as follows:

30% NFDM
30% Soy-fortified bulgur
30% Cornmeal
10% Vegetable oil

3.2 Alter ration makeup as follows:

50% NFDM
20% S.F. bulgur
20% Cornmeal
10% Veg. oil

3.3 Alter ration makeup as follows:

50% NFDM
25% S.F. bulgur
25% Cornmeal

3.4 Alter ration makeup as follows:

30% NFDM
20% Cornmeal
20% "NEW PRODUCT"*
10% Veg. oil

4. **PROJECT DECISION:** Determine what human and material re-resources will be required in order to make feeding center educational efforts in health/nutrition more effective, particularly in those areas where language or cultural barriers may present special obstacles.

DECISION ALTERNATIVES

? ? ?

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* "NEW PRODUCT" may consist of rice, CSM, or other commodity whose field acceptability is indicated and whose cost to project is acceptable.

5. **PROJECT DECISION:** Determine whether or not the expansion of the MCH program into more inaccessible areas is feasible on a logistical as well as cost basis.

DECISION ALTERNATIVES

5.1 Do not expand MCH program into any new feeding centers that are more than _____km from the capital city;

5.2 Expand MCH program to include 30 to 50 new feeding centers in areas of difficult access in two to three pilot departments on a one-year trial basis. ("Difficult access" shall mean feeding centers that are more than _____km from the capital city.)

6. **PROJECT DECISION:** Adjust beneficiary levels in any given feeding center, so that ben. level will be in accordance with:
- community needs (i.e., total potential ben. population;
- project commodity resources available;
- community receptivity;
- feeding center's ability to manage the program effectively and to target vulnerable groups.

DECISION ALTERNATIVES

For each individual feeding center:

6.1 Leave current beneficiary level as is;

6.2 Increase beneficiary level by "x" bens.;

6.3 Decrease beneficiary level by "x" bens.

7. **PROJECT DECISION:** Continuation or discontinuation of the MCH feeding program in specific distribution centers, based upon each center's ability to:
- effectively target vulnerable groups;
- effectively administer commodities distribution and related record-keeping;

- provide adequate infrastructure for commodities storage and transportation;
- effectively rehabilitate beneficiary children's nutritional status;
- provide educational services as a corollary to product distribution;
- effectively impact on beneficiaries' routine use of other PHC services.

DECISION ALTERNATIVES

For each individual feeding center:

7.1 "GO"

7.2 "NO GO"

7.3 "CONDITIONAL CONTINUATION": Provide special assistance to enhance the abilities of personnel at the distribution center, so that they may perform better any tasks in which they are found deficient. "Definitive" continuation ("GO") would depend upon re-inspection results at 3 to 6 months after special assistance is provided.

STANDARDS FOR A "GOOD" MCH FEEDING CENTER: A FIRST APPROXIMATION

1. Targeting of vulnerable groups
2. Impact
3. Administration and monitoring
4. Infrastructure
5. Education
6. Primary Health Care (PHC) services

* * *

1. Targeting of vulnerable groups

   1.1 Beneficiaries are among the poorest in the community;

   1.2 Beneficiary adult women are indeed pregnant or lactating;

   1.3 Beneficiary children are indeed 0 - 5 years of age (not older);

   1.4 Beneficiary children actually suffer malnutrition;

   1.5 Disqualified bens. (i.e., mothers who are no longer lactating and children who age above 5 years) actually leave beneficiary roles.

2. Impact

   2.1 Feeding center has demonstrably rehabilitated at least 75 per cent of ben. children, as measured by Gomez chart parameters;

   2.2 Infants born to ben. mothers show higher live weights at birth than in the general population.

   2.3 Beneficiaries show higher rate of routine use of feeding center's PHC services, in comparison with the population

in general (see [6.5], below);

2.4 Beneficiaries' sanitary habits at home actually change as a result of educational efforts (see [5.5], below).

3. Administration and monitoring

3.1 Adequate medical charts kept for each MCH beneficiary (see currently recommended medical chart format; with comments, in Appendix "A");

3.2 Feeding center personnel measure ben. children's growth (height and weight) in an accurate and timely manner;

3.3 Feeding center personnel accurately measure food rations for distribution;

3.4 Feeding center director is interested in program objectives, and is willing to devote his/her own as well as his/her personnel's time to meet these;

3.5 Monthly reports sent to CARE in an accurate and timely manner (see sample monthly report in Appendix "B");

3.6 "Disqualified" beneficiaries (as defined in 1.5, above) are actually discharged from program on a timely basis, and new, qualified replacement beneficiaries added to ben. roles.

3.7 Feeding center funds raised from "beneficiary quotas" are used exclusively for purposes related to the objectives of the MCH program (e.g., for costing of education sessions for beneficiaries, medicines and supplies, office supplies directly related to program administration, commodities transportation to sub-distribution points, warehouse improvements, etc.)

3.8 In general, feeding center follows CARE guidelines for program administration (see Appendices "C" and "D").

4. Infrastructure

4.1 Food storage facilities are adequate for the volume of food commodities that the feeding center manages (adequate in terms of space, ventilation, structural impermeability, presence and use of <u>tarimas</u>, and protection from rodents);

4.2 Equipment and physical plant are adequate to carry out

education and PHC services, as described in (5) and (6), below (i.e., teaching space available, space for clinical attention available, teaching aids available, medicines and vaccines available);

4.3 Adequate transportation funds and facilities available to guarantee safe and timely transport of commodities to sub-distribution points (generally from health centers to subordinate health posts in the same district);

4.4 Characteristics (4.1) and (4.2) apply to sub-distribution points as well as to health centers.

5. Education

5.1 Feeding center personnel regularly undertake education sessions in health, nutrition and food preparation, aimed at MCH beneficiaries on distribution days;

5.2 Feeding center personnel conduct additional education sessions <u>in the field</u>, as an outreach activity;

5.3 Feeding center personnel utilize appropriate teaching techniques to effectively deliver their message to their audience;

5.4 When necessary, health/nutrition messages are communicated in local dialect, or interpreter is used:

5.5 Feeding center personnel monitor changes in habits as a result of educational exercises.

6. PHC services

6.1 Feeding center personnel is adequately trained to provide PHC services;

6.2 Vaccines available or readily obtainable from the Ministry upon request:

6.3 Basic medicines available in quantities adequate to serve the target population (including ingredients for the ORT <u>suero casero</u>):

6.4 At least a modicum of basic equipment available to perform PHC consultancies and exams (e.g., stethoscope, <u>camilla</u>, rectal and oral thermometers, etc.):

6.5 PHC consultancies are adequately documented on case history formats for each beneficiary.

APPENDIX B

PROJECT MONITORING:

CARE'S PLANNING, IMPLEMENTATION AND EVALUATION REPORT

(Trimestral)

ANNUAL IMPLEMENTATION PLAN

AIP 1.2

Country: Guatemala 042 | FY 1987 | PCN 01 | Title: MCH Nutrition

	1st TRIMESTER Plan	1st TRIMESTER Actual	1st TRIMESTER +/(-)	2nd TRIMESTER Plan	2nd TRIMESTER Actual	2nd TRIMESTER +/(-)	3rd TRIMESTER Plan	3rd TRIMESTER Actual	3rd TRIMESTER +/(-)	TOTAL Plan	TOTAL Actual	TOTAL +/(-)
INPUTS:												
CARE Managed												
1. Financial												
a. PL 480 shipments received at port (000,000s of lbs)												
b. PL 480 shipments distributed to project sites (000,000s of lbs)												
c. Payment of GOG administrative recovery ($000s)												
2. Personnel												
NON CARE Managed												
1. Personnel												
PROJECT ACTIVITY TARGETS:												
Commodities Distribution												
1. All PL 480 commodities (000,000's of lbs)												
COMPLEMENTARY ACTIVITIES												
2. Educational sessions/demos. at feeding centers. (# of sessions/demos.)	400			400			400			1,200		
3. Home visits performed by center-based rural health practitioners (RHP visits)	13,000			13,000			14,000			40,000		

ANNUAL IMPLEMENTATION PLAN AIP 1.2

Country: Guatemala 042 FY 1987 PCN 01 Title: MCH Nutrition

	1st TRIMESTER Plan	Actual	+/(-)	2nd TRIMESTER Plan	Actual	+/(-)	3rd TRIMESTER Plan	Actual	+/(-)	TOTAL Plan	Actual	+/(-)
4. PHC consultancies/exams for MCH bens.(# of cons/exams)	17,000			17,000			19,000			53,000		
5. Annual Outreach Plans developed and implemented by feeding centers (# of plans)				30			35			65		
INTERMEDIATE GOALS												
1. MCH distribution centers effectively and accurately target vulnerable groups in their respective communities.												
Indicator 1: MCH center ben. roles show a turnover rate for infant beneficiaries that is 15% per year.							15%			15%		
Indicator 2: Field validation of distribution center ben. roles shows that ben mothers are indeed pregnant or lactating and belong to low-income high-risk groups (% of dist. centers that pass field validation appraisal)							80%			80%		
2. MCH distribution centers effectively carry out educational and outreach activities in health, nutrition & hygiene												
Indicator 1: MCH dist.centers carry out center-based educational activities on average 3 times a month (% of feeding centers that comply)							80%			80%		
Indicator 2: MCH Rural Health Practitioners carry out field extension in health/nutrition education, at rate of 100 home visits per month.(% of RHPs who meet this standard)							80%			80%		

ANNUAL IMPLEMENTATION PLAN

AIP 1.2

Country: Guatemala 042 FY 1987 PCN 01 Title: MCH Nutrition

	1st TRIMESTER			2nd TRIMESTER			3rd TRIMESTER			TOTAL		
	Plan	Actual	+/(-)	Plan	Actual	+/(-)	Plan	Actual	+/(-)	Plan	Actual	+/(-)
Indicator 3: 75% of beneficiary mothers regularly attend 75% of center-based educational sessions on distribution days.							75%			75%		
Indicator 4: MCH distribution center analyses of changes in sanitary & food preparation aaong bens. reveal significant changes in 50% of ben.families							50%			50%		

APPENDIX C

DUTY-FREE EXONERATION

FOR IMPORTATION OF FOOD COMMODITIES

(Spanish)

Fecha 10 [illegible]

Decreto Número 260.

El Congreso de la República de Guatemala

CONSIDERANDO:

Que es obligación fundamental del Estado fomentar el desarrollo de condiciones que conduzcan al bienestar de la colectividad, estimulando toda campaña relativa a la protección y fomento de la salud del pueblo, que lleven a cabo entidades nacionales o internacionales, para lo cual debe facilitar a éstas el pleno desenvolvimiento de sus actividades;

CONSIDERANDO:

Que "CARE INC." (Cooperativa Americana de Remesas al Exterior) es una organización privada, no lucrativa, integrada por varias entidades de los Estados Unidos de América, cooperativas de asistencia, religiosas, laborales y cívicas, que tiene por finalidad expresar la amistad del pueblo de los Estados Unidos de América hacia la población de otros países, extendiéndoles asistencia directa voluntaria en forma de ayuda, rehabilitación y reconstrucción equipo, medicinas y equipo médico, materiales, alimentos;

CONSIDERANDO:

Que "CARE INC." con la autorización de los ministerios correspondientes coordina sus esfuerzos con los programas de bienestar social del Gobierno de Guatemala y las agencias voluntarias en Guatemala, en favor de los grupos más necesitados de la población de este país, especialmente en lo que concierne a la salud y a la alimentación, por lo cual es indispensable darle las facilidades fiscales y administrativas para el desarrollo de sus trabajos, por el beneficio que reporta al país.

POR TANTO,

En uso de las facultades que le confiere el artículo 170 inciso 4o. de la Constitución de la República,

DECRETA:

ARTICULO 1o. Se exonera de derechos aduaneros, almacenaje, impuestos, contribuciones, tarifas y demás tasas, impuesto fiscal [illegible], cargos y sobrecargos a "CARE INC." sobre las importaciones que efectúe con destino a los programas de asistencia previstos en sus contratos cooperativos aprobados por el Gobierno de la República.

ARTICULO 2o. También se concede a favor de "CARE INC." la exoneración de todos los impuestos y cargos a que se refiere el artículo anterior sobre lo siguiente:

a) Los salarios u otras remuneraciones por servicios personales que la citada institución pague a sus trabajadores y empleados extranjeros residentes en Guatemala; y sobre la obtención de residencias, cuyos trámites se realizará el Estado;

(Decreto Número 16-69)

b) La importación y exportación del menaje de casa, efectos personales, equipo y suministros que traigan al país en su viaje y durante su trabajo en Guatemala, y la importación de vehículos y sus exportaciones en su caso, para los funcionarios o empleados extranjeros residentes en Guatemala que presten sus servicios a "CARE INC."

c) El costo de los servicios portuarios, de descarga, muellaje, lanchaje y de almacenamiento y transporte, de los artículos, suministros y equipos que se importen, inclusive el menaje de casa y vehículos a que se refiere el párrafo precedente cuando sean proporcionados por empresas portuarias del Estado o por entidades estatales descentralizadas, autónomas o semiautónomas o por cualquier otra entidad;

d) Los bienes, propiedades y rentas, de esta entidad, así como sus operaciones y transacciones; los bienes tendrán rotulación apropiada para indicar su procedencia y el modo de empleo; los bienes, propiedades y rentas deben estar destinados a los programas de asistencia;

e) La reexportación de toda la mercadería, suministros y equipo que no hayan sido distribuidos y sobre los cuales la organización haya retenido título de propiedad;

f) Los artículos, equipo y materiales que "CARE INC." adquiera localmente para los programas de asistencia previstos en sus contratos operativos.

ARTICULO 3o. Para gozar de las exoneraciones a que se refiere la presente ley, la institución mencionada deberá firmar, con los ministerios que reciban las ayudas, los contratos básicos y operativos que normen la distribución de los mismos; y deberá solicitar en cada caso las exoneraciones, ante el Ministerio de Hacienda y Crédito Público, el que calificará su procedencia o impartirá órdenes encaminadas a su pronta expedición. Cuando se trate de alimentos y medicamentos se dará cumplimiento a los requisitos exigidos por las leyes y reglamentos de Sanidad. Las diferentes dependencias administrativas quedan obligadas a prestar, las facilidades necesarias para la transportación de las importaciones de ayuda, de los puertos guatemaltecos a los centrales de distribución.

ARTICULO 4o. El presente Decreto deroga el Decreto-Ley número 62 y entrará en vigor el día siguiente de su publicación en el Diario Oficial.

PASE AL ORGANISMO EJECUTIVO PARA SU PUBLICACION Y CUMPLIMIENTO.

DADO EN EL PALACIO DEL ORGANISMO LEGISLATIVO, EN LA CIUDAD DE GUATEMALA A LOS OCHO DIAS DEL MES DE ABRIL DE MIL NOVECIENTOS SESENTA Y NUEVE.

ING. FRANCISCO VILLAGRAN
Presidente

(Decreto Número 16-69)

Emilio Avila Torres
Primer Secretario.

Víctor Manuel Marroquín C.
Cuarto Secretario.

...lo Nacional: Guatemala, VEINTIOCHO de ABRIL de mil novecientos sesenta y nueve.

PUBLIQUESE Y CUMPLASE.

MENDEZ MONTENEGRO.

El Ministro de Hacienda y
Crédito Público,

Lic. Mario Méndez Pérdomo
Ministro de Hacienda y Crédito Público

APPENDIX D

CARE-GUATEMALA NATIONAL PERSONNEL

CARE-GUATEMALA NATIONAL PERSONNEL

NAME	POSITION	% ON PROJECT
Avila, Henry	Field Supervisor	
Fuentes, Flavio	Field Supervisor	
Lemus, Roberto	Field Supervisor	
Palacios, Helio	Field Supervisor	
Pérez, Marco Antonio	Field Supervisor	
[New position]*	Field Supervisor	
[New position]*	Field Supervisor	
Rosales, Norberto	Clerk (Feeding)	
Garcia, Carlos	Administrative Assistant	
Chacón, Esteban	Clerk (Feeding)	
Fearon, Roy	Port Representative	
Ericastilla, Rosendo	Warehouse Foreman	
Milián, Nicolás	Warehouseman	
Garcia, Rigoberto	Warehouseman	
Garcia, Daniel	Bookkeeper	
Mazariegos, Victor Hugo	Inventory Clerk	
Arriaga, Rosario de	Accounting Clerk/ Bilingual Secretary	
Flores, Carlos	Vehicle Fleet Assistant	
Cheng, Aidé	Customs Clerk	
Macario, Eusebic	Agroforestry Extensionist	

NAME	POSITION	% ON PROJECT
Zacarias, Victor Manuel	Truck Helper	
Wizel, Eugenia	Exec. Secretary	
Flores, Rodolfo	Administrator	
Alvarez, Rosa Eugenia de	Biligual Secretary	
Barrios, Arelly	Receptionist	
González, Alejandro	Messenger	
Aldana, Octavila	Janitoress	
Midence, Ricardo	Office Clerk	
Enriquez, Efrain	Driver	

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* Personnel to be selected by June, 1986.

APPENDIX E

BENEFICIARY RATION MAKE-UP

BENEFICIARY RATION MAKE-UP

MCH NUTRITION PROJECT

COMMODITY	MONTHLY RATION* LBS.	KGS.
Soy-fortified Bulgur	3	1.36
Cornmeal	3	1.36
NFDM	3	1.36
Veg. Oil	1	0.45
TOTAL	10	4.54

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* The rationale behind the choice of these commodities is based upon caloric and nutritional values found in the revised PL 480 Commodities Reference Guide. It is worth emphasizing once again that this ration will be under study to determine with greater clarity its acceptability among project bens., dilution, sharing, etc. Please refer to Appendix "A" for more on this.

XD-AA1-333-B

ANNEX TWO

USAID GUATEMALA FY 1987-1988 ACTION PLAN

CRS TITLE II OPERATIONAL PLAN, 1987-1991

CATHOLIC RELIEF SERVICES

UNITED STATES CATHOLIC CONFERENCE
Apartado Postal 739
Guatemala, C. A. Tel. 310285 Cable CATHWEL

No. 222/5.3 March 20, 1986

TO: Roberto Perdomo, Food for Peace Coordinator
USAID/Guatemala

FROM: Mark D. Moriarty, CRS/Guatemala

SUBJ: PL 480, TITLE II OPERATIONAL PLAN 1987-1991

Enclosed please find the a/m plan for your review. If I can provide you with any additional information, please advice me.

Regards,

MDM/sm
Encl.: as noted

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PROGRAM PLAN OF OPERATIONS
TITLE II PROGRAM FY 1987 - 1991
CRS/CARITAS - GUATEMALA

A- Description of Program Goals and Criteria for Measuring Progress Toward Reaching the Goals

The CRS/Cáritas Guatemala food aid program has the goals of bettering the living conditions of low income groups by improving nutritional levels, imparting primary health education and creating community service physical facilities. Completion of these goals will take place over a five year period through Maternal Child Health (MCH) and Food for Work (FFW) programs implemented through out the country by CRS in collaboration with its counterpart, Cáritas Guatemala.

Food commodities are considered as a resource to improve the existing nutritional levels of groups in the "at risk" category as well as a catalyst to implement community development programs. Annually, work plans will be designed, implemented and evaluated to carry out objectives in the MCH and FFW categories. Included in the work plans will be an analysis of the support required from other institutions necessary to achieve program objectives with the appropriate follow-up actions to be carried out. This support in conjunction with existing CRS/Cáritas resources will form the resource base upon which work plans will be designed. Evaluation of these work plans at the end of each year will enable CRS/Cáritas to measure progress in meeting specific program objectives.

B. Program Description

(1) Problem Statement

The overall population in Guatemala is one of the most ill fed in Latin America. According to a recent World Bank report the diet of the poor is deficient all around: in calories, proteins, minerals and vitamins. Of the most "at risk" children (those under five years old) a majority are malnourished. In the highland areas, which contain 46% of the total population, during those months of the year between corn harvests when home surpluses have been depleted and corn prices are high many Guatemalan families suffer from hunger. The infant mortality rate among the indigenous in this area in 1980 was 160 per 1000.

The violence of recent years in the highlands has aggravated the situation because untold thousands of widows and their young children have been left without the means to grow or buy food.

Nationally, at least 50% of the population is medically underserved. Only 5% have access to private health services and just 30% have access to government ministry of health services. Although government policy is to provide free medical care to rural areas, the Health Ministry does not and will not in the near future have enough funding to provide basic medical care

to rural areas. 50% of the children who die in the highlands area, die of preventable infections or contagious diseases. Only half of the children have received any sort of vaccination.

Due to the relative neglect of the rural population by government institutions and the low level of individual incomes many felt needs at the community level for small public works such as access roads, community centers and small rural schools are not being met.

(2) Specification of Objectives

MCH Program

Presently, this program is providing supplemental food commodities to 68,000 beneficiaries in 327 distribution centers. Although some logistical deficiencies need to be resolved, particularly with inland transportation, the program has achieved an administrative and logistical base which permits concentration during the next five years on objectives which fulfill the development potential of the program. These objectives will be achieved on a step by step basis over the five year period. Organizationally, Cáritas will begin implementing them in two dioceses the first year and with the experience gained expand at the rate of two dioceses yearly until the 10 participating dioceses in the country are included over the five year life of the program. A substantial

increase from present levels in the number of beneficiaries served is not contemplated. The specific objectives are to create, with the percentages indicated, within the existing distribution centers or an amalgamation of them the capacity to:

a) Improve targeting of beneficiaries to ensure that only low income pregnant and lactating women and families with pre-school children receive commodities (90 %).

b) Carry out Growth Surveillance System with pre-school children beneficiaries (80 %).

c) Impart nutrition education basics on a regular basis to the women participants and mothers of children beneficiaries (60 %).

d) Integrate primary health care and small scale community development activities with the supplemental feeding program (60 %).

The criteria to be used for measuring progress will be developed by national Cáritas and implemented by its diocesan affiliates. Since the objectives focus on the service capacity of distribution centers which are similar to one another the criteria will be based upon the number and quality of services provided by each center.

FFW Program

Presently, this program is providing food aid to 2,400 workers and their family dependents numbering 9,600 in the departments of Chiquimula and San Marcos.

In 1984-1985 period 68 projects were carried out in rural areas consisting primarily of building access roads and community centers. While the program has given good results in the development of community organizations and implementation of small public works projects it could improve its community service capacity by engaging in a wider spectrum of development projects. To do this technical assistance and material resources are required to carry out projects in the areas of reforestation, conservation of soils, rural school building and creation of primary health and vocational skills.

The objectives for this program are:

a) Implement a wider variety of projects which call for a larger mix of technical assistance and material resources.

b) Develope the capacity of the two diocesan organizations participating in this program to administer these new types of projects.

The criteria for measuring progress toward the objectives will consist of a comparative analysis made on the types of projects presently being carried out vis a vis those carried out during

the course of the program plan. Included in this analysis will be an evaluation of the diocesan Cáritas capacity to implement projects with a broader development scope. This evaluation will include criteria on project planning and management.

MCH and FFW Projects

a) Improve transportation delivery schedules of food commodities from port to regional warehouses to ensure that each warehouse maintains an inventory supply of 60-90 days.

The criteria used for measuring progress will consist of a quarterly review of warehouse inventory records sent to national Cáritas.

(3) Description of the Target Population by Program

MCH Program

The target group includes pre-school age children, pregnant women and lactating mothers who require nutritional supplements. The program area comprises 327 distribution centers who receive food commodities from 14 diocesan warehouses. This network provides coverage to 20 of the 22 departments in Guatemala, omitting only Huehuetenango and Escuintla.

153 (47%) of the distribution centers serve the poverty stricken

highlands area. Countrywide, the vast majority of the centers are in the rural areas with the average center attending to 187 beneficiaries. The beneficiaries are selected on the basis of yearly surveys made by volunteers from each distribution center who usually work under the supervision of religious personnel. As beneficiaries from the pre-school age category reach seven years they are eliminated from the eligibility list. In Guatemala a study carried out for the period 1974-1982 showed 30.5% of children under 5 years of age weighed below 75% of the standard weight and are suffering from second and third degree malnutrition. (The lowest level in 10 Latin American countries studied). In comparing this study with another carried out from 1965-1968 the average annual reduction was only 0.28% or a decline from 33.6% to 30.5%. While reliable information is not available for recent years it is doubtful this situation has improved substantially. Most likely, given the recent conditions in the country a deterioration has occured, particularly in the highlands area.

CRS/Cáritas have not carried out studies on weight or height retardation of its beneficiaries. Families selected to participate in the program are chosen by volunteers more from economic indicators than by nutritional status i.e. access to cultivable land, farm animals, living conditions and family income. They attempt to reach the poorest families who have pre-school age children and pregnant and lactating mothers.

A preliminary study carried out by the Nutritional Institute for Central America and Panama (INCAP) in four subsistence villages in Guatemala in 1980 on the prevalence of weight retardation by different economic activities showed that weight retardation affected 37.8% of the children whose parents had access to less than 1.5 hectares of land, 31.1% of the children from families who worked 1.5 to 3.5 hectares, 27.9% of those whose parents were salaried farm workers, 17.9% of children of skilled workers and small merchants and 16.7% of children of farmers who cultivated more than 3.5 hectares. While the study does not purport to establish a cause effect relationship between land availability and nutritional status it does provide a valuable insight in identifying families by economic category who run a high risk of having undernourished children. A similar approach albeit in a more informal manner is utilized by distribution volunteers in making a determination on selection of beneficiaries for the MCH program among the numerous eligible people in each community.

The rationale for selecting the entire country is one of utilizing the organizational outreach of Cáritas to serve the neediest people. Cáritas as the social arm of the Catholic Church operates in all dioceses except one. In each diocese through a network of parishes it has organized MCH programs which provide food commodities to low income groups affected by malnutrition. National Cáritas allocates to each diocese commodities on the

basis of need and logistical capacity to administer the program. The dioceses in turn make similar judgements in allocating annual allotments to individual distribution centers.

FFW Program

The target group are the unemployed and underemployed in the departments of San Marcos and Chiquimula. In these areas FFW projects are carried out under the supervision of diocesan Cáritas directors. Since the target group is much larger than available food commodities can support the criteria for participation by individual communities is based upon giving priority to those projects where the public work to be carried out is most urgent and can be satisfactorily completed with the resources available to the requesting community. Only 35% of project requests are authorized. The community committees in 82% of the projects are permanent who in addition to FFW projects have carried out other community development activities. 18% of the projects are implemented by committees organized specifically for the FFW activity. The participants for the most part are low income campesinos living in isolated rural hamlets who supplement their meager incomes with FFW commodities. The rationale for selection of the participating dioceses is primarily organizational: both have personnel who can organize and supervise FFW projects. In addition, in San Marcos, which has the largest FFW program there is a strong commu-

nity tradition of working together on activities for the common welfare.

(4) Description of Intervention

A. Ration Composition

The proposed ration composition is:

MCH Program

Recipient Category	Product	Monthly Ration Per Person
Children six year and under	Non Fat Dry Milk	2 pounds
"	Bulgur Wheat	1 pound
"	Vegetable Oil	1 pound
"	Yellow Corn	2 pounds
"	Wheat Flour	1 pound
	Total	7 pounds
Pregnant women and lactating mothers	Non Fat Dry Milk	4 pounds
"	Bulgur Wheat	1 pound
"	Vegetable Oil	1 pound
"	Yellow Corn	4 pounds
"	Wheat Flour	1 pound
	Total	11 pounds

FFW Program

Recipient Category	Product	Monthly Ration Per Person
Workers & dependents	Bulgur Wheat	2 pounds
"	Vegetable Oil	1/2 pound
"	Yellow Corn	4 pounds
"	Wheat Flour	4 pounds
	Total	10.5 pounds

An analysis of the available data on the diets of Guatemalan families according to their socio-economic level by an INCAP nutritionist contracted by CRS reached the general conclusion that those families in the lower levels had a deficit of close to 40% in their energy requirements and close to 50% in recommended protein consumption. These percentages are used taking into account that there are important variations between urban and rural groups with rural groups having a greater deficit than their urban counterparts. Ideally, these percentages should be covered with the supplementary food program commodities.

The proposed ration package will cover the following daily percentage needs by recipient category:

	% Energy	% Protein
Children six years and under	32.8	62.6
Pregnant and lactating women	27.0	47.6
FFW workers and dependents	29.6	34.2

These percentages are based upon the daily calorie and protein requirement as recommended for Central America by INCAP:

Children six years and under	1400 calories	27 grams of protein
Pregnant and lactating women	2500 calories	64 grams of protein
FFW workers and dependents	2050 calories	44.5 grams of protein

Combining the assumed regular diet intake with the ration package the deficit is reduced by recipient category to the following percentage levels:

	Regular Diet Energy/Protein		Supplementary Ratns. Energy / Protein		Total Needs		% of Met		% Deficit	
					Energy	Prot.	Ene.	Prot		
Children six and under	60	50	33	63	93	113	7	-		
Pregnant and lactating women	60	50	27	48	87	98	13	2		
FFW workers & dependents	60	50	30	34	90	84	10	16		

As can be observed the proposed ration package combined with the estimated regular diet intake comes close to meeting calorie and protein requirements. However, this should be qualified by the difficulty in reaching members of the target MCH group with the proposed ration. All too often a mother who receives a package for herself or several pre-

school children shares it with other family members thereby diluting its effectiveness. Presently, the vast majority of CRS/Cáritas distribution centers are distributing the ration package in a "dry" manner. During the course of this program plan emphasis will be placed in nutrition courses on the importance of the food commodities reaching the "at risk" members of the family, and, to the extent possible, the distribution of the commodities in a prepared manner at the distribution site to the specific beneficiaries.

B. Complementary Program Components and Inputs

Presently, the activities in an estimated 90% of the MCH distribution centers consist of identifying beneficiaries, providing instructions on preparation of commodities and distributing them.

In December, 1985 CRS/Cáritas selected the dioceses of Quetzaltenango and Sololá to conduct a survey among beneficiaries, distribution center volunteers and administrative personnel on broadening the impact of the MCH program to include growth monitoring, nutrition education, primary health instruction and community development activities. From this survey information will be obtained which will permit the design of diocesan program plans to include these activities as an essential part of the program. In

addition to surveying participants on their needs emphasis has been given to determining what organizational resources are available at the local level which can assist the dioceses expand services of distribution centers and the capacity of beneficiaries to increase their contributions for program services.

In the FFW program the public works activities carried out in 75% of the projects have utilized technical assistance, materials and tools provided exclusively by the local community or diocesan Cáritas. In almost all instances this has been very limited consisting primarily of basic raw materials available in the community and elementary hand tools. The remaining 25% of the projects have received some support from municipal (9%), national government (9%) and USAID supported activities (5%). As noted in the section on objectives efforts during the course of the present program plan will be made to expand complementary inputs from other entities.

C. Intervention Strategy

It is generally agreed that resolution of the low nutritional levels of the population is a multi-faceted question which call for action on different fronts such as income levels, availability of preventive health services, environmental sanitation and nutrition education. Food aid is

just one tool of the many required that can help to change the situation. Achievement of the CRS/Cáritas objectives will enable this program to address the following problems:

1) Inadequate daily diet. The proposed food aid ration will provide daily over a multi-year time period an increase of 459 calories and 16.9 grams of protein to participating children in the MCH program and 674 calories and 30.5 grams of protein to lactating and pregnant women. In the FFW program the nutritional impact will be more limited since these projects have an annual life span of six months. In this category workers and dependents will receive a daily increase of 606 calories and 15.2 grams of protein while participating in the projects.

   Growth surveillance techniques will be utilized in the MCH program to determine the degree of nutritional improvement on the children beneficiaries.

2) Inadequate knowledge on family nutrition requirements. Nutrition informational programs on family needs will be carried out in conjunction with MCH food distribution activities. These programs will focus on the nutritional value of foods available locally which will provide to participating mothers the basic knowledge

necessary to make decisions on the best diet for their family with the means available to them.

3) Inadequate primary health care. The regular assembly of MCH beneficiaries will provide a focal point for vaccinations, diarrhea control, first aid and preventive health measures. These activities will provide beneficiaries with basic knowledge on how to maintain adequate health conditions within their local environment.

4) Inadequate income to purchase basic foods. This program while not attempting to address this problem in a substantive manner will encourage complementary activities which will increase incomes or food supplies through activities sponsored by the MCH and FFW distribution centers. This will include community and individual gardens, animal husbandry projects and activities of a similar nature.

5) Lack of community service physical facilities. Participants in the FFW program will construct access roads, build rural schools and community centers and work on reforestation and soil conservation projects. Community training programs will also be encouraged through FFW commodities.

(5) Linkages with Other Development Activities

Presently, the relatively few linkages that exist between the CRS/Cáritas food aid program and other development agencies have been established on an ad hoc basis at the diocesan or individual center level. However, it is apparent this approach will not provide the outreach to achieve the program objectives. Consequently, the strategy of initiating expanded program services in two dioceses yearly over the next five years will permit a concentrated effort to establish coordinated programs with private and public agencies which will broaden the impact of the food aid program.

A beginning has been made in this direction with the selection of Quetzaltenango and Sololá (Chimaltenango region) as the initial dioceses. In 1986 a work plan will be developed to follow up on the information presently being obtained in a survey of beneficiary needs, existing institutions working in these dioceses and beneficiary capacity to contribute toward the costs of additional services.

(6) Monitoring and Evaluation

The evaluation plan during the five year period will be carried out by national Cáritas, diocesan Cáritas and CRS working together with outside assistance as required. Yearly, the following evaluation program will be implemented:

a) A review of the objectives established in this five year plan.

b) An evaluation of the annual work plan to determine progress to date in completing objectives and carrying out program activities.

c) Identification of new priorities and activities for the work plan for the following year.

Planning and evaluation will focus on two areas:

a) Progress achieved at the national and diocesan levels in making available to distribution center volunteers the human, organizational and physical resources necessary for them to carry out service activities to the beneficiaries.

b) Progress made by distribution center volunteers in providing these services to the beneficiaries.

Information required from the field will be collected and analyzed by the Cáritas diocesan directors for annual submission to national Cáritas. National Cáritas has a food aid department which will coordinate activities among the dioceses and be responsible for new program initiatives in collaboration with the dioceses. CRS personnel will relate to national Cáritas in assessing program operations and impact by monitoring diocesan and distribution center activities.

(7) Phase Over/Phase Out Considerations

One year prior to the conclusion of this five year plan of operations an evaluation will be made to determine if needs warrant a continuation of food aid, and if so, to what extent.

In the second year of the program CRS/Cáritas will make an analysis to determine if CRS participation in the program can be phased over to Cáritas. It is CRS's intention to perform only a logistical function at the earliest possible date i.e. placing the food commodities in the port of entry. The question to be analysed is when would it be in the programs' interest for Cáritas to assume responsibilities for those functions presently being carried out by CRS. These primarily involve planning, reporting and monitoring. An early phase over from CRS to Cáritas depend principally on staff and financial factors.

C- Host Government, Cooperating Sponsor and Other Non-USG Support for the Proposed Program

Host Government - Presently, the Guatemalan Government under terms of a supreme decree provides:

a) Exemption of port fees as well as handling and storage costs in port.

b) Payment of inland transportation from the port of entry to regional diocesan warehouses. In 1986 it is estimated this will

During the course of this program plan it is anticipated that government assistance at the local distribution level will increase through extension services of various health, community development and agricultural agencies.

Catholic Relief Services - CRS maintains an office in Guatemala with a program representative and a food aid staff. In addition CRS/Cáritas have established a revolving fund of $55,000 to pay internal transport costs while awaiting payment from the Guatemalan Government. During this program period CRS will make best efforts to provide complementary financial inputs necessary to achieve growth surveillance, nutrition and primary health education, and community development objectives. This will be done with its own funds as well as utilizing available funding from other development agencies including possible outreach or program enrichment funds from USAID.

Cáritas Guatemala - Cáritas provides through its central and diocesan offices administrative and warehouse support estimated at $208,500 annually of which $58,800 comes from beneficiary contributions.

Presently, the average per capita amount from contributions amounts to .08¢ monthly. Of this amount, .016¢ remains with the local center to defray transportation costs from diocesan warehouses to the center; .048¢ is utilized by the diocese to pay for warehouse personnel costs; and .016¢

is utilized by national Caritas to pay for administrative expenses of its food aid department.

The beneficiary survey now being undertaken will provide the guidelines to determine the monthly contribution. Any additional funds will be used for implementation of the expanded development services. Caritas will also use best efforts to obtain complementary financial inputs necessary to achieve the program objectives. These may come from internal or external sources.

D- Statement as to how the Requirements for Public Recognition, Container Markings and Use of Funds will be met

Beneficiaries will be informed by distribution personnel on the source of the food, its proper use and program requirements. Normal publicity through periodic press reports on Caritas/CRS activities will also occur. Implementation of container markings requirements will be done by CRS/NY. As discussed in Section C recipient contrib u tions will be utilized exclusively for program espenses. This program plan does not contemplate the processing of PL 480 commodities into different end products. Nor will they be repackaged commercially prior to distribution.

E- Logistics Plan

All CRS/Cáritas food shipments arrive at the port of Santo Tomás de Castilla. Off loading and port storage facilities are adequate to handle the volume of the CRS/Cáritas program. The Guatemalan Government places no restrictions on inspection or survey of food shipments. Individual surveys by a Lloyd's agent are made on each shipment. Once shipments receive duty free entry permission which usually requires no more than several weeks the foods are transported by commercial truck carrier to 14 regional diocesan warehouses located throughout the country. In the past there have been delays in transporting commodities from port to the diocesan warehouses due to extensive delays of as long as nine months by the Guatemalan Government in making transportation payments. This obstacle has been largely overcome by establishment of a CRS/Cáritas revolving transportation fund.

The 14 regional diocesan warehouses are in almost all cases excellent facilities of sound construction with more than ample space to warehouse the commodities. Pallets are used underneath the bagged foods and precautions are taken against infestation by periodic spraying or the use of non-toxic insecticides. The warehousemen in charge are knowledgeable on proper handling and storage methods.

From the diocesan warehouses the individual distribution centers withdraw their food supplies on a monthly basis through their own

transportation arrangements. To date this system has proven to be satisfactory. Commodities at the local distribution level are usually distributed the day they are received or shortly thereafter to recipients. Therefore storage facilities at this level are not of a critical nature. In most cases acceptable facilities are being utilized albeit of an informal nature.

F- Determination As to Whether the Proposed Food Distribution Would Result In A Substantial Desincentive to Domestic Food Production

Presently, CRS/Cáritas programs focus on very low income groups. This will continue under the proposed program. While precise data is not available on beneficiary income levels it is safe to state that the vast majority of the one per cent of the population participating in the program are in the lowest 20% of the population, income wise. This 20% category receives only 4.8% of the country's income distribution. Therefore their capacity to substantially affect domestic food production at least in terms of lowering the market price is minimal. This is particularly true of processed products such as milk powder and vegetable oil which because of relatively high domestic prices are outside the purchasing capacity of CRS/Cáritas beneficiaries. In reference to corn it should be noted that in the 1984-1985 period the national production of corn amounted to 1,181,311 metric tons. CRS/Cáritas imported during this same period 764 metric tons or .006% in relation to the national

production, a relatively insignificant amount.

Likewise, in flour, the national production for the same period was 120,576 tons vis a vis 439 tons imported by CRS/Cáritas or .04%. It is not anticipated that these percentages will significantly change during the period covered by the present program plan.

G- Description of the Method to Be Used to Supervise and Monitor the Distribution of Commodities

Upon receipt of the shipping documents national Cáritas prepares a distribution plan based upon annual beneficiary quotas which allocates the shipment quantities to diocesan warehouses. The transportation company receives a copy of the distribution plan and trucks are dispatched to the port to withdraw the commodities. As the truck driver withdraws the commodities from customs he receives a receipt from the custom authorities stating the commodity, condition, amount delivered, etc. Upon his arrival at the diocesan warehouse he presents the receipt to the official in charge who verifies the information and prepares another receipt signed by him and the driver. In this receipt any differences between the custom receipt and the amount delivered are noted. The warehouseman gives the truck driver the original and one copy which is sent by the transportation company to national Cáritas. The diocese also sends a copy to national Cáritas with the custom receipt. A reconciliation of all receipts on a shipment by shipment basis is then made by CRS/Cáritas

The reconciliation begins with the amount and condition of the cargo as stated in the survey, the condition and amount which left customs and the condition and amounts received in the diocesan warehouses. Any claims to be made are then filed by CRS.

From the diocesan warehouses the distribution centers receive their monthly assignment of commodities when they present an inventory and financial report to warehouse personnel. The quantities delivered to each distribution center are noted on a receipt with three copies.One copy is given to the representative of the distribution center and the original and one copy is sent to national Cáritas with the monthly warehouse inventory report. Records are kept at each distribution center on the names and addresses of beneficiaries. Monthly financial reports are only required from those centers which are receiving contributions.

Monitoring of the program is carried out by both CRS and Cáritas staff. Both organizations have field staff who independently visit the port, take physical inventories at diocesan warehouses, and perform end use checks at the distribution centers. Their reports are reviewed by management for any corrective measures which need to be taken.

CRS presently has two food aid employees in addition to support staff. One works primarily in the field and the other on administrative and record review. National Cáritas maintains a food aid

office consisting of three persons with support staff of whom two are primarily in the field. In addition each diocese has a diocesan director an usually two employees in each warehouse. Diocesan directors and warehouse personnel periodically visit distribution centers.

This staffing pattern will not be adequate to plan, implement and initiate the development objectives stated in this operational plan. Additional staff for this component will be added as a development plan for each diocese is designed in accordance with available resources.

H- Approval of Guatemalan Government to Import the Donated Commodities Duty-Free

Catholic Relief Services operates in Guatemala under the terms of Supreme Decree 1770 signed by the President of Guatemala on June 26, 1968. This agreement provides for:

1) Duty-free entry of food commodities and other relief supplies.

2) Exemption from port fees, handling and storage costs.

3) Payment of inland transportation from the port of entry to regional warehouses.

4) Confiscation of donated food commodities appearing in unauthorized channels.

5) Certifications of food commodities no longer apt for human consumption.

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