

Action Plan

FY 1992-1993

Guatemala

March 1991



Agency for International Development
Washington, D.C. 20523

USAID/GUATEMALA
FY 1992-1993 ACTION PLAN
TABLE OF CONTENTS

	<u>Page No.</u>
<u>LIST OF ACRONYMS</u>	
I. <u>RELATIONSHIP OF LAC OBJECTIVES AND CDSS</u>	1
II. <u>PROGRAM PERFORMANCE</u>	3
III. <u>NEW PROGRAM INITIATIVES</u> (Summary)	12
IV. <u>RESOURCE REQUIREMENTS</u>	14
V. <u>MISSION AND AID/W ISSUES</u>	19
<u>ANNEXES</u>	
A. New Program/Project Descriptions	
B. Mission Workplan for CY 1991 (Table I)	
C. Country Performance (including Table II)	
D. Program Performance (Table III)	
E. Local Currency Use (Table IV)	
F. Summary Program Funding (Tables V and Va)	
G. Mission Portfolio by LAC Objective/Sub-Objective (Table VI)	
H. Mortgage Analysis (Table VII)	

LIST OF ACRONYMS

ASINDES	Guatemalan umbrella PVO coordinating agency
BEST	Basic Education Strengthening Project
BOP	Balance of payments
CAPEL	Center for Electoral Assistance and Promotion
CDSS	Country Development Strategy Statement
EAI	Enterprise for the Americas Initiative
ESTNA	Centro Estudios Estrategicos para la Estabilidad Nacional
EXO	Executive Office
FAP	Fiscal Administration Project
FNDH	Foreign National Direct Hire Employee
FNIC	Foreign National Institutional Contract Employee
FNPSC	Foreign National Personal Services Contract Employee
FTE	Full Time Equivalent
GEXPRONT	Guatemalan Export Promotion Organization
GOG	Government of Guatemala
GPS	Guatemalan Peace Scholarship Project
HAD	Highlands Agricultural Development Project
IBRD	International Bank for Reconstruction and Development
IDB	Interamerican Development Bank
IFI	International Financial Institution
IMF	International Monetary Fund
MAYAREMA	Maya Natural Resources Management Project
OE	Operating Expenses
PACD	Project Activity Completion Date
PDD	Partnership for Democracy and Development
PLAZA UNO	USAID/Guatemala's new office building
RENARM	Regional Natural Resources Management Project
SET	Supreme Electoral Tribunal
TCNPSC	Third Country National Personal Services Contract Employee
USDH	United States Direct Hire Employee
USPASA	United States Participating Agency Support Agreement Employee
USPSC	United States Personal Services Contract Employee

I. RELATIONSHIP OF THE BUREAU OBJECTIVES AND THE COUNTRY STRATEGY

A. Introduction

Guatemala is in a period of transition, moving toward consolidating its recent democratic tradition and strengthening its economic performance. The new administration of President Serrano faces a daunting economic and political agenda. It must set a course for the 1990's which will result in sustainable economic growth, improve the effectiveness of democratic institutions, protect internationally recognized human rights, and provide the means to the disadvantaged to improve their standard of living. The new government's ability to maintain the political will and obtain the means to make meaningful progress toward these goals are the linchpins of its relationship with the United States. The U.S. is ready to continue helping Guatemala to improve its economic prospects through a combination of bilateral assistance, attraction of additional donor support under the PDD and trade initiatives such as the EAI. However, Guatemala must create the environment to take advantage of these opportunities.

B. USAID/Guatemala Strategy

The USAID/Guatemala program also is undergoing a transition. This evolution is called for by new U.S. foreign policy priorities, the agenda of the new GOG, and declining U.S. resource availability. While the 1989 CDSS update contained a valid analysis of Guatemala's development needs, U.S. development resources are substantially below those anticipated by the CDSS. In addition, program experience gained over the past two years and the potential for increased other donor support require a modification of projected program strategy and scope. Therefore, a new CDSS will be developed in 1991/92. The new strategy will propose a consolidation and focussing of our activities to play to our strengths, pursue fewer objectives, and use scarce resources more efficiently.

Our strategic objectives have been revised for the Action Plan period, and differentiated from those articulated last year, in keeping with the evolution of our program. The program will be directed primarily toward achieving strategic objectives for: 1) **Increased Trade and Investment**; 2) **Improved Natural Resource Management**; 3) **Increased Use of Family Planning Methods**; 4) **Improved Basic Education**; and 5) **Improved Effectiveness of Key Democratic Institutions and Strengthened Democratic Values**. Other strategic objectives for 1) **Structural Reform for Sustainable Growth**; 2) **Increased Diversified Production Opportunities for the Disadvantaged**; and 3) **Reduced Child and Maternal Mortality** are being pursued under the existing portfolio. Whether the Mission should continue pursuing these objectives will be further analyzed and clarified during development of the CDSS. The availability of other donor support and the commitment of the GOG to meet recurrent costs will greatly influence the outcome of this analysis.

C. Strategy Implementation

Efforts to consolidate and focus the USAID/Guatemala program are complicated because most aspects of the program have been highly effective.

Some of the more significant accomplishments attributable, at least in part, to the program include: increased agriculture growth of approximately 3.5% overall, and impressive increases in small farm income, through growth of non-traditional exports; employment expansion, particularly in drawback industries; natural resource management; development of rural infrastructure; increases in primary school attendance; and strengthening of electoral and other democratic institutions and processes.

Progress has been disappointing in other areas. Intensive negotiations concerning the economic program took place throughout most of 1990. While an adequate economic adjustment program was negotiated in mid-1990, the GOG was unable to implement it successfully. Expansionary monetary and fiscal policies resulted in inflation and the loss of international reserves. There also have been difficulties in implementing specific sectoral programs. Improvements in the delivery of preventive health services to rural areas has not been sustained. Strengthening of the administration of justice has fallen short of expectations. Delivery of family planning services has had limited impact in the Highlands.

Despite the foregoing difficulties which primarily reflect problems encountered under the previous Guatemalan administration, the Mission is well positioned to work closely with the new GOG in pursuit of mutually acceptable goals and objectives. The country's fledgling democracy was strengthened this year when one freely-elected civilian government transferred authority to another. The new government has begun a process that hopefully will lead to a comprehensive economic adjustment program supported by an IMF agreement. By creating conditions that provide incentives for private investment, Guatemala should be in a position to take advantage of the opportunities for accelerated trade within the EAI and other free-trade arrangements. Finally, the new leadership has recognized the urgency of increasing the benefits of growth for the majority. President Serrano has announced that a "Social Pact" with the citizenry, along with the restoration of a sound economy, are first steps in this direction.

D. Issues for Revised Country Strategy

The revised country strategy must focus attention on those objectives which can be efficiently achieved within anticipated program and staff resources. This Action Plan provides the framework and direction for determining how priorities will change and what activities will cease, commence or continue, and this process will be refined and finalized during development of the CDSS. The new initiatives for the Action Plan period have been carefully selected to fit within the major areas of program emphasis which are most likely to continue.

The major analyses for the revised CDSS will center on the following topics and issues:

1. Democracy. The theme of democracy must be woven into the fabric of economic and social development. a) First, the Mission will explore the

viability of democratic initiatives to promote decentralization, including municipal development. b) In addition, the prospects must be ascertained for the necessary political commitment, policy environment and legal framework for administration of justice to allow determination of whether current activities should continue. c) Finally, the validity of the underlying rationale for the Guatemala Peace Scholarship program must be determined.

2. Trade and Investment. The anticipated adoption by the GOG of an IMF-supported stabilization program argues for a further concentration of Mission resources on investment and trade as the principal means for achieving sustained economic growth. The existing CDSS does not clearly link the objective of strengthening private sector investment with trade promotion. Our challenge will be to consolidate our existing portfolio and structure new initiatives in ways that will better promote trade and increase private sector investment, primarily in export agriculture, while expanding U.S.-Guatemala business ties.

3. Health and Family Planning. The current strategy links health and family planning; this was seen as prerequisite for GOG implementation of an effective family planning policy. Issues of sustainability of activities have arisen in health, however, even though initial successes for Child Survival were considerable. Conversely, progress toward widespread availability and acceptance of family planning methods has been slow, and the GOG historically has not actively supported family planning. However, progress toward achievement of this objective is critical for the sustainability of efforts in other sectors. If the population growth rate does not slow, income and employment gains will be eroded.

4. Domestic Savings Mobilization. Reduced availability of foreign resources and the large investment needs of the country imply that domestic savings mobilization must be accelerated. Increased tax revenues are a prerequisite for long-term provision of social and other services. The CDSS will include an analysis of limitations to increased savings and revenues, and programmatic steps to overcome them.

5. Agricultural Sector Strategy. The new GOG administration, which has a private enterprise orientation, faces the challenge of reactivating the stagnant food subsector while maintaining the healthy growth of agricultural exports. The USAID Mission, however, is moving towards a program approach which maximizes our comparative advantage in stimulating non-traditional export production. This suggests the need to revise the Mission's current agricultural sector strategy in advance of developing the new CDSS.

II. PROGRAM PERFORMANCE

A. Introduction

The January, 1991 inauguration of President Serrano and the installation of a new Congress completed the successful transfer of power from

one freely and fairly elected civilian government leadership to another in Guatemala for the first time in the country's history. This significant event occurred despite the reverberations caused by the continuing insurgency, human rights violations and an economy beset by difficult internal and external disequilibria.

The new government's efforts during its first two months in office are promising. It has taken steps to strengthen civilian control over the military. It has accelerated negotiations to end the insurgency. It is seeking ways to provide better social services. It has stated its intent to strengthen fiscal administration and significantly increase tax revenue as a percent of GDP. It has engaged the IMF in discussions which should lead to an agreement for a structural adjustment program, clearing of arrears with the World Bank and Interamerican Development Bank and reinitiation of significant assistance from those institutions.

B. Performance Against LAC and Mission Objectives

1. Support the Achievement of Broadly-Based Sustainable Economic Growth

a. Adoption of and Adherence to Economic Policies that Promote Investments, Productive Employment and Export-Led Economic Diversification

-- Mission Objective: Structural Reform for Sustainable Growth

Real economic growth averaged about 4% during 1988 and 1989. Slippages in fiscal and monetary policies during 1990 resulted in average annual inflation of 41%, a loss of net international reserves of approximately \$100 million, and a slowdown in real growth to 3.5%. In mid-year the GOG adopted a series of corrective measures including a tight monetary program and restrictions on central government expenditures. However, the GOG did not successfully implement the program.

Notwithstanding these difficulties, structural policy reforms to increase savings were implemented. New savings instruments with premium interest rates were created and reserve requirements unified. As a result, total savings rose from 8% of GDP in 1989 to 9.8% in 1990, compared with an 8.5% target. This better than expected increase permitted, in turn, an increase in private investment from 13.5% of GDP in 1989 to 15.3% in 1990.

During the Action Plan period, the IFIs are expected to play an increasingly important role in supporting stabilization. The Mission will build upon its established working relationship with the Bank of Guatemala and the Ministry of Finance and will continue to support the GOG economic program implementation. A major assumption of this Action Plan is that an IMF agreement will be successfully negotiated and implemented, supported by a World Bank SAL. If this occurs, the expected results will

include reduction of average annual inflation to 15% in both 1992 and 1993 and a small increase in net international reserves in both years.

Increased domestic investment and real economic growth will require accelerated domestic savings mobilization. The Mission will support that acceleration by focussing on needs for broadening the base, and improving supervision, of the banking system. Technical assistance will be provided to the BOG for, inter alia, introduction of monetary instruments.

Improvements in public sector efficiency through revenue increases and expenditure rationalization also are required. A comprehensive analysis of Guatemala's tax systems is now completed and a major tax reform is imminent. Its implementation will be supported by the Fiscal Administration Project. As a result of these and related activities, tax collections are expected to increase from their current 6.5% of GDP to at least 10% by 1993. On the expenditure side, activities for improved budget planning, execution and evaluation will continue.

b. Encourage a Vigorous Response by the Private Sector to a Favorable Policy Environment

-- Mission Objective: Increased Trade and Investment

Although macroeconomic policies were implemented inconsistently by the GOG during the previous four years, important structural reforms were adopted that provided significant stimulus to trade and investment activities. Tariff levels were cut sharply and the dispersion of rates reduced; the exchange rate was unified and depreciated in real terms; price controls were eliminated; and financial market reforms were adopted.

The impact on trade and investment has been evident. Non-traditional exports -- particularly non-traditional agricultural exports, free trade zone and drawback industries -- increased at an average rate of 23% during 1986-90. Over the same period, private sector investment at constant prices jumped from 5.1% of GDP to 9.5%. This steady improvement in investment activities permitted real GDP to grow at an average rate of almost 4.0% throughout the period.

The Mission played an important supporting role. Policy-dialogue, ESF negotiations and resource transfers helped achieve macroeconomic stability through exchange rate unification and related structural reforms. Critical support also was provided for achieving policy reforms in agriculture and industry: 1) quotas on agricultural imports were eliminated and in-country testing for pesticide use was established; 2) critical service provision and infrastructure were improved upon (especially the farm to market road network -- which facilitated market access and served as a production incentive); 3) provision of land, credit, research and related marketing activities by the private sector was encouraged; and 4) successful policy reforms in energy resulted in increased electricity tariffs, cogeneration of electrical power with the private sector, and other efficiencies.

Substantial support also was provided directly to small/medium scale farmers, an abundant productive resource. A strengthened, diversifying, labor intensive small-farm sector has begun producing high quality non-traditional exports at competitive international prices. A.I.D. financial investments in irrigation and soil conservation activities in the Highlands improved the productivity of land and labor significantly, and were instrumental in facilitating overall agricultural diversification and stimulating production of export crops. An estimated 2,800 farm households were earning an additional \$800 per year during 1989-90 as a result of terracing, irrigation and crop diversification. Furthermore, A.I.D. supported financial reform in indigenous financial intermediaries, such as credit unions, attracted increasing amounts of overseas remittances and domestic savings for financing production and marketing activities in rural areas.

A.I.D. was also instrumental in stimulating non-traditional exports in free trade zone and drawback industries. Important policy reforms to liberalize incentives were facilitated through the provision of technical assistance in the drafting of drawback industry legislation. This led to the establishment of Guatemala's first privately-owned and operated free trade zone in 1990 and the authorization for operation of more than 400 drawback companies in Guatemala. In addition, the establishment of an IESC-supported Trade and Investment Services (TIS) facility is facilitating investment by U.S. enterprises. In its first year, the TIS has generated sales in Guatemala of more than \$500,000 for U.S. suppliers.

During the Action Plan period, the Mission will assist the GOG to maintain an appropriate policy environment and continue institutional support to promote efficient, competitive production of non-traditional exports and enhanced private investment. As a result of these and related activities, the growth rate of non-traditional exports -- especially in free trade zone and drawback industries -- is expected to increase to over 25% annually and private sector investment as a percentage of GDP is expected to reach 15% annually by 1993.

b. Encourage Preservation and Sustainable Use of the Natural Resource Base

-- Mission Objective: Improved Natural Resource Management

During the past year Guatemala has established itself as a leader in the region for sustainable management of the natural resource base. A number of well-conceived, critical laws and accompanying regulations have been promulgated for forestry and protected areas management (most recently for the Sierra de las Minas Biosphere Reserve) -- covering 16% of Guatemala's land surface. In addition, resolutions have been passed by the Guatemalan Congress limiting oil exploration in protected areas, deforestation, destructive commercial fishing practices, industrial land uses and pollution, and toxic substance use. The National Environment Commission (CONAMA), National Council on Protected Areas (CONAP) and other institutions were created by these laws to implement environmental protection programs, with the cooperation of indigenous NGOs.

A.I.D. has provided technical and financial support to the GOG and NGOs in enactment of laws, development of policies and implementation of activities. As a result of our combined efforts, approximately 320,000 hectares (out of a total of 1.9 million) have been designated legally protected areas. About 10,000 additional has. are under sustainable agricultural practices and about 800 has. of watershed areas are being managed. While small compared to the problem, the practices being used are now recognized as technologically and socially viable and can be disseminated on a more massive scale.

During the Action Plan period, a major priority will be to participate with the Guatemalan Government, private sector entities, and other donors to design a new program initiative for natural resource management. This initiative will support full implementation of legislation and promote the adoption of sustainable agricultural practices, watershed management, and the consolidation of a system of protected areas, on a systemic basis. As a result of these and related efforts, Guatemala should see an exponential increase in the number of hectares being managed for agriculture, water and other land uses, and a direct, measurable impact on critical environmental problems.

c. Encourage Accelerated Opportunities for Increased Participation in the Economy by the Historically Disadvantaged.

-- Mission Objective: Increased Diversified Production Opportunities for the Disadvantaged

Disadvantaged Guatemalans have been increasingly realizing the benefits of economic growth by, *inter alia*, participating directly in the economy as employees, entrepreneurs or producers. In particular, A.I.D.-assisted efforts in agricultural production and processing and value-added activities benefited over 50,000 rural dwellers last year. In addition, complementary activities in rural road construction/maintenance, and rural electrification directly enhanced the productive capacity of 12,400 additional households.

Also, USAID technical and related support to 9,000 micro and small enterprises through private organizations helped generate more than 15,000 new or upgraded productive employment opportunities for poor Guatemalans last year. Furthermore, GEXPRONT's Maquila Commission estimates that more than 50,000 individuals are now employed in drawback industries -- an increase of more than 25% in 1990 -- compared to 2,000 in 1985. Employment gains of more than 10,000 were registered by such industries in 1990 alone. Artisan production and exports, usually produced in villages, have found excellent market niches in the U.S. and through tourism.

During the Action Plan period, the Mission will continue to support programs aimed at employment and income generation. A major focus

of this effort will be on improving production and marketing of non-traditional agricultural and non-agricultural products.

-- Mission Objective: Increased Basic Education

The GOG and Mission strategy of improving the quality and efficiency of the primary school system, especially in rural areas, was one of our most successful initiatives for spreading the benefits of growth during 1990. A total of 1,900 teachers and 800 promoters were trained in the use of new teaching methodologies, textbooks and related materials. A total of 800 bilingual schools now serve approximately 90,000 Mayan children, and the program has helped improve the average promotion rate of these children by 9% since 1987. In addition, the existing deficit of bilingual teachers was reduced during 1990 as the Ministry of Education created 150 new teaching positions for bilingual teachers required for our program's support of primary education in indigenous communities.

During the Action Plan period, the Mission's on-going basic education program will support, concomitant with bilingual education and in-service teacher training: 1) policy studies for financial and administrative reforms, such as regionalization and educational vouchers; 2) the completion of a national linguistic mapping study leading to the development of a master plan to expand primary education services; 3) the testing of several innovative methods and technologies in basic education; and 4) the initiation of a program of standardized academic achievement testing. The focus of the Mission's policy dialogue during the period will be to increase the MOE budget from 2% to over 3% of GDP and to increase targetting of public and private resources on assuring that girls, in particular, have increased access to primary education.

-- Mission Objective: Increased Use of Family Planning Methods

While contraceptive prevalence rates (the percentage of couples using family planning methods) did not increase significantly in 1990 in Guatemala, actual numbers of family planning users increased dramatically -- by almost 17% over the past year. This difference between percentage and actual users is due to Guatemala's overall rapid population growth, approximately 3% annually, which causes the population to double every 20-23 years.

Currently, 50% of the population is under 15 years of age. This implies that the population will continue to increase for the next 15-20 years, even if couples choose to have fewer children, because there will be so many new couples of fertile age. The adverse impact of this overall situation on the growth of per capita GDP is obvious.

While the commitment of Guatemalans who are directing and managing the service programs we support is impressive, the GOG must provide more aggressive material and policy support. Early indications are

that the new GOG, indeed, plans to play a more active role in providing family planning services. To support this trend, during the Action Plan period the Mission will introduce a new five year project as the next phase of its long term population strategy. The project is aimed at promoting 1) a rapid expansion of service delivery systems; 2) greater Guatemalan and other donor investment in family planning services; 3) the education of influential groups on the relationship of population growth and economic growth; 4) the strengthening of local institutions that deliver such services; 5) the initiation of a major applied research program aimed at achieving expanded family planning services to the indigenous population living in the Highlands; and 6) the development of public policy measures.

-- Mission Objective: Reduced Child and Maternal Mortality

Recent Ministry of Health surveys indicate that coverage rates for immunizations for children under five have decreased drastically, i.e., from 60% the end of 1989 to around 35% now. Additional support to the Ministry of Health such as that from PAHO or UNICEF has not made a noticeable difference. Polio has reappeared after a two year absence. The cold chain appears to be deteriorating.

The suspension of the USAID/MOH child survival project in March 1990, due to financial irregularities, has been a major factor in this deterioration and has pointed out how dependent the MOH is on donor-provided resources for essential preventive health services. Recent negotiations with the new Minister of Health have borne fruit, however. The Mission is hopeful that a mutually satisfactory arrangement will be agreed upon and a restructured project will soon be restarted.

Other health programs have performed well. CARE, CRS and SHARE administered P.L. 480, Title II maternal/child health programs reached more than 267,000 at risk or vulnerable individuals in 1990. Efforts will continue to improve growth monitoring systems to better determine impact of these programs on child survival.

In addition, over 300 communities received piped water and sanitation facilities under the Community Health and Nutrition project that ended late in 1990. These water and sanitation systems have impacted positively on the health of 175,000 participants, and especially that of children under five. Current estimates indicate that up to a 45% reduction in diarrheal diseases is possible with new water and sanitation systems, when they are supported by health education activities. A follow-on water and sanitation project is currently planned to commence in 1991 to provide similar assistance to over 200 new communities, benefiting approximately 150,000 individuals.

During the Action Plan period, Mission activities will begin to shift away from the direct support for service delivery towards support for public policy formulation and institutional strengthening designed to lead to self-sustainability. Policies for increasing GOG budgetary support

for preventative health care in rural areas and charging fees for hospital services will be themes throughout our health sector program.

2. Support the Evolution of Stable Democratic Societies

a. Encourage the Strengthening of Competent Civilian Government Institutions that will Merit the Confidence of Political and Military Leaders, Citizens and Investors.

-- Mission Objective: Improved Effectiveness of Key Democratic Institutions and Strengthened Democratic Values

The provision of critically needed commodities and other support to the Supreme Electoral Tribunal (SET) greatly facilitated the elections process in 1990/91. The SET is now recognized as one of the most capable bodies in Latin America for conducting fair and open elections. AID institutional strengthening has been indispensable.

The project for equipping the central office and ten regional offices of the Human Rights Ombudsman also was successfully completed. A.I.D. commodity and logistics support was key in helping the Ombudsman promptly investigate and announce findings on reported human rights violations, including the killing by a Guatemalan Army unit of 14 civilians at Santiago de Atitlán and the murder of 10 civilian militia members by guerrillas in Playa Grande. A new agreement recently was signed with the Ombudsman to provide additional assistance that will permit that office to pursue more effectively human rights violation investigation and enforcement during the Action Plan period.

For administration of justice, Harvard Law School completed its activities pertaining to creation of pilot courts. Under the principal bilateral AOJ project, progress was made on strengthening the Management Information System (MIS) and legal documentation center. Little progress was made, however, on important administrative reforms and institutionalization of judicial training. For the Action Plan period and beyond, the political will of the GOG to provide the legal framework -- major legal reforms supported by the Executive and Judicial Branches currently are before the Congress -- and the budgetary and human resources necessary to apply and enforce the law are critical to continued A.I.D. involvement in this sector.

Also during 1990/91, assistance was provided to the national Congress to establish an MIS system and to develop a comprehensive legislative procedures manual. The Congress remains institutionally weak, and will be assisted to improve its ability to research, draft and approve legislation, in order to ensure adequate balance between the executive and legislative branches, under the Guatemalan Constitution.

The final 400 participants under the Guatemalan Peace Scholarship I project completed leadership training in democracy in the U.S.

last year bringing the total number of trainees to over 5,000. The Mission will continue to support leadership training for democratic development under the Guatemala Peace Scholarship (GPS) II Project during the Action Plan period. The rationale for short-term training and planned resource levels will be thoroughly examined during the CDSS review, although resource reductions have already led the Mission to reduce the life of project funding for GPS from \$37 million to \$18 million.

Finally, a principal component of the planned FY 91 Strengthening of Democratic Institutions Project is civic and human rights education. The component will help increase the public's understanding of the operations and utility of key democratic institutions and the importance of citizen participation and accountability in democratic processes. It will involve politically non-partisan private sector and/or appropriate public sector groups (such as ESTNA) in the implementation of non-formal education activities that seek a more informed and demanding electorate. Primary school-aged children will be a particular target group of activities within the formal education system.

In summary, during the Action Plan period a series of policy and institutional strengthening measures will be critical to the success of Mission supported efforts. These include 1) adequate budgetary and political support from the executive and legislative branches to permit the Public Ministry to carry out its functions; 2) the strengthening of human resources within the judicial system to, *inter alia*, fully implement the new Penal Procedures Code; 3) a strengthened committee system within Guatemala's Congress to permit it to pass procedurally and substantively correct legislation on an expedited basis; and 4) an ability by the Office of the Human Rights Ombudsman to track violent crime cases, put pressure on institutions when they are not performing adequately and keep the public informed on alleged human rights violations.

3. Respond to Needs for International Cooperation

a. Contribute to Formulation and Implementation of U. S. Government Strategies in Central America

There is no specific Mission strategic objective linked to this LAC objective. However, the Mission has worked extensively with other donors and the U.S. Country Team, both on Guatemala-specific matters and issues of regional concern.

Coordination has been particularly close with other donors in activities for macroeconomic/structural adjustment, agriculture, the environment, basic education, health and elections support. As mentioned, the Mission is working with the IMF, the IDB and the World Bank to design a program with the new GOG to better lay the basis for sustained economic growth. We also are working with the UNDP and World Bank to strengthen the GOG capacity for agricultural policy analysis. USAID/GOG sectoral programs for basic education and health have been developed and implemented in

coordination with other donor (World Bank, PAHO) programs. CAPEL provided training for elections observers under the AID-financed project. During the Action Plan period, systematic cooperation and information-exchange with other donors will be expanded.

Cooperation with ROCAP continues under environmental programs, in particular. The RENARM and Mayarema projects were developed and are being implemented in tandem, for activities in watershed and protected areas management. The Mission is also coordinating closely with other key donors in environment: UN, Germany, Japan and international NGOs.

Collaboration with the Embassy and other elements of the Country Team is consistent and comprehensive. That is, we are working in unison to develop and implement the Embassy Program Plan. USAID is the lead agency for accomplishing Development objectives, and plays a vital role for planning and implementing the U.S. Mission strategy for Democracy and Human Rights. The Country Team working group for Democratic Development was formed through USAID initiative. A variety of smaller, A.I.D.-funded activities for drug awareness and legal assistance (to rewrite the narcotics law) have contributed to furtherance of the the Drugs/Anti-narcotics strategy. USAID will continue to collaborate with the Country Team on all elements of the U.S. Mission strategy.

C. Program Evaluation

In addition to project evaluation, the Mission will evaluate the impact of policy dialogue and other program-level interventions under 1) macroeconomic program assistance, 2) private sector initiatives, 3) non-traditional agriculture export activities and 4) health/child survival activities. The evaluations will seek, among other things, to measure the impact of policy changes on production and people. They also will help us establish new program directions, e.g., for increasing health program impact on malnutrition.

III. NEW PROGRAM INITIATIVES

The number of Mission activities will decline during the Action Plan period. During FY 1991, 8 projects will be completed and only 1 will commence. For FY 92, 10 additional projects will end and no more than 5 will commence, in addition to a Title III program. Completion of 4 more projects is expected in FY 93 while only 2 new starts are planned. New project proposals assume improved GOG performance. Furthermore, to maximize funding availabilities for new initiatives, the existing portfolio is being carefully reviewed to identify ongoing activities which should be curtailed, reduced or terminated and to determine the extent of resulting deobligations/reobligations. The new activities are summarized below.

FY 1992

The proposed P.L. 480, Title III program, which will replace the Title I program, will provide food imports to support policy reforms for overall agricultural development. This program will also provide local currency for supporting USAID and other donors' projects focussing on natural resources management as well as promoting irrigated agricultural production and exports. It will complement the ongoing P.L. 480, Title II program, which will continue.

The Trade and Investment Expansion program will encourage the elimination of policy and institutional constraints to fuller participation by Guatemala in the world economy, by promoting investments, productive employment and export-led economic diversification. Impact will be measured in terms of increased productivity and export capacity of agriculture and manufacturing. This ESF-funded sector program will succeed and evolve from 2 ongoing projects -- Private Enterprise Development and Highlands Agriculture.

The Irrigated Agricultural Support project will complement the Trade and Investment Expansion Program and our program focussing on agriculture. It will assist the development of sustainable agriculture systems by improving the GOG's ability to identify and implement appropriate strategies and policies for the promotion of private irrigated agriculture. It will thus strengthen the institutional capacity of the GOG and increase the participation of the private sector in the operation and maintenance of irrigation systems. The project proposal is contingent on approval of a Title III program.

The new Family Population and Health Services project will have a considerable policy focus. It will increase family planning coverage, linking it closely with family health services. Techniques will be identified and services developed which are especially responsive to Mayan and rural communities, where population expansion is most severe. There will be heavy emphasis on securing full GOG commitment to family planning assistance in public sector programs and facilities, as well as obtaining other donor and private support for family planning.

The new Judicial Sector Human Resource Development project will build on the lessons learned under the current Administration of Justice project. The primary intent is to develop and institutionalize a human resource development system for the judiciary. That is, by training judges, technical and support staff and by fostering policy change, this democratic institution will be strengthened and the rule of law enhanced.

In addition to the described new starts, the Mission is proposing one project amendment. This will be an 18-month extension for the Fiscal Administration project, in order to assist the Ministry of Finance's implementation of the reforms identified in the first phase of this project -- the success of which is crucial to sustainability of activities across our portfolio.

FY 1993

The proposed new Financial Markets Development program will strive to eliminate structural constraints to domestic savings, aiming to foster sustained increase in investment and the achievement of broadly-based economic growth.

The proposed new Improved Environment and Natural Resource Management project will encourage the adoption of better agricultural and watershed management practices by the private sector, NGOs and municipalities.

One amendment also is proposed for FY 93. The Immunization and Oral Rehydration Therapy Services for Child Survival project will be continued for 2 additional years. It will entail new administrative mechanisms to ensure competent management and accountability, as well as policy and institutional changes to finance services with GOG and private resources.

IV. RESOURCE REQUIREMENTS

Summary

USAID/Guatemala is in the process of consolidating and focussing its strategic objectives and staff in response to reduced resource availability. Other sections of this Action Plan describe the narrowing of focus of the current and projected program portfolio. The Mission has acted decisively to reduce its project mortgage through a number of actions delineated below (see A.). By the end of FY 91, 11 projects will have reached their PACDs. By the end of FY 93, the project portfolio will be reduced from 35 to 25 active projects including one new start in FY 91 and 2 major amendments. As can be seen from the proposed NPDs and mortgage analysis below, the mortgage already has been reduced to a prudent level and will continue to decrease during the Action Plan period.

Regarding USAID staffing, significant progress already has been made in eliminating positions which are no longer required. From a total of 253 positions in FY 90, USAID has been reduced to 222 positions as of FY 1991. By the end of FY 91, a further reduction will result from our consolidation into Plaza Uno. In addition, 3 USDH positions will be eliminated by that time, bringing USAID on-board staff levels to 204 by the beginning of FY 92. As described below, the staff will decline to 193 by FY 1993.

It must be emphasized that 3 USAID offices included in the staff total provide services to other missions, particularly ROCAP (but also Controller services for Mexico and Regional Contract Office support to Mexico, Belize and Costa Rica). Specifically, one of the USDH positions and 8 FSN DH/FSNPSC positions in the Controller's Office are devoted to supporting ROCAP. In the Administrative Office, 10 positions support ROCAP. While difficult to estimate, approximately 3 positions in the Contracts Office are required to provide services to missions other than USAID/Guatemala. Therefore, by the

end of FY 91, the staff level of USAID/Guatemala is more accurately estimated as 182 positions, which includes a USDH FTE of 23.

A. Program Levels and Mortgage Analysis

Projected ESF and DA flows to Guatemala for FY 92 and FY 93 will approximate those for FY 91, a significant decline from the peak years of the late 1980s, and from FY 90 levels (see Table V). DA will fund activities consonant with our current strategy. DA request levels assume continued, improved GOG performance. Expected significant IFI flows to Guatemala over the Action Plan period supporting sound macroeconomic policy performance will permit the Mission to focus ESF on sector program assistance which emphasizes policy reform and implementation.

A major issue raised during last year's Action Plan concerned the Mission's ability to manage its prospective mortgage of \$95-\$100 million during FY 1991-FY 1992, particularly in light of projected funding levels. Since then, we have carried out an in depth review of the portfolio and have taken a number of actions to reduce the mortgage. For example, 2 of the 4 new starts planned for FY 91 are not being initiated and LOP funding for the Guatemala's Peace Scholarship project has been reduced from \$37 million over 5 years to \$18 million. Also, the PACD of the Basic Education Strengthening project will be extended to accommodate lower resource availabilities. In addition, we are attempting to better use deobligation/reobligation authority to weed out slower performing projects, to supplement diminishing new resources. We must have AID/W support to retain deobs if we are to do this effectively.

As a result of actions such as the aforementioned, the Mission expects the DA mortgage to be reduced to no more than 18 months of forward funding and the ESF mortgage to be reduced to zero by the end of FY 1993. (See Table VII portraying this plan, by functional account).

Other actions are being taken to mitigate the immediate and longer-term effects of declining U.S. bilateral resource flows. Local currency generations under prior P.L. 480, Title I and 416 agreements were reprogrammed to meet urgent needs of the new Guatemalan government. Additional reprogrammings of local currency (Section 108) are planned. Other donors are being encouraged to take a larger role in traditional areas of AID involvement (e.g., infrastructure and microenterprise).

This combination of internal management improvements, innovative use of existing resources and leveraging of other donor flows will allow us to effectively manage our mortgage while helping Guatemala deal with its highest priority development problems.

B. Program Uses of Local Currency (see Table IV)

1. ESF. In FY 1991, local currency counterpart to the ESF balance of payments program will be used to support the Core Development Budget of the

GOG, with significant emphasis on providing counterpart to ongoing A.I.D. and other donor projects. Beginning in FY 92, ESF will be used to support assistance in the trade and investment sector through combined project and non-project resources. The local currency counterpart will be used to support specific activities contributing to expanding private sector trade and investment.

2. P.L. 480. Guatemala has been categorized as a recipient of PL 480 Title I resources, to be managed by USDA. Therefore, USAID/Guatemala does not plan to be formally involved in programming or accounting for any PL 480 Title I generations in FY 91, or beyond, unless it is mutually agreed upon with USDA and the GOG that local currencies should be used, in part, to fund A.I.D. activities. The Mission believes, however, that Guatemala is eligible for P.L. 480 Title III assistance and will submit a Title III proposal for a multi-year program beginning in FY 92. As described in the NPD for the Title III program, local currency generations will be used to support a major initiative in the irrigation sector, additional natural resource management activities and other interventions related to the Mission's strategic objectives.

C. Operating Expenses

Two events will have a substantial impact on operating expenses during the Action Plan period--consolidation of the USAID staff in one building by the end of FY 91 and elimination of OE local currency trust fund resources by the end of FY 93. Consolidation of USAID offices from the current 4 buildings into Plaza Uno will permit an immediate reduction of 10 support staff positions and realize annual cost savings of approximately \$45,000. The savings in terms of management efficiency will be even more significant. All moving costs will be paid from FY 90 and FY 91 OE resources.

With the shift of ESF from macroeconomic balance of payments assistance to sector-specific program assistance, it is expected that FY 91 will be the last year of local currency counterpart contribution to the OE trust fund. As detailed below, this will mean shifting all OE costs to appropriated dollars beginning late in FY 93.

1. Staff Levels. Staff levels will decline from 253 at the end of FY 90 to 193 by FY 93, as follows:

	<u>90</u>	<u>91</u>	<u>92</u>	<u>93</u>
USDH	31	29	24	23
USPASA	3	3	2	1
USPSC	13	10	9	5
TCNPSC	3	3	2	1
FNDH	43	43	43	43
FNPSC	110	95	95	91
FNIC	<u>50</u>	<u>39</u>	<u>29</u>	<u>29</u>
Sub-Total	253	222	204	193
(ROCAP Support)		(22)	(22)	(22)
USAID Staff		200	182	171

These significant reductions in staff levels are considered the maximum acceptable to assure prudent planning and oversight of A.I.D. resources. In addition, to reduce staff to the projected level in FY 93, the Mission will reorganize and consolidate functions beginning in FY 92. In general terms, the Mission's technical offices will be redefined to match its strategic objectives and staff offices will be consolidated.

2. OE Dollar Requirements. Projected OE requirements for the Action Plan period are as follows:

<u>Fiscal Year</u>	<u>90 (actual)</u>	<u>91</u>	<u>92</u>	<u>93</u>
Dollar OE	2,137	2,837	2,500	2,500
Trust Fund OE	<u>3,020</u>	<u>3,600</u>	<u>2,500</u>	<u>2,440</u>
Total	5,157	6,437	5,000	4,940

We have two major concerns that could impact on our OE requirements. First, a local retirement plan for the FSN staff not covered by Civil Service retirement will increase annual payroll costs by as much as 30%. It also has not been decided if the plan will be retroactive and, if so, to what date.

Second, trust fund OE resources have been converted to U.S. dollars at the current exchange rate. Point-to-point inflation at the end of December, 1990 exceeded 70%. While we anticipate inflation will be reduced significantly by the new GOG during FY 1992 and FY 1993, unanticipated and significant devaluation of the quetzal will erode the purchasing power of the local currency trust fund, leading to the need for additional OE dollars earlier than currently projected.

The Mission is seeking alternatives to further reduce OE costs. This includes possible shifting to project funding of administrative support

being provided by EXO to contractors. This would be accomplished by developing an overhead rate for USAID support services and including that overhead payment in all Mission-funded project contracts. Our review of this option and other OE cost-reduction measures will be completed in time for inclusion in the FY 93 ABS.

3. OE Trust Funds. With the significant decline in ESF resources, USAID is projecting full disbursement of available OE Trust Funds (including the amount expected from the FY 1991 ESF balance of payments program) by the end of FY 1993. While our FY 1991 approved budget level is adequate, based on our projections, we will only be able to finance FSN salary and in-country site visits with trust funds in FY 1992 and FY 1993. In FY 1994, our total OE costs will have to be dollar-funded. Two important assumptions were made for Trust Funds: (1) the exchange rate will be stable and (2) the interest earned on deposits will keep up with inflation.

We have used reverse accommodation exchange in FY 1991 to pay for non-deferrable costs that were due in the 1st quarter. Most of these costs related to the new office building, and if reverse accommodation exchange had not been used, it would have further delayed our move into the building. Except for costs related to the building, we anticipate no reverse accommodation exchange for the rest of the fiscal year. However, if the Bureau does not have adequate dollar resources in the first quarter of FY 1992, we may be forced to use reverse accommodation exchange again.

Based on the above information we are providing this Trust Fund availability table:

<u>FY</u>	<u>Beginning Balance</u>	<u>Expected Deposits</u>	<u>Projected Usage</u>	<u>Ending Balance</u>
1991	1,540	5,000	3,600	2,940
1992	2,940	2,000	2,500	2,440
1993	2,440	-0-	2,440	-0-

4. Internal Controls. USAID has been trying to resolve vulnerabilities identified in previous Internal Control and General Management Assessments. Included in the OE Budget is funding for assistance in documenting the computer software programs developed by the Mission. Initial documentation of the systems is being completed in-house. Final documentation meeting professional standards will be contracted out.

Additional emphasis has been placed by Mission Management on increased visits to project sites by Mission staff. Additional funding is being made available for this purpose by decreasing conference and other travel.

V. MISSION-INITIATED ISSUES

Before the Mission develops a new Country Strategy, there are some overriding issues to be dealt with concerning the capability and willingness of Guatemalans to take difficult steps to enhance prospects for broad-based sustainable economic growth, and the evolution of a stable democratic society which protects the rights of its citizens. Also over this period, U.S. Government policy toward Guatemala and its implications for the USAID program should be clarified.

1. IMF Structural Adjustment Program. Much depends on the successful negotiation of a Standby Agreement with the IMF this year. The right macroeconomic policies must be put in place, arrears cleared and major assistance flows from the IDB and World Bank renewed if the economy is to be put on a sound footing. In this regard, the direction the new government takes has major ramifications for our proposed Trade and Investment Expansion Program, and other sectoral activities.

2. Human Rights. The new GOG leadership must implement measures necessary to protect the basic human rights of its citizens. Human rights violators must be pursued, arrested, prosecuted and convicted. Progress in this area could be a key determinant for U.S. aid levels, and will otherwise influence the nature of our assistance, during the Action Plan period.

3. PL 480 Title III. Guatemala was judged not to have met the eligibility criteria for a Title III program for FY 91. Updated national-level statistics have been obtained which demonstrate that Guatemala does meet the criteria. The Mission, therefore, is developing a proposal for a multiyear program to begin in FY 92. Approval of a Title III program for Guatemala is critical to allow for development of proposed sectoral programs in agriculture and natural resources during the Action Plan period. Also, it may have ramifications for whether the Mission can develop a strategy for dealing on a broader basis with problems of malnutrition.

4. Sustainability of Effort. Sustainability must be a key facet of new program design and continued implementation of ongoing activities. GOG and other counterpart organizations will be called upon increasingly to ensure the future sustainability of activities being financed by AID. For example, AID funding for preventive health services has constituted the lion's share of support at the national level. The GOG must share more of the burden if the Mission is to remain active in the sector. The burden is not to be borne by the government alone. Private financing and other involvement must be an increasingly important aspect of our programs.

5. Resource Levels/Program and Mortgage Management. As delineated in Section IV of this Action Plan, significant measures are being implemented, and planned, to consolidate the program and reduce the mortgage. A variety of factors will influence our ability to fully implement this plan, including new dollar and local currency resource flows over the period, the ability to phase-out certain activities with a minimum of disruption, and flexibility for

the use of deob/reob authority. LAC support for the latter will be particularly critical.

6. OE and Staffing. For reasons of prudent management, and in response to AID/W guidance, the Mission will be phasing out its local currency trust fund by the end of FY 93. This will require full funding of OE costs with appropriated dollars during FY 94. Also as delineated in Section IV above, staff reduction and consolidation measures implemented over the Action Plan period will be considerable. The analysis for this consolidation will include examination of support to other missions, particularly ROCAP. That is, with trust fund local currencies no longer available and OE dollars at a premium, any continuing USAID Guatemala support to other missions must be fully financed through those missions' budgets.

ANNEX A

NEW PROGRAM/PROJECT DESCRIPTIONS

NEW PROGRAM DESCRIPTION

LAC Bureau Objective : Support the achievement of broadly-based, sustainable economic growth.

Sub-Objective : Encourage a vigorous response by the private sector to a favorable policy environment.

Program Title : P.L. 480 Title III Program
(Agriculture Policy and Development)

Program Number : N/A

Program Funding (\$000) : FY 92 \$18,000 (G)
FY 93 \$18,000 (G)
LOP \$36,000 (G)

Type of Funding : P.L. 480 Title III

Amendment or New : New

A. Consistency of Program with Mission Strategy: Food assistance programs are integral to the Mission strategy. Guatemala qualifies for a Title III program based on eligibility criteria in the new Farm Bill. Current domestic production does not meet consumption requirements, and foreign exchange constraints limit imports to levels below those required to ensure food security. The child (0 to 5 years) mortality rate in Guatemala has averaged well above 100 per thousand live births and has climbed as high as 160 in the central highlands. Malnutrition (in some areas 98%) and growth stunting (70%) are among the worst in the region. Per capita calorie availability is well under 2,300 per day. (Below 1,800 for lower income groups.) The latest Guatemalan Foods Needs and Availabilities Analysis estimates the current food deficit at 220,000 Metric Tons (MT) and projects a deficit close to 600,000 MT by the year 2000. The Title III program will focus on effective policy reform to reverse these trends. The program will permit the GOG to design and implement policy and investment actions to strengthen economic growth. Counterpart funds generated by the sales of commodities will finance investments for increased production, employment and food security -- in combination with DA and ESP funded programs, where possible.

B. Relationship to A.I.D. and other Donor Activities: This multi-year program will support other Mission agricultural development activities for increased diversified production and increased trade and investment. Local currency financing will be provided to the new Irrigated Ag Support and Development program and the Improved Natural Resource Management project.

Program design will account for other donor activities, including proposed investments in irrigated agriculture by the IDB and a GOG/UNDP initiative for strengthening agricultural policy analysis.

C. Relationship of Program to Overall A.I.D. Policy Objectives: It will support A.I.D.'s policy dialogue for increased agricultural productivity, improved natural resource management and increased private investment in agriculture. Agricultural policy and institutional constraints are now being identified with the new Serrano Government, as a prelude to strong collaboration to attack these problems.

D. Program Description: Agricultural production in Guatemala is characterized by low productivity, stagnant production of basic grains and an export base highly dependent upon markets in developed countries. These problems are a result of a combination of factors such as: low real producer prices, high production costs, poorly developed marketing systems, low-level technology, lack of access to credit and land, undeveloped human resources and lack of productive infrastructure. To overcome these constraints, this Title III program will assist the GOG to analyze and implement policy and institutional reforms directly linked to these constraints.

The program's major activities then will be keyed to promotion of irrigated agricultural development and improved natural resource management through an amelioration or elimination of these constraints. A policy agenda will be structured to include explicit benchmarks for progress. Local currency will be used by the GOG to finance investments in irrigation and natural resources management, in particular.

E. Planned implementation arrangements: This program will be implemented by the Ministry of Agriculture. In each fiscal year, approximately 125,000 MT of wheat will be imported beginning in FY 92. Feed grain corn will also be imported to the extent that sufficient wheat is not available. Sales of the grains will be negotiated with the private sector entities. Payment of most of the purchase price will be required in advance, to be deposited in local currency interest bearing accounts. Funds from these accounts will be disbursed and monitored by the Mission and/or the GOG depending on the joint programming conditions of the Title III Agreement.

F. Sustainability of proposed activities: The sustainability of the proposed program activities will be dependent on results achieved under irrigated ag support and development, and improved resource management activities.

G. Mission management role: This program will be managed by the Office of Rural Development (ORD). Support will be provided by the Offices of Economic and Policy Analysis (OEPA), Program (PRM), and Project Design and Support (PDSO).

H. Potential Issues and/or Innovative Program Approaches: Potential issues include whether: 1) Guatemala will be considered eligible to participate in a Title III program based on AID's interpretation of the legislative criteria; 2) approval of a Title I program for Guatemala would result in a reduction of resources available for a Title III program; and 3) there are sufficient resources available to support Guatemala's request for a Title III program.

NEW PROJECT DESCRIPTION

LAC Bureau Objective : Support the achievement of broadly-based, sustainable economic growth.

Sub-Objective : Encourage a vigorous response by the Private Sector to a favorable policy environment.

Project Title : Trade and Investment Expansion Program (New)

Project Number : 520-0403

Project Funding : FY92 \$13,500; FY93 \$9,500
(\$000) LOP \$23,000

Type of Funding : ESF

A. Consistency of Project with Mission Strategy: The program supports policy and institutional changes that promote private sector led export growth of the country's productive export sectors.

B. Relationship to AID and Other Donor Activities: The program focus is on eliminating key policy and institutional constraints to improving the climate for foreign and domestic investment, specifically in export-oriented activities, and international trade. The program will be complementary to the macro-economic program supported by the Mission in recent years and to the stabilization support to be provided by the IMF and World Bank.

C. Relationship of Project to Overall AID Policy Objectives: The program will implement A.I.D.'s policy of supporting private sector-led development efforts and of looking to private investment and trade as the principal means of enhancing sustainable economic growth. While the mission's previous policy dialogue efforts have resulted in exchange rate unification, import duty reductions, interest rate reform and price control removal, market imperfections and institutional weaknesses continue to constrain growth rates in exports and investment. To address such constraints, specific policy measures will be identified from among the following broad areas: market distortions within sectors that prevent domestic prices from reflecting true scarcity, fiscal policies that distort resource allocation, nontariff barriers to trade, and state monopolies that introduce inefficiencies in service delivery.

D. Program Description: The program will produce a policy environment conducive to domestic and foreign investment and international trade in general and export promotion in particular. Based on an analysis to be jointly carried out by AID and Guatemalan public and private sector institutions, key policy constraints to trade and investment will be identified. The final policy agenda will consist of specific measures that address the constraints and that have broad political support from both the public and private sectors. Such measures might include the elimination of import restrictions which now

result in exorbitant prices for critical agricultural inputs; reforms that provide incentives for exporters to repatriate foreign exchange earnings; or closer cooperation between the public and private sectors in complying with international phytosanitary and pesticide regulatory requirements. Dollars will be disbursed against policy change targets. The use of such dollar resources will be determined during program development.

Local currency and projectized dollar assistance will be used to assist Guatemalan public and private sector institutions to carry out the reforms and to finance related investments. Given GOG legal constraints the Mission will explore use of a program trust fund to facilitate private sector use of the local currency. Technical assistance will be provided to develop the legislation and regulations required to implement such policy reforms and to strengthen the management capabilities of the public and private sector institutions most concerned with their implementation. Where appropriate, support will be provided for the privatization of state owned enterprises. Funds will also be provided to directly support private sector institutions (both U.S. and Guatemalan) to take maximum advantage of the new policy environment. Success of the program will be measured in terms of investment in nontraditional exports and related activities, and in increased volume and value of exports.

Women will be major beneficiaries of this program, as it promotes further expansion of employment opportunities in nontraditional agricultural production, processing and value-added packaging and in textile and electronic assembly draw-back activities, all heavily biased in favor of employing women.

Financial Plan:

Policy-based disbursements	\$15,000,000
Projectized assistance	<u>\$ 8,000,000</u>
Total	\$23,000,000

E. Planned Implementation Arrangements: An agreement with the Government of Guatemala will be signed for the policy based portion of the program; other relevant Guatemalan and private sector institutions will be signatories, as appropriate. The public and private sector institutions to receive direct project assistance and/or local currency support will be identified during program development. Technical assistance contracts and cooperative agreements with local private sector beneficiaries will be negotiated by the Mission.

F. Sustainability of Proposed Activities: Sustainability of the proposed program activities will be sought by focussing on those policies with the greatest potential for success in promoting longterm growth in trade and investment. Further sustainability will be achieved through activities which strengthen the policymaking and implementation capacity of the public sector as well as the capacity of the private sector to be a full partner in the policy dialogue and take advantage of policy changes. AID assistance will be structured to reduce reliance on AID funds or GOG local currency support to the private sector by the end of the program. Financial plans will be required of participating private sector entities to demonstrate their capability to continue without further A.I.D. support.

G. Mission Management Role: The program will be managed by the Mission's Trade and Investment Office.

H. Potential Issues and/or Innovative Program Approaches: A major issue is the commitment of the new Guatemalan government to the kinds of policy reforms necessary for the ultimate success of this program and the willingness of the private sector to participate actively and positively in the process of implementing them. Also, the program depends on the GOG having in place a sound macroeconomic program, including market determined exchange rates, reduced fiscal deficit, etc.

7549C

NEW PROJECT DESCRIPTION

Lac Bureau Objective : Support the achievement of broadly-based, sustainable economic growth

Sub-Objective : Encourage a vigorous response by the private sector to a favorable policy environment

Program Title : Irrigated Agriculture Support and Development
--NEW

Program Number : 520-0392

DA PL 480 Title III

<u>Program Funding(\$000)</u>	: FY 92: \$1,500	
	FY 93: \$3,500	\$18,000
	LOP: \$6,000	\$18,000

Functional Account: : DA ARDN; PL 480 TITLE III (LC)

A. Consistency of project with mission strategy: The program will provide a rational public sector policy framework to encourage new private sector investment in irrigated agriculture, the necessary condition for expanding non-traditional agriculture exports. It provides a framework in which the beneficiaries of current investment undertake to use, operate, and maintain such systems at their own cost, which will free government resources to expand these opportunities for others.

B. Relationship to AID and other donor activities: This program closely supports the Strategic Objectives of Increased Diversified Production Opportunities for the Disadvantaged, and Increased Trade and Investment. Despite the GOG's prior and successful experience with the development of small irrigation systems in the highlands under the HAD's II project, the absence of broad integrated policy commitment to be included in a National Irrigation Master Plan (NIMP) has seriously constrained the ability to convert larger numbers of small farmers from traditional to more sustainable farming methods. This program intends to take advantage of elements of a proposed IDB program, including \$10.6 million for irrigation, and \$40 million for credit, a substantial portion of which, once integrated into the Master Plan, could be used for medium term credit for private systems.

C. Relationship of project to overall AID policy objectives: This program responds directly to LAC Objective 1: Broad Based and Sustained Economic Growth. It addresses most of the institutional constraints to attaining that goal identified in the CDSS Update, and is consistent with the Mission's agricultural strategy as elaborated in the CDSS Update and successive Action Plans.

D. Project description: The program will address the GOG's inability to define and implement supportive policies, strategies and administrative arrangements promoting irrigated agricultural development through implementation and continuous review of the Master Plan.

The Program will support: (a) the rehabilitation, improvement and privatization of public irrigation systems; (b) redefinition of the GOG's role and strengthening of public institutions to provide consistent support to the development of irrigated agriculture, enhancing private sector participation in this process; (c) the improvement of the quantity and quality of the public and private sector human resource base for the irrigated agriculture sub-sector; (d) the availability of financial resources to farmers involved in the public irrigation systems transfer, for infrastructure (irrigation and marketing), production and marketing; (e) financial resources for the private sector to expand the irrigated area and to improve their processing, marketing and export agricultural products; (f) the promotion, construction and support of new irrigation systems according to the priorities identified by the NIMP.

This combined DA and PL 480 Title III Program will embark on a process which includes review, improvement, and endorsement of the NIMP; negotiation of an agreed level of support against an agreed schedule of expected accomplishments, including physical accomplishments and policy implementation; and an appropriate tranching of funding to support and reward accomplishments, based on joint review of inputs and outputs. DA resources will finance technical assistance to the GOG for completion of the Master Plan. Title III generations will finance actual on-the-ground implementation activities.

E. Planned implementation arrangements: This Project will be implemented by the Ministry of Agriculture, and its Directorates for Irrigation and Drainage (DIRYA) and for Agricultural Services (DIGESA). One major contract with two firms (one local and other one external) will be used to provide technical and administrative assistance to the implementation of this Project. These two firms will form a team that will lead all the policy, administrative and technical arrangements within the MINAG related to the implementation of the Project.

F. Sustainability of proposed activities: An effectively implemented and disciplined Irrigation Master Plan, including the legislation, procedures and philosophy which it describes, is the basis for the sustained development of irrigation within an integrated water resource management program. Commodities produced on irrigated land will tend to be higher value, non-traditional crops which will stimulate entrepreneurial agility and generate additional employment through access to a much larger external marketplace.

G. Mission management role:

The project will be managed by the Rural Development Division of USAID.

H. Potential issues and/or innovative program approaches:

- A. Successful leveraging of IDB resources, supporting the policy commitments required by this program.
- B. Program contemplates use of PL 480 Title III resources directly to leverage policy change and use of generated local currency to implement those changes.

7010C

NEW PROJECT DESCRIPTION

LAC Bureau Objective : Support the Achievement of Broadly-Based, Sustainable Economic Growth

Sub-Objective : Increased Use of Family Planning Methods

Project Title : Population and Family Health Services (New)

Project Number : 520-0357

Project Funding : FY92 \$ 7,000; FY93 \$6,200
(\$000) LOP: \$29,500

Functional Account : DA (CS + POP)

A. Consistency of Project with Mission Strategy: This project directly supports the CDSS goal of promoting the wider sharing of the benefits of growth. The project will address the Mission's strategic objective of Increased Use of Family Planning Methods.

B. Relationship to AID and Other Donor Activities: The project is complementary to the basic education and child survival programs financed by the Mission. The planned activities complement programs funded by the United Nations Fund for Population Activities (UNFPA), the only other donor currently involved in this area.

C. Relationship to Project Overall AID Policy Objectives: This new four year project represents a mid-point in a twenty year AID strategy to introduce and institutionalize family planning services in Guatemala. This project will lay the foundation for policy changes that will be fully implemented during a second phase: increased public sector commitment to develop and finance programs designed to increase access to family planning; a reorientation of the GOG health budget to emphasize preventive and family health services; legislation to allow foreign institutions to buy debt and donate it to local NGOs; legislation permitting the Ministry of Health to charge for services; inclusion of family life curriculum, including information on contraceptive methods, introduced into the Ministry of Education's secondary schools and adult education courses; tertiary level educational institutes providing reproductive risk management and sexually transmitted disease preventive services; removal of restrictions on advertising ethical contraceptive methods by brand. If the Mission's dialogue with the GOG does not result in a significant commitment prior to the implementation start-up of the project, the Mission will review continuation of its assistance in family planning.

D. Project Description: This project is the first phase of a two project program covering the next 10 years. The project goal is to significantly reduce the annual population growth rate. The project purpose is to increase contraceptive prevalence from 23% to 32% nationwide, and from 5% to 10% among

the rural indigenous populations. Clearly the main beneficiaries of this project will be women with a special focus on indigenous women. The project has three components. The Policy Development and analysis component will promote a more favorable policy climate for reducing population growth. This component will consist of: (1) demographic studies of different sectors of the society and dissemination of the results; (2) activities to increase public awareness and concern about the consequences of population growth; and (3) direct policy discussions with high-level Guatemalan officials. Objectives of this component are strengthened GOG and private sector support for family planning, expressed in explicit national goals and in assignment of new resources. Increased activity by other donors will also be promoted. The services expansion component will contribute to a significant increase in contraceptive prevalence rates. Five or more public and private sector organizations will be supported with contraceptives, training, technical assistance, commodities, and operational cost support. The focus will be on meeting effective demand for services, primarily in the urban areas and among the Spanish language groups. Services will also be expanded in rural areas and among the indigenous population where feasible. The operations research component will develop a culturally appropriate strategy for increasing coverage and demand among the indigenous populations in the highlands. Elements of the strategy will be phased in as they are developed and tested; large scale implementation will be financed under the follow-on project planned for 1995.

Financial Plan:

	<u>Life of Project</u> (\$000'0s)
Technical Assistance	1,500
Training	800
Commodities	11,000
Other (studies, operational costs, etc.)	<u>16,200</u>
	29,500

E. Planned Implementation Arrangements: The new project will be implemented through Handbook 13 agreements with the following private institutions: Asociación Pro Bienestar de la Familia (APROFAM), Instituto Guatemalteco de Seguridad Social (IGSS), Asociación Guatemalteca de Educación Sexual (AGES), Importadores de Productos Farmacéuticos S.A. (IPROFASA) and a bilateral agreement executed with the GOG's Ministry of Finance and Ministry of Health. Technical assistance and contraceptives will be procured through AID contracts.

F. Sustainability of Proposed Activities: The Project will strengthen existing Guatemalan family planning and health service providers with the objective of helping them to become selfsupporting. This project will build demand and expand the sales and promotional capacity of the participating organizations. Policy dialogue will bring the GOG into active educational and social marketing activities as well as sale and distribution of services requiring mobilization of new GOG funding for family planning. The long-term objective of the

Mission population strategy is to achieve sustainability through sale of services and products to users. However, this objective requires that family planning become fully established in the minds of Guatemalans as an everyday necessity, a condition which will not be achieved quickly. Significant resources from other donors will be leveraged as a result of the project's policy dialogue component.

G. Mission Management Role: The USAID/Guatemala USDH Health and Population Officer will have overall responsibility for project implementation. The project officer will be assisted by an in-house team of experienced project support officers, a USPSC reproductive health specialist and a Guatemalan PSC reproductive health specialist.

H. Potential Issues and/or Innovative Program Approaches: The project will introduce a significant policy dialogue element to attempt to overcome the heavy dependence on AID financing. In addition to policy, the challenge will be the development of effective means of increasing demand for family planning among the rural indigenous population. A critical design issue will be establishing a linkage between the level of GOG commitment to family planning and the level of AID resources that will be made available.

NEW PROJECT DESCRIPTION

LAC Bureau Objective : Support the evolution of stable, democratic societies

Sub-Objective : Improved effectiveness of key democratic institutions

Project Title : Judicial Sector Human Resource Development (New)

Project Number : 520-0407

Project Funding (\$000) : FY92: \$4,500
LOP: \$4,500

Type of Funding : ESF

A. Consistency of project with mission strategy: The project will directly support the mission strategic objective to strengthen institutions key to the continued development of a democratic society in Guatemala.

B. Relationship to AID and other donor activities: The U.S. Government is the primary donor involved with strengthening the judicial sector. This project will further address the human resource constraints that were first identified through the the Administration of Justice Project (520-0369) which will terminate in September, 1991; and will build on the information systems developed under that project and the United Nations Latin American Institute for the Prevention of Crime and Treatment of the Offender (ILANUD), which received financial support from the U.S., Spain, and Japan. However, this project will more narrowly focus on human resource development while simultaneously expanding to include the Public Ministry, the GOG equivalent of the Attorney General's Office. Also, this project will be complementary to the law enforcement and police training provided by Germany, Spain, Venezuela, Mexico, and ICITAP. Moreover, this project will complement mission efforts to strengthen the Congress, the Human Rights Ombudsman, and development of democratic values that will be undertaken in the Democratic Institutions Project (520-0398).

C. Relationship of project to overall AID policy objectives: The project is central to a strategy that focuses on improving those national institutions that are essential to a well run and responsive democratic government. Specifically, the mission sees judicial development as key to the development of democratic values based on the rule of law. The specific strategy calls for an independent, professional, and effective judicial system; the focus on criminal justice is critical to a reduction in human rights violations. This project should be seen as one component in a broader strategy requiring collaboration with other U.S. government agencies, multilateral development institutions and other bilateral donors in support of the democratic development of Guatemala.

D. Project Description: The purpose of the project is to assist the Government of Guatemala to improve its judicial sector human resource development capability. The project will build on initiatives by the judiciary and the Public Ministry (equivalent to U.S. Attorney General's Office) to focus attention on human resource development. Components of the project will include: training in prosecution and judicial defense; technical assistance in judicial career development, and other policy or organizational areas that may arise from recently approved or expected legislative changes; limited technical assistance to support improvements in court administrative and managerial capabilities, and in information management developed initially under the Administration of Justice Project (520-0369) and which bear directly on the long-term effectiveness of training provided under this new project. The target group includes judges, prosecutors, and support and technical staff in the judicial branch, the Attorney General's Office and to a lesser extent the law faculties and the Guatemalan Bar Association. To the extent possible women will be included as recipients of training and other benefits of the project.

Financial Plan:

Technical Assistance	\$2,300,000
Training	800,000
Commodities	300,000
Project Management	700,000
Evaluations/Audits/Spc. Studies	<u>400,000</u>
Total	\$4,500,000

E. Planned implementation arrangements: The project will be implemented by the Judicial Branch and the Public Ministry. Attempts will be made to engage the law faculties of the universities and the Guatemalan Bar Association in developing and implementing the training programs, and in activities that will help assess and implement sector reforms that may be identified from new laws and/or policy directions emanating from a new president (April 1992) of the Judicial Branch.

F. Sustainability of proposed activities: The probability of sustainability is increased by a design which builds on past training efforts under previous USG financed programs. More significantly, the project reflects initiatives of the Guatemalan institutions: the Judicial Branch's proposal for a training center and the incipient training unit established in the Public Ministry, which has been supported under the Improved Administration of Justice Project. Furthermore, the project will finance only technical assistance, training resources, and limited commodities required to initiate activities; all local recurrent and investment costs will be borne by the implementing agencies.

G. Mission management role: A PSC project officer in the Mission's Office of Democratic Development and Training will be responsible for project implementation monitoring and coordination with other relevant regional and bilateral programs.

H. Potential issues and/or innovative program approaches: Overcoming the human resource constraint to judicial development is not only a matter of external assistance, but more importantly of the political will and resource commitment of Guatemala to improving the investigative and prosecutorial functions of its institutions. Training not only improves technical capabilities but also exposes the trainees and their institutions to new and innovative ways of improving the effectiveness of their systems, which in turn may bring pressure for further improvements in coordination, and administrative and managerial systems.

7405C

NEW PROJECT DESCRIPTION

LAC bureau Objectives : Support the achievement of broadly-based, sustainable economic growth

Sub-Objective : Encourage adoption of, and continued adherence to economic policies that promote investments, productive employment and export-led economic diversification

Project Title : Fiscal Administration (Amendment)

Project Number : 520-0371

		<u>Original</u>	<u>Amendment</u>	<u>New Total</u>
<u>Funding (\$000)</u>	: FY92:	\$ 800	\$3,000	\$3,800
	LOP:	\$9,000	\$3,000	\$12,000

Type of Funding: : ESF

A. Consistency with Mission Strategy: The extended project is consistent with the Mission's objective to improve Guatemala's performance in taxes and expenditure control. The project is fundamental to the Mission's continuing policy dialogue aimed at achieving sustainable and broad-based economic growth and encouraging exports and investment.

B. Relationship to A.I.D. and Other Donors: This project reinforces the Mission's ongoing project in fiscal administration and proposes to implement the new GOG's fiscal reform plan. The project will directly support the efforts of multilateral donors such as the IMF, IBRD and the IDB in fiscal, monetary, and structural reform, and the proposed Trade and Investment Program. The project is also critical to improving the level of public sector investment in the social sectors, such as education, health and infrastructure.

C. Relationship of project to overall A.I.D. policy objectives: The project supports the LAC goal of building a foundation for long term growth and of the Agency initiative in Business and Development Partnership.

D. Project Description: The proposed 18-month project extension will assist the Ministry of Finance to implement the policy and administrative reforms identified and analyzed in the first phase of the FAP. Project activities will build on the successes of the current technical assistance program, which have included the development of policy options for the economy, tax revenues and budgetary expenditures. Analytical and evaluative mechanisms already developed under the project will be incorporated into the proposed Fiscal Analysis Institute and used to support the current active policy dialogue on fiscal reform measures within the new GOG and in its discussions with the IMF and other donors. Once this major fiscal reform package is agreed upon, the FAP project extension will ensure the implementation and execution of its activities. The results with this extension will be (1) increased fairness in tax

burden distribution through better administration of taxes and (2) increased efficiency of public sector activities through improved budgetary processes.

Major project components of the extended project are as follows:

1. Policy Implementation Component: The extension of the original FAP will focus on implementation of the reform policies identified during the initial phase. The models that were developed to analyze fiscal policies will be institutionalized and continue to be utilized in the ongoing policy reform process. Specifically, these measures will include operationalizing the new revenue and expenditure systems decided upon by the GOG. On the revenue side this is expected to cover direct taxes (income, trade and property), indirect taxes, (value added, stamp and excise), and other sources of government revenue. With regards to budgeting and expenditure management, particular emphasis will be given to development of a new budgetary structure and tracking system and its initial implementation. Fiscal policy with the new GOG will continue to generate topics of analysis, debate and discussion of critical interest to USAID's programs. For this reason, some additional policy analysis may become required as the policy reform packages are implemented.

2. Administrative Reform Component: The extended project will assist the Ministry of Finance to implement additional administrative reforms identified under the first phase of FAP. Principal areas of focus may include implementation of reforms in budget structure and budget process, customs operation and tax collection. In order to effectively operationalize the above administrative reforms and improve the capacity to analyze fiscal policies, it is envisioned that new automation will be necessary. The project extension will design a new system for computerization for the Ministry of Finance's departments related to fiscal policies and its tax and budget administration.

3. Training Component: The revised project will carry out a human resource development program. A broad training workplan--which includes on job training, workshops and seminars--has been designed for the personnel of the Ministry of Finance. It will cover the needs and requirements of training of the main offices of the Ministry and complete the training of policy analysts who will direct the Fiscal Analysis Institute.

4. Financial Plan:

Technical Assistance	\$ 2,400,000
Commodities	500,000
<u>Audits/Evaluations</u>	<u>100,000</u>
TOTAL	\$ 3,000,000

E. Planned Implementation Arrangements: The Ministry of Finance will implement the project, with technical assistance provided by the currently contracted Peat Marwick-Georgia State University team and other technical assistance, as determined to be necessary.

F. Sustainability of Proposed Activities: This extension continues the original concern and commitment to development of sustainable real growth and sound sustainable institutional policy base. The strong support of the Ministry of Finance, in spite of numerous changes in ministers, augurs favorably for long-term institutionalization of a policy analysis and implementation capability within the Ministry of Finance.

G. Mission Management Role: Given the sensitive nature of the project's focus, it is essential that technical team establish confidential, direct policy dialogue and participation with the Minister of Finance and her staff. As a result, the unique management role for the extension of the project will be that which was established for the original FAP.

H. Potential Issues and/or Innovative Program Approaches: Like the original project, the amendment will build on the initiatives of the Ministry of Finance to reform its fiscal policies. A key assumption is that the new GOG will in fact propose and successfully negotiate a fiscal reform package, which would then be implemented under this project extension; without this, the project will end at its current PACD. Given the strong support of the previous and the new GOG administrations, no issues would then be expected that would impede implementation of the amendment.

7535C

NEW PROJECT DESCRIPTION

LAC Bureau Objective : Support the achievement of broadly-based, sustainable economic growth.

Sub-Objective : Encourage the adoption and adherence to economic policies promoting investments, productive employment and export diversification.

Program Title: : Financial Markets Development (New)

Program Number: : 520-0402

Project Funding (\$000) : FY93: \$15,000
LOP: \$15,000

Type of Funding: : ESF

A. Consistency with Mission Strategy: The program addresses policy constraints to savings that limit sustainability of economic growth.

B. Relationship to host government and other donor activities: GOG policy and donor activities are aimed at reducing dependence on foreign resources. This cannot be achieved without a sharp increase in domestic savings. The program has been developed to ensure that activities complement programs of other donors.

C. Relationship to overall AID policy objectives: The program is consistent with AID's concern for developing policies and institutional mechanisms to mobilize domestic resources within a competitive market framework.

D. Program description: One of the strongest constraints to private sector development is the lack of domestic savings. In part reflecting this constraint, investment has fallen by from 20 percent of GDP in the mid-1970s to about 10 percent in the last-1980s. This project will redress policy and institutional distortions that result in a non-competitive financial system, impede savings growth and limit provision of needed credit for sustained economic growth. As a consequence, domestic savings is expected to more than double over a short period and then grow at a rate consistent with rapid economic growth.

The program will support reforms (1) that provide a policy environment consistent with increased private sector confidence in the financial system, (2) that promotes the creation of a wide range of financial instruments and, therefore, (3) that result in increased credit with longer maturities available to the private sector. The program will provide analysis and technical assistance to the Bank of Guatemala (BOG) and the Superintendency of Banks (SB). Among possible activities are elimination of regulations restricting the types of savings instruments, strengthening the SB so that rules governing

commercial bank activities are transparent and enforceable and improving procedures for interventions in insolvent banks.

An intensive analytical phase will be conducted to identify both constraints facing the financial system and areas where improvements are feasible. Once completed, two disbursement modes are envisioned: (1) cash transfer as policy reforms are adopted with associated local currency supporting related institutional reform and (2) projectized technical assistance to both the BOG and the SB.

The increase in credit availability will ease constraints on small-scale enterprises, including those owned and run by women and minority groups, as well as provide incentives for provision of long-term financing for activities such as housing and land purchases.

7533C

NEW PROJECT DESCRIPTION

LAC Bureau Objective : Support the achievement of broadly-based, sustainable economic growth

Sub-Objective : Encourage preservation and sustainable use of the natural resource base

Program Title : Improved Environmental and Natural Resources Management
--NEW

Program Number : 520-0404

	DA	PL 480 Title III
<u>Program Funding</u> (\$000)		
	FY'93: \$3,000	\$18,000
	LOP \$6,000	\$18,000

Functional Accounts: : DA: ARDN, PSEE; PL 480 Title III (LC)

A. Consistency of Project with Mission Strategy: This directly supports the areas prioritized in the new Mission Environment and Natural Resources (ENR) Strategy, this Action Plan and CDSS.

B. Relationship to A.I.D. and Other Donor Activities: The Project supports the AID Latin American ENR Strategy and the Regional Central American ENR Strategy. It complements AID ENR efforts, as well as those of other donors (e.g., Germans) in Guatemala, both in terms of scope and implementation mechanisms.

C. Relationship of Project to Overall A.I.D. Policy Objectives: This Project fully supports Amendments 118 and 119 of the Foreign Assistance Act and will carry out activities identified in the A.I.D. Policy Paper on Natural Resources and the Environment.

D. Project Description: This six year program, which will be funded in the first three years, will promote improved management of natural resources under three principal components:

a) Sustainable agriculture. AID support will leverage and complement the resources of NGOs and producer/exporter organizations to establish private sector, on-farm research programs, more effective extension mechanisms using community-based organizations and exporter-producer channels, and an improved policy setting. Project resources (DA and monetized LC) will fund technical assistance, training and institutional strengthening for the NGOs and private sector participants. Local currency will also be

used to support policy accomplishments such as: rationalization of subsidies and tariffs for agricultural inputs and outputs; improved land titling and financing; and increased authority at decentralized levels for ENR management activities. The component will leave a network of on-farm research and private extension systems which will enable sustainable agricultural practices to continue to evolve and expand. This component will be the major focus of the project and directly complements Mission trade and investment initiatives by improving the persistence of the resource base which makes these activities possible.

b) Watershed Management (WSM). This component will provide technical assistance and material support (DA and Title III counterpart) to municipalities based upon their demonstrated willingness to allocate resources for concrete WSM interventions.

c. Protected Areas. This component will focus on policy actions which will help consolidate Guatemala's new system of protected areas: establishment of private management arrangements; sustainable funding mechanisms (decentralized income generation and endowments) for protected area management units; clarified roles of different public sector ministries with respect to protected areas, and between the public and private sector.

NEW PROJECT DESCRIPTION

LAC Bureau Objective : Support the Achievement of Broadly-Based, Sustainable Economic Growth

Sub-Objective : Encourage Accelerated Opportunities for Increased Participation in the Economy by the Historically Disadvantaged

Project Title : Immunization and Oral Rehydration Therapy Services for Child Survival Project (Amendment)

Project Number : 520-0339

		<u>Original</u>	<u>Amendment</u>	<u>New Total</u>
<u>Project Funding</u> (\$000)	FY93:	-	\$3,000	\$3,000
	LOP:	\$16,418	\$6,000	\$22,418

Type of Funding : CS

A. Consistency of project with mission strategy: This project is consistent with the Mission's overall CDSS goal of spreading the benefits of economic growth. This amendment will result in the GOG being able to finance services without future AID support.

B. Relationship to AID and other donor activities: This project is directly related to host country and other donor projects providing child survival services.

C. Relationship of project to overall AID policy objectives: Guatemala is a designated child survival emphasis country. Immunization and ORT services are closely coordinated with Rotery International, PAHO, and UNICEF.

D. Project Description: Child survival activities will be continued for two additional years under this amendment, until August 1995. Key project components include: administrative, financial and management system strengthening at the central and local levels, continuation of the establishment of a national Health Management Information System, and support to the MOH's immunization and oral rehydration therapy programs. Emphasis will shift away from supporting the actual delivery of child survival services and toward policy and institutional changes that will enable the Government of Guatemala to sustain and expand public health services with its own resources. Because the project includes specific maternal-child health interventions, women will be among the primary beneficiaries of this project.

The ongoing Child Survival Project was suspended in March, 1990, as a result of serious MOH administrative deficiencies. The MOH and AID hope to resolve the problems and re-start the program during 1991. New administrative mechanisms will be developed so that additional funding will be competently managed. Currently-available funding will support activities through 1992. This amendment provides resources to continue Child Survival activities through 1995.

TABLE I

MISSION WORK PLAN FOR CY 1991Introductory Comments:

USAID/Guatemala's understanding of the Action Plan guidance was that the Work Plan should contain the most important actions -- and particularly policy actions -- necessary to achieve LAC Bureau and Mission objectives during calendar year 1991. Responsibility for results is shared with a number of parties (host country, U.S. Embassy, other donors).

<u>LAC Objectives/ Sub-Objectives</u>	<u>Mission Actions</u>
<u>Objective I:</u> Support the achievement of broad-based and sustainable economic growth.	
A.1 <u>Mission Objective:</u> Structural Reform for Sustainable Growth	<ul style="list-style-type: none"> - Approval of a tax reform package by GOG and submission of plan to Congress (April) - Approval of new GOG economic stabilization program supported by IMF (June) - Implementation of administrative improvements in tax collection system by the Ministry of Finance (June) - Approval by IBRD of Structural Adjustment Loan (SAL) with GOG (August) - Elimination of GOG arrears to IBRD and IDB (August)

<u>LAC Objectives/ Sub-Objectives</u>	<u>Mission Actions</u>
<u>Objective I:</u>	
A.1 <u>Mission Objective:</u> (Continue)	- Complete in-depth analysis of financial system in preparation of financial reform package to be negotiated with GOG (Nov.)
B. Encourage a vigorous response by the private sector to a favorable policy environment	
B.1 <u>Mission Objective:</u> Increased Trade and Investment	- Complete GOG and private sector negotiations with US Gov't on a Bilateral Framework Agreement for trade cooperation (Sept.) - Complete joint assessment with GOG/private sector of policy/institutional constraints to increased trade and investment (Oct.) - Transfer operation of GOG owned Free Trade Zone (ZOLIC) to a private sector concessionaire (October) - Begin development of the proposed new trade and investment expansion program (November)
C. Encourage preservation and sustainable use of the natural resource base	
C.1 <u>Mission Objective:</u> Improved Natural Resources Management	- Reach agreement on Guatemala National Forest law enforcement at second National Forestry Congress (May) - Maya Biosphere Reserve Master Plan approved (September)

<u>LAC Objectives/ Sub-Objectives</u>	<u>Mission Actions</u>
<u>Objective I:</u>	
C.1 <u>Mission Objective:</u> (Continue)	<ul style="list-style-type: none">- CONAP approval of protected areas studies in Lake Izabal area (December)- GOG and NGO programs in place to protect plant and animal biodiversity in the Peten (December)
D. Encourage accelerated opportunities for increased participation in the economy by the historically disadvantaged	
D.1 <u>Mission Objective:</u> Increased Diversified Production Opportunities for the Disadvantaged	<ul style="list-style-type: none">- Guatemala private banking system providing credit to the small coffee farmers (April)- Reach agreement on financial criteria for community selection and cost recovery policy under the Rural Electrification III Project (May)- Private sector extension services in place to increase non-traditional agricultural production (May)- Interest rate ceilings on all BANDESA credit lines removed (July)- Completion of restructuring of INDECA by GOG (August)- Reach agreement on plan to improve INDE's financial position and increase private sector role in electrical energy generation/marketing (August)

<u>LAC Objectives/ Sub-Objectives</u>	<u>Mission Actions</u>
<u>Objective I:</u>	
D.1 <u>Mission Objective:</u> (Continue)	<ul style="list-style-type: none">- Establish GOG capacity for pesticide monitoring and control (September)- Reach agreement on phase over plan to GOG for rural road infrastructure implementation (Sept.)
D.2 <u>Mission Objective:</u> Improved Basic Education	<ul style="list-style-type: none">- Begin needs assessment for a national MIS to improve education administration (January)- Initiate applied educational research studies in a private university to support educational policy reform (March)- Commence broadcast of radio mathematics education program to improve academic achievement in primary schools (April)- Begin production and distribution of basic school materials through private sector to improve efficiency of primary education at first grade level (May)- Begin social marketing campaign to increase primary school enrollment and promotion rates, especially among girls (May)- Start self-study program for teachers to improve quality of instructional services (September)

<u>LAC Objectives/ Sub-Objectives</u>	<u>Mission Actions</u>
<u>Objective I:</u> (Continue)	
D.3 <u>Mission Objective:</u> Increased Use of Family Planning Methods	<ul style="list-style-type: none">- Begin expansion of experimental IPROFASA micropharmacy program to increase contraceptive sales through private sector (June)- Initiate APROPAM pilot decentralization effort to increase access to family planning methods (September)- Hold population awareness seminar for Guatemalan public/private sectors and other donors to strengthen GOG population policy and private sector/other donor involvement (November)- Commence reproductive health services in National Social Security Institute (November)- Begin expanded reproductive health services in four public hospitals (November)
D.4 <u>Mission Objective:</u> Reduced Child and Maternal Mortality	<ul style="list-style-type: none">- Restart child survival project to increase immunization coverage (June)- Complete comprehensive ORT demand and distribution study (August)- Initiate non-formal health education program in communities that are installing water and sanitation services (December)

LAC Objectives/
Sub-Objectives

Mission Actions

Objective II: Support the Evolution of Stable Democratic societies

Sub-Objective: Encourage the strengthening of competent civilian government institutions that will merit the confidence of political and military leaders, citizens and investors.

Mission Objective: Improved effectiveness of key democratic institutions and strengthened democratic values

- Provide critically needed equipment and training to SET to carry out national election run-off (January)
- Implement MIS and procedures manual for Guatemalan Congress (March)
- Initiate U.S. based training of 120 sectoral leaders under GPS program (May)
- Initiate Financial Management and Anticorruption training activities with the GOG's Controller General Office (June)
- Provide increased support for Centro ESTNA for its efforts in improving dialogue between civilian and military authorities (July)
- Implement MIS and communications systems for the Judicial Branch and train staff in their adequate use (August)

LAC Objectives/
Sub-Objectives

Mission Actions

Objective II: Support the
Evolution of Stable Democratic
societies (Continue)

- Commence design of non-formal civic education activities with local PVOs for out-of-school children and adults (October)
- Initiate training for institutional strengthening of the Office of Human Rights Ombudsman (OHRO) in the use of MIS and financial management (October)
- Reach agreement with leadership of new Guatemalan Congress on areas in need of institutional strengthening and initiate focused needs assessment (November)
- Design violent crime tracking system with OHRO and pilot test it (November)
- Develop plan for a pilot testing of nationwide distribution of human rights materials for 400 primary schools (December)
- Establish radio production unit for OHRO to disseminate human rights education materials in four Mayan languages (December)

LAC Objectives/
Sub-Objectives

Mission Actions

Objective III: Respond to needs for international cooperation in addressing specific challenges to the attainment of broadly-based sustainable economic growth and the evolution of democratic societies.

Sub-Objective:

A. Contribute to the formulation and implementation of USG strategies for dealing with issues of particular concern, such as drugs, terrorism and environmental degradation.

Mission Objective: None

B. Support USG foreign policy initiatives that can benefit from AID resources and expertise, such as disasters, epidemics and resettlement of displaced persons.

Mission Objective: None

- Work with US Embassy/ECON to facilitate GOG participation in regional PDD meeting (April)
- Complete phase II of Drug Abuse Awareness activities (July)
- Provide support to a planned World Bank Consultative Meeting for Guatemala in fall (September)

ANNEX C (TABLE II)

COUNTRY PERFORMANCE

Based on factors discussed below, the Mission believes that a country performance score some 10 points higher than the LAC score for Guatemala is justified and that Guatemala should be classified as an intermediate performer.

USAID/Guatemala supports the linkage of budgetary decisions with country development performance as a useful concept. However, we have commented in previous occasions on significant methodological and statistical difficulties we see with the present performance-based indicator system. Briefly, such concerns include the following: (1) the static nature of the indicators, especially during periods of government transition -- thus preventing identification of changes in social, economic or democratic conditions; (2) the comparison of past data for countries without an IMF program with projections for countries with such a program; (3) the misspecified nature of some of the indicators; the use of inconsistent sources; and (4) the use of subjective definitions of the indicators. While some progress has been made in clarifying these issues, the Mission continues to believe that considerable room for improvement exists. Unless the current system is modified accordingly, scores are not objectively justifiable for allocation of funds above Minimal Carrying Cost (MCC) level.

SPECIFIC COMMENTS ON PERFORMANCE INDICATORS

-- Macroeconomic Reform Program

The present scoring of the indicators for Guatemala needs to be adjusted. Guatemala received 3 of 10 points in macroeconomic reform, suggesting that no effort was made at macroeconomic reform. However, neither economic performance nor policy performance merits such a low score. Instead the Mission believes that Guatemala deserves a score of 5. Economic performance in 1990 was mixed. Average inflation reached 41 percent and the Bank of Guatemala lost a significant amount of international reserves. However, real economic growth was a respectable 3.5 percent, almost 50 percent faster than the regional average. In addition, as described below, Guatemala's total export performance and nontraditional export performance was better than all other Central American countries and better than most Latin American countries. Such conditions would not exist in a poor performer.

Economic policy making in Guatemala does not support the low policy reform score either. While the GOG's stabilization program was not fully implemented, largely because of difficulties reducing the public sector deficit, the Bank of Guatemala implemented policy measures to limit the impact of such deterioration. Open market operations were used actively, the causes of quasi-fiscal expenditures--principally exchange rate guarantees and petroleum subsidies--were eliminated, the few prices still under control were increased at a faster pace than inflation and tariff levels were sharply reduced. This performance does not reflect the lack of a macroeconomic reform program and Guatemala deserves a substantially higher score.

-- Exchange Rate

Guatemala received 7 out of 10 points for the exchange rate measure. This score is inappropriate for two reasons. First, the average nominal exchange rate was depreciated by 61 percent in 1990, the same pace as inflation. Second, the relatively low score on the exchange rate was based exclusively on the number of times the system was modified during the year. Admittedly, such instability is not beneficial. However, total Guatemalan exports to the U.S. increased by 32.9 percent in 1990 (LAC/DP data), the fastest rate in Central America and the second fastest (after Bolivia) of all Latin America. In addition, nontraditional exports to the U.S. from Guatemala increased by 25.5 percent, again the fastest rate in Central America and the third fastest--after Bolivia and Dominica--in all of Latin America. Based on these considerations, the Mission believes Guatemala deserves a score of 9 points.

-- Business Regulatory Environment

Responses provided by the Mission to the LAC/W questionnaire (see State 18212), which is being provided under separate cover, indicate that current Guatemalan policies, programs and institutions support a very favorable business environment for increased trade and investment. Based on this, Guatemala should receive 3.8 points, compared with the 2 out of 5 points awarded by the Bureau.

-- Trade Regime

Guatemala received 8 of 10 points in trade regime. Notwithstanding the recent tariff reduction, AID/W states that "nearly 80 items, covering 6 percent of domestic production, are subject to import prohibitions". The Mission cannot identify these products; clarification of this point is requested.

-- Environment Management

Based on Guatemala's progress in this area, the Mission has calculated that Guatemala should have 9 points out of 10, compared with the 6 points awarded by the Bureau. During the last three years, Guatemala has exercised substantial leadership in the management of its natural resource base. Examples of this are the enactment of well-conceived critical laws and accompanying regulations and related congressional resolutions resulting in the official protection of 16% of Guatemala's land surface; the establishment and budgetary support of new regulatory and related agencies to implement the legislation; and close coordination with a number of PVOs also implementing the program. We believe that few other countries in Latin America and the Caribbean have demonstrated such results. The country clearly deserves special recognition. The current LAC performance rating falls considerably short of this.

To provide further justification for a higher performance rating, the Mission is providing its responses to LAC/W's requested questionnaire (see State 18212) under separate cover.

In addition to the above considerations, the GOG has supported new USG initiatives in Central America, i.e., its leadership in the movement for freer intra-regional trade and its facilitating expansion of an export-oriented private sector. It also has been in the forefront of regional political cooperation (e.g., Esquipulas II) and environmental protection efforts. The GOG also has cooperated in efforts to stem the production of illegal narcotics and slow their flow to the U.S. Finally, it recently held one of the cleanest, most transparent national elections in Latin American history.

Based on the aforementioned comments on LAC methodology and its application to the performance based budgeting concept as it may affect DA levels, the U.S. Mission strongly believes that Guatemala should be classified as an intermediate performer. Furthermore, if human rights performance improves and an agreement is reached with the IMF on an adjustment program, Guatemala is a prime candidate for a higher classification. The Mission has recalculated country performance scores and has arrived at the following new total:

	<u>Mission Score</u>	<u>LAC Score</u>
I. <u>Macroeconomic Policies</u>		
A. Macroeconomic Reform Program (50%)	7.5	4.5
B. Domestic Financing of Deficit	6.7	6.7
C. Exchange Rate	9.0	7.0
D. Business Regulatory Environment	3.8	2.0
E. Trade Regime	4.0	4.0
F. Market Pricing	<u>4.5</u>	<u>4.5</u>
Sub-Total	35.5	28.7
 II. <u>Access to Social Services</u>		
Gross Elementary School Enrollment	--	--
Infant Vaccination Rate	11.7	11.7
Contraceptive Prevalence	<u>--</u>	<u>--</u>
Sub-Total	11.7	11.7

	<u>Mission Score</u>	<u>LAC Score</u>
III. Sound Environmental Management	9.0	6.0
IV. Democracy/Human Rights Commitment	<u>12.5</u>	<u>12.5</u>
Total	69.1	58.9

6602r

TABLE III

USAID/GUATEMALA STRATEGIC OBJECTIVE/PROGRAM PERFORMANCE FRAMEWORK
 FY 1992 - FY 1993 ACTION PLAN

LAC Bureau Objectives/ Sub Objectives	Mission Strategic Objectives/ Performance Indicators	Fiscal Year							
		1986	1987	1988	1989	1990	1991	1992	1993
OBJECTIVE I: Support the achievement of broad based and sustainable economic growth.									
Sub Objectives:									
A. Encourage adoption of, and continued adherence to economic policies that promote investments, productive employment and export-led economic diversification	A.1 Objectively: Structural Reform for Sustainable Growth Indicators: 1/								
	1. Inflation (% change)	37.0	12.3	10.8	11.4	41.0	35.0	15.0	15.0
	2. Change in Net International Reserves (\$ mil.)	- 11.4	- 54.0	-103.5	-109.6	-127.5	15.0	20.0	20.0
	3. Private Sector Savings (% GDP)	9.4	5.7	7.0	9.2	10.8	11.0	11.4	12.0
	4. Public Sector Savings (%GDP)	0	-0.3	-0.3	-1.2	-1.0	0	0	0
B. Encourage a vigorous response by the private sector to a favorable policy environment	B.1 Objectively: Increased Trade and Investment Indicators: 2/								
	1. Gross Value of Exports (\$ mil.)								
	a. Agriculture								
	(1) Traditional	702.4	608.3	663.2	657.6	635.7	657.3	679.7	702.8
	(1) Non Traditional	34.7	54.7	60.9	72.4	78.7	86.0	95.0	105.0
	b. Manufacturing (Free Zone and Drawback)	19.5	39.6	77.4	128.3	187.0	260.0	330.0	410.0

Mission Strategic Objectives/ Performance Indicators	Fiscal Year						
	1986	1987	1988	1989	1990	1991	1992

LAC Bureau Objectives/
Sub-Objectives

B. Encourage a vigorous response by the private sector to a favorable policy environment (Cont.)

	1986	1987	1988	1989	1990	1991	1992	1993
2. Gross Value of Production (\$ mil.)	1049	918	984	980	1110	1144	1185	1231
(a) Agriculture								
(b) Manufacturing, Tourism and Service Sectors	654.0	666.9	683.9	700.8	--	738.2	760.4	785.5
3. Private Investment (% of GDP)	5.1	8.7	9.5	9.6	9.5	10.5	12.0	15.0

C. Encourage Preservation and Sustainable use of the natural resource base

C.1 Objective: Improved Natural Resources Management

Indicators: 3/

1. Land managed for sustainable agriculture yield (000 ha)	3.3	8.5	14.8	24.1	33.4	43.2	53.2	63.4
2. Land under watershed management (000 ha)	.1	.1	1.6	4.1	5.7	6.5	7.3	8.1
3. Land under protected areas management (000 ha)	--	--	--	30.0	60.0	380.0	670.0	960.0

D. Encourage accelerated opportunities for increased participation in the economy by the historically advantaged

D.1 Objective: Increased Diversified Production Opportunities

Indicators: 4/

1. Creation of upgraded/new jobs in free zone and drawback industries(000s)	--	--	--	--	9.1	15.0	20.0	25.0
---	----	----	----	----	-----	------	------	------

LAC Bureau Objectives/ Sub Objectives	Fiscal Year					
	1986	1987	1988	1989	1990	Projected 1991 1992 1993

Mission Strategic Objectives/
Performance Indicators

D. Encourage accelerated opportunities for increased participation in the economy by the historically advantaged (Cont.)

- 2. Creation of upgraded/new jobs in agricultural production, processing and related areas
- 3. Average value generated by one hectare of land on diversifying farms per year

D.2 Objective: Improved Basic Education

Indicators: 5/

1. Average promotion rate in primary school (Grades 1-6) (% of class)	60.9	58.3	59.6	61.0	62.4	64.0	65.6	67.0
2. Indigenous Children (7-14 years old) enrolled in primary school (% of total primary enrollment)	28	28	30	30	31	31	32	33
3. Increase in average academic achievement scores (%)	--	--	--	--	--	--	--	5

D.3 Objective: Increased Use of Family Planning Methods

Indicators: 6/

1. Contraceptive Prevalence (%)	--	23	--	--	--	27.5	28.7	29.5
2. Couple-years of protection (000s)	206	221	190	240	294	350	407	433

LAC Bureau Objectives/ Sub Objectives	Mission Strategic Objectives/ Performance Indicators					
	Fiscal Year					
	1986	1987	1988	1989	1990	Projected 1991 1992 1993

D. Encourage accelerated opportunities for increased participation in the economy by the historically advantaged (Cont.)

D.4 Objective: Reduced Child and Maternal Mortality

Indicators:

1. Infant Mortality Rate (deaths per 1000 live births)	--	73.4	--	71.8	N.A.	71.0	70.0	69.4
2. Children under 5 years of age who received complete series of immunizations (% of total children under 5 years of age)	37.5	50.0	58.2	60.0	34.7	38.0	45.0	55.0
3. Children under 5 years of age treated with ORT (% of total children under 5 years of age)	3.5	16.7	22.8	27.8	24.6	35.0	40.0	45.0
4. Pregnant women having received professional prenatal care (% of all pregnant women) ^{1/}	--	13.7	--	--	--	15	16	17

LAC Bureau Objectives/ Sub-Objectives	Fiscal Year					
	1986	1987	1988	1989	1990	Projected 1991 1992 1993

Mission Strategic Objectives/
Performance Indicators

OBJECTIVE II: Support the Evolution of
Stable Democratic Societies

Sub Objective:

Encourage the strengthening of competent
civilian government institutions that will
merit the confidence of political and
military leaders, citizens and investors

Objective: Improved effectiveness of key
democratic institutions and strengthened
democratic values

Indicators: 8/

1. Known cases of violent crimes, including human rights violations, currently under prosecution (N)	--	--	--	--	--	+3	+3
2. Regular and open elections held in 1993 and 1995	--	--	--	--	--	--	--
3. Increase in the number of bills reported out of congressional committees (%)	--	--	--	--	--	+5	+5
4. Voter absenteeism in local and national elections (%)	--	--	57	--	45/55	--	45
5. Increased participation in local development councils and committees (%)	--	--	--	--	--	+5	+5

FOOTNOTES:

- 1/ "Inflation" refers to average annual percent change in price index; "Public Savings" is current revenue minus current expenditures -- SEFIQ savings implies that any financing of the overall deficit is used for investment. SOMFCG: Economic Studies Department, Bank of Guatemala
- 2/ Indicator No. 1(a): Projections are based on a 3.4% annual growth for traditional agricultural exports (including fresh meat) and 10% for non-traditional agricultural export products (fruit, vegetables, flowers and ornamental plants, and sesame seed); SOURCE is Guild of Non-Traditional Exporters. Indicator No. 1(b): SOURCE is Drawback Commission, Guild of Non-Traditional Exporters, Indicator No. 2(a): Includes Traditional (Basic Grains) and Non-Traditional Production. "Basic Grains" (corn, wheat, sorghum, rice, and beans) comprise a surrogate for non-exported agricultural products and are projected to increase at rates of 1.1%, 2.2%, and 3.3% for 1991, 1992 and 1993, respectively; SOURCES are Ministry of Agricultural Planning Unit (USPADA) for basic grains production and the National Institute of Statistics (INE) for basic grains prices. Indicator 2(b): SOURCES are Bank of Guatemala Statistical Bulletins for the years shown. Indicator No. 3: data calculated at constant prices; SOURCE is Bank of Guatemala.
- 3/ All data are cumulative. They show areas officially under sustainable agricultural practices, watershed management, and protected areas management with the support of USAID agricultural and environmentally related projects for the years shown. SOURCES are USAID project records and Guatemalan legislation and regulations.
- 4/ Indicator No. 1: SOURCE is Drawback Commission, Guild of Non-Traditional Exporters. Indicator No. 2: baseline survey being carried out to obtain data. Indicator No. 3 measures changes in productivity, in value terms, of scarce land on diversifying farms; data series to be initiated in 1991.
- 5/ Indicator No. 1: this efficiency indicator measures the percentage of students in any primary school grade who successfully complete the school year; SOURCE is Ministry of Education (USIPE). Indicator No. 2: SOURCE is PRONEBI, the implementing unit of the AID-supported bilingual education program, in the Ministry of Education. Indicator No. 3: Achievement scores best reflect both short and long term improvement in the efficiency of the educational system under the Basic Education Strengthening (BEST) Project; standardized achievement tests are scheduled to be developed and administered by the end of FY 91; therefore, scores will not be available until mid FY 1992.
- 6/ Indicators No. 1 and 4: these data are only available for years when demographic health surveys (DHS) are carried out; SOURCE is the 1987 DHS (carried out with AID support by INCAP and Westinghouse), with the next survey scheduled for 1992. Indicator No. 2: This statistic estimates the results of the consolidated efforts of USAID-supported family planning agencies' contributions to contraceptive usage; SOURCE is USAID Office of Health and Education project records.
- 7/ Indicator No. 4: data series will be initiated during 1991.
- 8/ Indicators 1, 3 and 5: Baselines to be established via Office of Human Rights Ombudsman, the Congressional Management Information System, and the Democratic Institutions Project (520-0398) tracking system respectively. Indicator No. 4: baseline figures available in 1985 were 31%-35% for first and second round national elections respectively that year with 1990 data structured similarly. Data in 1988 for elections in municipalities only.

TABLE IV
1990
LOCAL CURRENCY UTILIZATION
(\$0000)

USES	ESF	PL 480 I	PL-480 II	PL-480 III	SEC 416	OTHER	TOTAL
MO BUDGET GEN	21,894						21,894
MO BUDGET SECTOR	*						
MO CONTRIBUTION TO AID PROJECTS		4,956					4,956
MO CONTRIBUTION TO OTHER DONOR PROJ.		*					
MO MANAGED L/C PROJ (GOV. OR PRIVATE)		4,700			2,773		7,473
AID PROGRAM TRUST FUND **	3,968						
AID OE TRUST FUND	3,600						3,600
SECTION 108							
OTHER							
TOTAL	29,462	9,656			2,773		41,891
B. CHANNEL FOR ASSISTANCE ***							
PUBLIC SECTOR	25,494	9,656			2,773		37,923
PRIVATE SECTOR	3,968						3,968
TOTAL	29,462	9,656			2,773		41,891

* Included under MO Budget Gen.

** Balance of ESF 87

*** Determined by organization primarily responsible for managing the local currency

1971
LOCAL CURRENCY UTILIZATION
(\$000)

USES	ESF	PL-480 I	PL-480 II	PL-480 III	SEC 416	OTHER	TOTAL
HG BUDGET GEN	27,302	8,600					35,902
HG BUDGET SECTOR							
HG CONTRIBUTION TO AID PROJECTS	*	11,000					11,000
HG CONTRIBUTION TO OTHER DONOR PROJ.		*					
HG MANAGED L/C PROJ (GOV. OR PRIVATE)		24,433			6,148		30,581
AID PROGRAM TRUST FUND **	3,126						3,126
AID OE TRUST FUND	3,780						3,780
SECTION 108							
OTHER							
TOTAL	34,208	44,033			6,148		84,389
B. CHANNEL FOR ASSISTANCE ***							
PUBLIC SECTOR	31,082	44,033			6,148		81,263
PRIVATE SECTOR	3,126						3,126
TOTAL	34,208	44,033			6,148		84,389

* Included under HG Budget Gen.

** Balance of ESF-87

*** Determined by organization responsible for managing the local currency

1992
LOCAL CURRENCY UTILIZATION
(\$000)

USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC 416	OTHER	TOTAL
HG BUDGET GEN							
HG BUDGET SECTOR				6,000			6,000
HG CONTRIBUTION TO AID PROJECTS							
HG CONTRIBUTION TO OTHER DONOR PROJ.							
HG MANAGED L/C PROJ (GOV. OR PRIVATE)							
AID PROGRAM TRUST FUND	3,558						3,558
AID OE TRUST FUND	2,500						2,500
SECTION 108							
OTHER							
TOTAL	6,058			6,000			12,058
CHANNEL FOR ASSISTANCE *							
PUBLIC SECTOR	2,500			6,000			8,500
PRIVATE SECTOR	3,558						3,558
TOTAL	6,058			6,000			12,058

* Determined by organization primarily responsible for managing the local currency.

1993
LOCAL CURRENCY UTILIZATION
(\$000)

USES	ESF	PL-480 I	PL-480 II	PL-480 III	SEC 416	OTHER	TOTAL
HG BUDGET GEN							
HG BUDGET SECTOR				12,000			12,000
HG CONTRIBUTION TO AID PROJECTS							
HG CONTRIBUTION TO OTHER DONOR PROJ.							
HG MANAGED L/C PROJ (GOV. OR PRIVATE)							
AID PROGRAM TRUST FUND	7,237						7,237
AID OE TRUST FUND	2,440						2,440
SECTION 108							
OTHER							
TOTAL	9,677			12,000			21,677
B. CHANNEL FOR ASSISTANCE *							
PUBLIC SECTOR	2,440			12,000			14,440
PRIVATE SECTOR	7,237						7,237
TOTAL	9,677			12,000			21,677

* Determined by organization primarily responsible for managing the local currency.

TABLE V: SUMMARY PROGRAM FUNDING TABLE
 DOLLAR PROGRAM BY FUNCTIONAL ACCOUNT
 (\$000 - ALL GRANT FUNDING)

Category	FY '90 (actual)	FY '91 (estimated)	FY '92 (proposed)	FY '93 (proposed)
----------	--------------------	-----------------------	----------------------	----------------------

Development Assistance:

Agriculture, Rural Development and Nutrition	\$14,625	\$12,434	\$11,925	\$10,640
Population Planning	3,494	3,730	5,500	5,500
Health	281	1,825	900	260
Child Survival Fund	2,247	800	2,000	4,175
Education and Human Resources	5,557	5,007	4,600	4,600
Private Sector, Environment and Energy	3,280	4,480	3,300	3,050
Subtotal Development Assistance:	\$29,484	\$28,276	\$28,225	\$28,225

ESF:

Economic Support Funds:	\$56,483	\$30,000	\$30,000	\$30,000
--------------------------------	-----------------	-----------------	-----------------	-----------------

PL480:

Title I *	18,000			
Title II	6,200	8,900	8,900	8,900
Title III			18,000	18,000
Subtotal PL480 Program:	\$24,200	\$8,900	\$26,900	\$26,900

PROGRAM TOTAL:	\$110,167	\$67,176	\$85,125	\$85,125
-----------------------	------------------	-----------------	-----------------	-----------------

* Transfers to USDA as of FY 1991

Table Va.
 Summary Program Funding Table
 Dollar Program by Functional Account
 (\$000 - all grant funding)

Project Number	PROJECT TITLE	FY 1991	FY 1992	FY 1993

AGRICULTURE, RURAL DEV. & NUTRITION				

520-0000	Program Development and Support	584	400	200
520-0274	Highlands Agricultural Develop.	4,000	2,936	0
520-0286	Cooperative Strengthening	2,600	2,800	1,600
520-0343	Commer. Land Markets II (PVO)	1,400	0	0
520-0353	Rural Elec. III	2,000	1,200	1,500
520-0363	Agric. Prod. & Marketing Services	300	400	0
520-0381	Small Farmer Coffee	550	1,189	2,000
520-0392	Irrigated Agriculture Support	0	1,500	3,500
520-0395	MAYAREMA	1,000	1,500	840
520-0404	Improved Natural Res. Mgt.	0	0	1,000
Total for Account		12,434	11,925	10,640

POPULATION				

520-0000	Program Development and Support	100	100	100
520-0288	Expansion of Family Planning Serv	3,630	0	0
520-0357	Pop. and Family Health Services	0	5,400	5,400
Total for Account		3,730	5,500	5,500

HEALTH				

520-0000	Program Development and Support	180	100	100
520-0399	Highlands Water & Sanitation	1,645	800	160
Total for Account		1,825	900	260

CHILD SURVIVAL				

520-0000	Program Development and Support	230	100	75
520-0288	Expansion of Family Planning Serv	370	0	0
520-0339	Immunization/Child Survival	0	0	3,000
520-0357	Pop. and Family Health Services	0	1,600	800
520-0399	Highlands Water & Sanitation	200	300	300
Total for Account		800	2,000	4,175

ANNEX G
TABLE VI

MISSION PROGRAMS/PROJECTS GROUPED BY
LAC BUREAU OBJECTIVES AND SUBOBJECTIVES
AND MISSION STRATEGIC OBJECTIVES

LAC AND MISSION OBJECTIVES

MISSION PROGRAMS/PROJECTS

I. SUPPORT THE ACHIEVEMENT OF
BROADLY-BASED, SUSTAINABLE
ECONOMIC GROWTH

A. Encourage adoption of, and
continued adherence to economic
policies that promote investments,
productive employment and export-led
economic diversification

1. Structural Reform for
Sustainable Growth

520-0394 Economic Stabilization (end
1992)

520-0371 Fiscal Administration (new
amendment, end 1994)

520-0402 Financial Markets
Development (start 1993, end 1996)

PL 480 Title III (start 1992) 1/

B. Encourage a vigorous
response by the private sector to
a favorable policy environment

1. Increased Trade and
Investment

520-0380
Entrepreneurial Development (end
1992)

1/ Secondary purpose is to Increase Diversified Production Opportunities for
the Disadvantaged.

LAC AND MISSION OBJECTIVES

MISSION PROGRAMS/PROJECTS

1. Increased Trade and Investment (Cont.)

520-0341 Private Enterprise Development (end 1992) 2/

520-0403 Trade & Investment Program (start 1992, end 1996) 1/

520-0381 Small Farmer Coffee Improvement (end 1997)

C. Encourage preservation and sustainable use of the natural resource base

1. Improved Natural Resources Management

520-0395 MAYAREMA (end 1996)

520-0404 Improved Environment & Natural Resources Management (start 1993, end 1998)

D. Encourage accelerated opportunities for increased participation in the economy by the historically disadvantaged

1. Increased Diversified Production Opportunities

520-0274 Highlands Agriculture (end 1993) 2/

520-0332 Farm-to-Market Access Roads (extended to 1995) 3/

520-0343 Pilot Commercial Land Markets II (end 1994)

-
- 1/ Secondary purpose is to Increase Diversified Production Opportunities for the Disadvantaged.
 - 2/ To be incorporated into the new Trade & Investment Program.
 - 3/ Secondary purpose is to increase Trade and Investment.

LAC AND MISSION OBJECTIVES

MISSION PROGRAMS/PROJECTS

- | | |
|--|---|
| 1. Increased Diversified
Production Opportunities | 520-0286 Cooperative Strengthening
(end 1994) |
| | 520-0363 Agricultural Production &
Marketing (AIFLD) (end 1991) 4/ |
| | 520-0353 Rural Electrification III
(end 1995) 5/ |
| | 520-0392 Irrigated Agriculture
Support & Development (start 1992,
end 1996) 5/ |
| 2. Improved Basic Education | 520-0282 Primary Education
Improvement (end 1992) |
| | 520-0374 Basic Education
Strengthening (end 1995) |
| 3. Increased Use of Family
Planning Methods | 520-0288 Expansion of Family
Planning Services (end 1992) |
| | 520-0357 Population & Family Health
Services (start 1992, end 1995) |
| 4. Reduced Child & Maternal
Mortality | 520-0339 Immunization & Oral
Rehydration Therapy Services
(amendment, end 1995) |
| | 520-0336 Rural Water Development
(end 1992) |

4/ Secondary purpose is to Improve Effectiveness of Key Democratic Institutions.

5/ Secondary purpose is to Increase Trade and Investment.

LAC AND MISSION OBJECTIVES

MISSION PROGRAMS/PROJECTS

- 4. Reduced Child & Maternal Mortality (Cont.)

520-0399 Highlands Water & Sanitation (end 1995)

PL480 Title II

II. SUPPORT THE EVOLUTION OF STABLE, DEMOCRATIC SOCIETIES

A. Encourage the strengthening of competent civilian government institutions that will merit the confidence of political and military leaders, citizens and investors

- 1. Improved Effectiveness of Key Democratic Institutions and Strengthen Democratic Values

520-0407 Judicial Sector Human Resource Development (start 1992, end 1996)

520-0398 Strengthening Democratic Institutions (end 1996)

520-0362 Central American Peace Scholarships (end 1992)

520-0398 Strengthening Democratic Institutions (ESTNA Component - end 1994)

520-0393 Guatemala Peace Scholarships II (end 1997)

III. RESPOND TO THE NEED FOR INTERNATIONAL COOPERATION IN ADDRESSING SPECIFIC CHALLENGES TO THE ATTAINMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH AND THE EVOLUTION OF STABLE, DEMOCRATIC SOCIETIES

A. Contribute to the formulation and implementation of US Government strategies for dealing with issues of particular concern, such as the production, trafficking and consumption of drugs, terrorism and environmental degradation

LAC AND MISSION OBJECTIVES

MISSION PROGRAMS/PROJECTS

Support the membership of CAEM (Guatemalan Chamber of Entrepreneurs) in the Private Enterprise Federation for Central America & Panama (FEDERICAP)

Increased coordination between the ROCAP RENARM Project and USAID/Guatemala MAYAREMA Project in matters relating to watershed and protected areas - Management Strategies & Information

MAYAREMA Project support for the "Tri-National Peace Park" (Belize, Guatemala & Mexico)

B. Support the US foreign policy initiatives that can benefit from AID's resources and expertise, such as the international observation of elections, the resettlement of displaced persons and relief from natural and man-made disasters and epidemics

Utilize services provided by the International Center for Electoral Assistance and Promotion (CAPEL); the Latin American Institute for the Prevention of crime & Treatment of Offenders (ILANUD) (for Judicial assessments, training and management information systems); and the International Institute for Human Rights (IIHR)

IV. SPECIAL ACTIVITIES

520-0261 Low Cost Housing HG and Grant (end 1992)

520-0304 Altiplano Higher Education (end 1993)

520-0348 ASINDES PVO Development (end 1992)

520-0145 Special Development Fund (on-going)

520-0384 Development Training & Support (end 1994)

TABLE VII: DA & ESF MORTGAGE ANALYSIS

(\$000 - ALL GRANT FUNDING)

	FY 1990		FY 1991		FY 1992		FY 1993	
	Obligation	Mortgage	Obligation	Mortgage	Obligation	Mortgage	Obligation	Mortgage
DA:								
ARDN	\$14,625	\$32,283	\$12,434	\$20,916	\$11,925	\$14,991	\$10,640	\$7,351
POP	3,494	0	3,730	200	5,500	17,200	5,500	11,700
Health	281	0	1,825	5,230	900	4,330	260	4,070
CS	2,247	0	800	775	2,000	5,700	4,175	7,600
EHR	5,557	23,050	5,007	18,965	4,600	14,365	4,600	9,765
PSEE	3,280	13,772	4,480	4,450	3,300	1,150	3,050	1,100
Subtotal DA:	\$29,484	\$69,105	\$28,276	\$50,536	\$28,225	\$57,736	\$28,225	\$41,586
ESF:	\$56,483	\$32,451	\$30,000	\$17,700	\$30,000	\$15,200	\$30,000	0
DA & ESF:	\$85,967	\$101,556	\$58,276	\$68,236	\$58,225	\$72,936	\$58,225	\$41,586

