

GUATEMALA

FY 73 - 74

PROGRAM OBJECTIVES DOCUMENT Table of Contents

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LIST OF ACRONYMS

AED	Academy for Education and Development
AOJ	Administrative of Justice
APROFAM	Family Welfare Association
BEST	Basic Education Strengthening Project
CACM	Central American Common Market
CAEM	Chamber of Entrepreneurs
CARE	Cooperative for American Relief Everywhere
CENALEX	National Center for Legal Information Management System
CONAP	National Council of Protected Areas
CPR	Contraceptive Prevalence Rate
CRS	Catholic Relief Services
CYP	Couple Year Protection
DAO	Defense Attache
DCM	Deputy Chief of Mission
DHS	Demographic Health Survey
DIGEBOS	Directorate for Forestry and Wild Life
EAI	Enterprise for the Americas Initiative
EEC	European Economic Community
ESTNA	Center for Strategic Studies for the National Stability
FFW	Food for Work
FNDH	Foreign National Direct Hire Employee
FNIC	Foreign National Institutional Contract Employee
FNPSC	Foreign National Personal Services Contract Employee
FP	Family Planning
FTE	Full Time Equivalent
GEXPRONT	Non-Traditional Exporters Guild
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
IESC	International Executive Service Corps
IFI	International Financial Institution

IFPR	International Food and Policy Resources Group
IMF	International Monetary Fund
IMR	Infant Mortality Rate
INDE	National Electric Company
INE	National Institute of Statistics
I PROFASA	Importers of Pharmaceutical Products
MAYAREMA	Maya Natural Resources Management Project
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
NPD	New Project Description
NR	Natural Resources
NTE	Non-Traditional Export
NXP	Non Expendable Property
OE	Operating Expenses
OHRO	Office of Human Rights Ombudsman
ORS	Oral Rehydration Salts
ORT	Oral Rehydration Therapy
PACD	Project Activity Completion Date
PDD	Partnership for Democracy and Development
POD	Program Objectives Document
PRONEBI	Bilingual School Program
RENARM	Regional Natural Resources Management Project
ROCAP	Regional Office for Central America Programs
RHUDO	Regional Housing and Urban Development Office
TFR	Total Fertility Rate
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
WFP	World Food Program

PROGRAM OBJECTIVES DOCUMENT

A. OVERVIEW

1. Introduction

Historically significant change has come to the societies of Central America as dramatically (though perhaps not as visibly) as it has to Eastern Europe and the Soviet Union. While these changes have evolved over the past decade, they are no less remarkable and profound in their impact and importance for the United States. Democracy and free markets are now the accepted paradigms for social organization throughout the region.

Like its neighbors, Guatemala is undergoing fundamental changes. The first democratic transition of power between democratic regimes in 40 years occurred in 1991, and democratic processes are now solidifying. Peace negotiations to end the 30 years of insurgency and civil war are nearing fruition. Also, the Serrano Administration has renounced historical irredentist claims on Belize; ambassadors have been exchanged.

At the same time, economic policies have been reoriented away from an emphasis on state intervention in the market towards a focus on removing the obstacles to free market forces. These developments will change the character of the USAID program and the relationship between the GOG and the Mission over the next five-year planning period. The reorientation of GOG policy began in 1986. Price controls were eliminated, restrictions to international trade--both imports and exports--reduced, and the country's complex legal and regulatory environment simplified. These changes will be reinforced by the anticipated normalization of Guatemala's financial relations with the international financial institutions in 1992. During the last six months, external arrears have been eliminated with the Interamerican Development Bank (IDB) and reduced from a high of \$222 million to \$75 million with the World Bank. The GOG is actively negotiating a stand-by agreement with the IMF and a structural adjustment loan with the World Bank (including cofinancing by the IDB and the Government of Japan), and it has taken the first steps to developing an investment sector loan with the IDB.

Guatemala has also taken serious steps toward free trade. It has become an active member of the GATT, signed a Framework Agreement with the United States on trade liberalization, held the first trade council meeting, and negotiated liberalized trade agreements with El Salvador and Honduras.

The five-year strategy defined in this POD/AP will seek to achieve key, sustainable, structural changes initially under five strategic objectives. This represents a significant and rapid focusing of the Mission program in light of funding reductions. The selected strategic objectives at the beginning of the planning period are: 1) Increased Private Investment and Trade; 2) Smaller, Healthier Families; 3) Improved Basic Education; 4) Sustainable Natural Resource Management; and 5) Sustained Exercise of Inalienable Rights. By the end of the planning period, new resources will be anticipated in no more than three strategic objectives: Sustained Exercise of Inalienable Rights; Smaller, Healthier Families (to be focused more narrowly on population issues); and Sustainable Natural Resource Management.

2. U.S. Interests

Guatemala plays a pivotal role in Central America. It has both the largest population and the largest GDP. The recent opening of the economy has resulted in the fastest growing non-traditional export sector in the region. While Guatemala has great potential, it faces serious obstacles. At the current growth rate, the population will exceed 13 million by the year 2000. Broad-based economic

growth is essential to meet the needs of this expanding population. Furthermore, democracy has not yet been institutionalized and full protection of the rights of the individual is not yet a reality.

A stable and prosperous Guatemala has significant benefits for the United States. Strong economic ties will benefit both economies. The U.S. has strongly supported the opening of the economy and the emerging democratic process since 1986. The objective of that support has been to ensure that Guatemala has the ability to maintain stability, provide the necessary conditions for growth and spread the benefits of that growth to more Guatemalans. Democratic processes provide the stability for participation of all segments of the population in achieving these benefits. As the region turns toward free hemisphere trade and strengthened economic ties, the U.S. benefits from having another stable, growing member of that community close to its borders.

3. Environment for Development

During the 1960s and 1970s, Guatemala's economy enjoyed steady growth, reflecting the impact of high prices for the country's export goods, the growth of exports within the CACM and significant inflows of foreign resources. At the same time, prudent economic policies led to low inflation rates, low external debt and maintenance of exchange rate stability.

These conditions were reversed during the first half of the 1980s. The economy stalled due to external economic factors, internal civil conflict, and distortions from an import-substitution industrialization strategy. Public sector deficit spending rose rapidly, and the growth in Central Bank credit outpaced growth in private sector demand for money. As a result, balance of payments deficits rose sharply and inflation began to accelerate, reaching over 30 percent by 1985.

The impact on real economic growth of these conditions was extremely negative. Groups traditionally outside the market economy were particularly hard hit. The lack of investment in education and infrastructure in rural areas aggravated the negative impact of poor economic policies.

a. Early Efforts at Structural Adjustment

The democratically-elected government that took office in 1986 recognized that the policies of the previous decade were seriously misdirected and that a fundamental reorientation of economic policy was needed. Strong initial steps were taken to ensure macroeconomic stability and provide incentives for sustainable growth. Virtually all price controls were eliminated, the exchange rate system was simplified, tariff levels largely rationalized, and administrative procedures were streamlined.

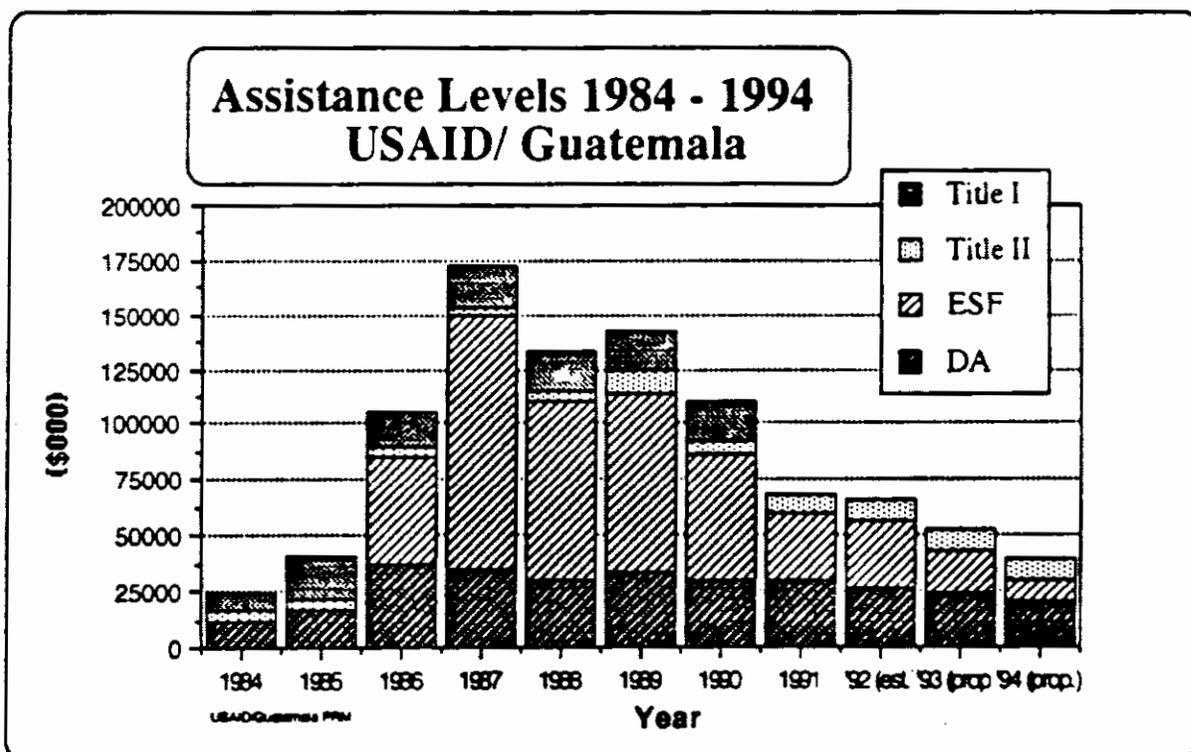
While additional policy and procedural changes are still necessary, the reform agenda was highly successful in stimulating growth. Over the period 1986-90, private sector investment increased from eight percent of GDP to 12.5 percent in 1990 - the second highest level in Latin America after Jamaica. Real economic growth averaged almost four percent a year and nontraditional export growth increased from virtual stagnation throughout the first half of the 1980s to an annual average rate of almost 30 percent between 1986 and 1990.

b. Policy Reform Agenda for the Near Future

The GOG was reasonably successful in implementing and maintaining the reform impetus. While slippage occurred in 1990 as presidential election year spending boomed, the new government quickly reestablished macroeconomic stability through adopting tight monetary policy; positive real interest rates; and a unified, market-guided exchange rate.

Guatemala must now pursue the next stage of structural reform. Regulatory systems must be corrected which affect product and factor markets, and resource constraints eased to provide for human resource development. Efficient and sustainable production, however, requires not only sound policy and capital investment, but a healthier and more educated population. Current policies aimed at stimulating economic growth and private market efficiency must be combined with policies and resources to improve education, health and natural resource management. This will be reached through a combination of improved social spending by the government and the elimination of barriers to private sector participation in the provision of social services. Also, to take real strides toward institutionalizing democracy and to enhance investor confidence, reforms must be enacted to strengthen the judicial system and make it more transparent. Furthermore, the Guatemalan Congress must become a more efficient, capable institution to fulfill its constitutional role.

USAID/Guatemala has responded to these changes, and to changes in conditions external to Guatemala, with a fundamental rethinking of our own strategy. The AID program will no longer provide major resource flows as it did in the 1980s (See chart below). The previous emphasis on macroeconomic stability has been reduced; the International Monetary Fund and the World Bank are taking an increasingly dominant role in supporting sound GOG macroeconomic policies. Resource constraints will limit the scope of Mission involvement, requiring emphasis on areas in which we have a comparative advantage. Our strategy will be concentrated on institutional, regulatory, and legal reform, and on policy implementation. Our commitment to helping Guatemala help itself will be no less intense than before.



B. STRATEGY JUSTIFICATION AND IMPLEMENTATION

1. LAC Objective I: Support the Achievement of Broad-Based, Sustainable Economic Growth

a. LAC Sub-objective: Encourage a Vigorous Response by the Private Sector to a Favorable Policy Environment

— **Mission Objective: Increased Private Investment and Trade**

(1) Strategic Objective Selection and Rationale

The Mission has identified Increased Private Investment and Trade as one of its strategic objectives for achieving broadly-based, sustainable growth in Guatemala. The achievement of short-term economic stabilization and an improved macroeconomic policy environment have resulted in increased trade flows (See Figure I) and investment in Guatemala over the past five years, as well as in enhanced employment opportunities. Continuation of this strong economic performance will depend upon ensuring a competitive environment that provides proper incentives, encourages the free flow of technology and market information, and offers opportunities to all. This strategic thrust is fully supportive of the Enterprise for the Americas Initiative (EAI) as well as the Agency and LAC Bureau's objectives.

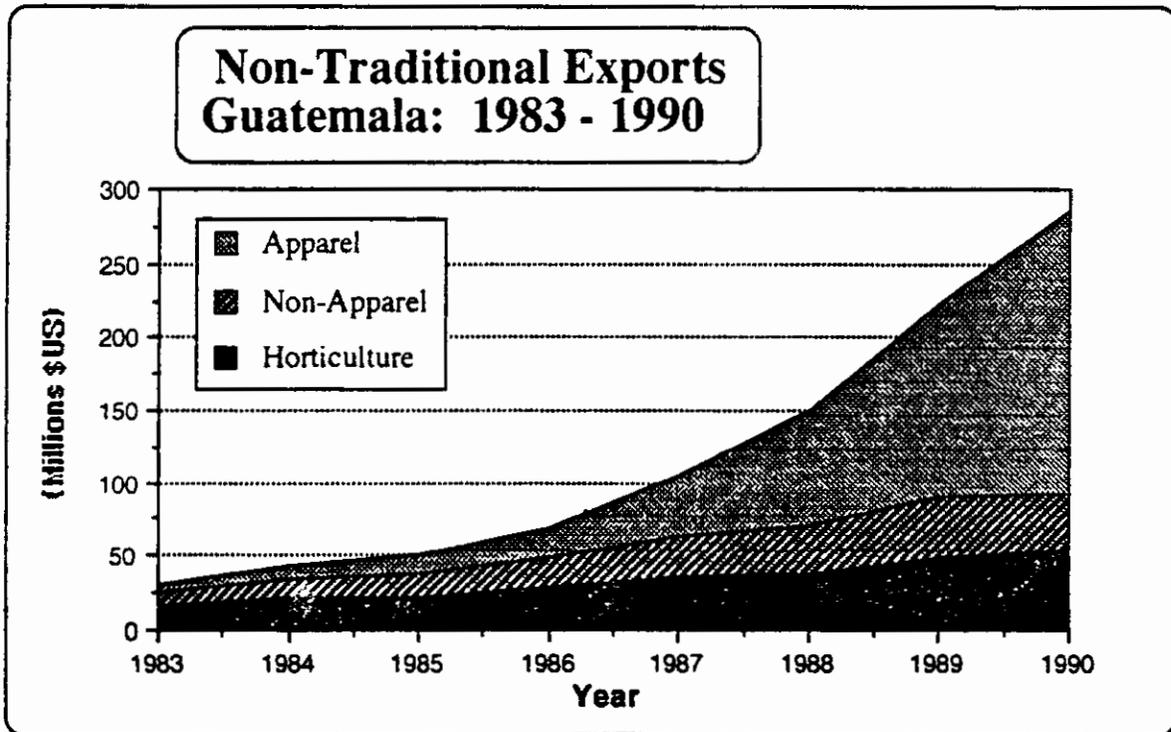


Figure I

Considerable progress has been made by the GOG in eliminating trade restrictions. The most obvious distortions in the trade regime have been addressed. Tariff levels have been reduced, export procedures have been streamlined, and the national airline's monopoly on the cargo market has been eliminated.

The GOG must now embark on the essential but more difficult second-generation policy issues addressing the underlying regulatory and legal environment of the country. These issues include: (1) the remaining trade restrictions that distort resource allocation; (2) the antiquated legal and regulatory framework; (3) the lack of modern intellectual property rights legislation that impedes technology transfer and foreign investment; and, (4) low savings mobilization and an antiquated financial system.

USAID's in-country presence gives it a distinct advantage over other major donors in influencing policy reforms critical to developing an open trade regime and providing a sound investment climate. Furthermore, an opportunity exists to have a significant impact on the liberalization of Guatemala's trade and investment regimes, given the favorable policy orientation of the newly elected government and the trend toward regional cooperation and integration.

The existence and stability of sound macroeconomic policies on the part of the Government of Guatemala will continue to be a sine qua non to continued growth in trade and investment and hence an important assumption regarding the attainment of this strategic objective.

(2) *Implementation Strategy*

USAID's strategy for the 1993-1997 planning period will combine improvements in the policy environment for trade and investment with encouragement of a vigorous response by the private sector to a more favorable policy environment. The impact of these reforms will be felt throughout the economy, promoting sustainable economic growth and increased participation on a broad base. Only then can real employment be generated and benefits realized by a significant portion of the population. In addition, the strategic objective of expanding and improving trade and investment, combined with the other Mission objectives, will improve the distribution of the benefits of growth through development of labor-intensive economic activities, while ensuring the sustainability of Guatemala's natural resource base through enlightened resource use.

In order to expand trade and increase private investment, the Mission will direct its resources to achieving the following: 1) *an open trade regime*; 2) *a sound investment climate*; 3) *the deepening of financial markets*; and 4) *the increased production and marketing of non-traditional exports*.

Priority will given in the allocation of program resources to interventions aimed at removing remaining policy constraints to increased trade and investment in Guatemala. With the IMF and the World Bank expected to assume a leadership role monitoring and supporting a sound macroeconomic policy framework, USAID will focus its resources on sectoral policy reforms that support GOG actions to: 1) *liberalize external and intraregional trade in goods and services*; 2) *improve the country's investment climate* by adopting a better investment code and implementing appropriate legal, regulatory and judicial reforms; 3) *promote the demonopolization and privatization*, as appropriate, of state-owned enterprises, and 4) *adopt key financial sector reforms*. This policy reform agenda will be closely coordinated with the World Bank and the IDB as they define the focus and timing of their interventions in these policy areas.

Implementation of this policy agenda will be supported through the development of a multi-year Trade and Investment Non-Project Assistance (T&I NPA) Program to be initiated in FY 92. Program activities will include support to the Ministry of Economy to streamline the export and investment process, reduce trade barriers, eliminate fiscal incentives, and develop their analytical capability in regional and international trade negotiations. Furthermore, under the financial reform component of the T&I program, assistance will be provided to the Bank of Guatemala and the Superintendent of Banks to support and implement the policy and institutional reforms to be carried out in this sector.

To remove the institutional, technological and human resource constraints impeding higher levels of investment and exports, USAID plans to continue support to the Chamber of Entrepreneurs (CAEM), the Non-Traditional Exporters Guild (GEXPRONT), and the International Executives Services Corps (IESC) over the planning period under the T&I program. Support to CAEM will focus on improving the country's overall investment climate, attracting investment, promoting trade and financial sector reform, and facilitating privatization. USAID will also continue to support activities of the GEXPRONT aimed at developing markets for Guatemala's non-traditional exports, attracting investment to this sector, and initiating legislative and other regulatory changes that promote exports. In addition, the IESC will provide the volunteer technical assistance of U.S. executives to small and medium Guatemalan businesses involved in trade and investment.

USAID/Guatemala will look to ROCAP under its regional trade and investment program to provide technical support and information dissemination to the bilateral missions in their efforts to improve the trade and investment regimes in the region. Areas where ROCAP's technical guidance would prove useful for the region include the development of model IPR legislation and the harmonization of customs regulations and procedures across the region. Regional cooperation and integration will take on greater importance as the level of technical competency is raised and the commitment is made by the individual countries to address the policy obstacles to increased trade and investment.

(3) *Measuring Program Impact*

Targets have been established to measure successful implementation of the strategic objective. They are: 1) *an increase in the value of non-traditional exports from an estimated \$420 million in 1992 to \$616 million in 1997*; 2) *an increase in trade (exports plus imports) from 52 percent of GDP in 1992 to 54 percent in 1997*; and, 3) *an increase in private investment from 12.8 percent of GDP in 1992 to 15 percent in 1997*.

The design of the T&I Program will include a monitoring and evaluation component which will measure progress toward achievement of the strategic and program indicators. Data from the ongoing INE and IFPRI surveys (See Annex 5) will be critical to establishing a baseline against which to measure ground level impact, especially as it relates to employment and income generation. In addition, special studies will be conducted during the program to assess the impact of the T&I program on the disadvantaged, on gender and on the environment. The overall success of the program will take time to measure, however. Like education projects, the activities envisioned under this program will impact the sector over the medium and long-term.

(4) *Resource Requirements*

This USAID program will be supported by a total of \$29 million in ESF and DA in FY 92 and 93. Under the T&I NPA, these resources will be evenly distributed between non-project assistance for policy reforms and project assistance to deal with policy, institutional, and technical constraints to increased trade and investment. DA will also be used to support other trade-oriented activities. Resource requirements from ROCAP over the planning period to complement USAID funding should total approximately \$0.5 million. If expected levels of ESF do not materialize, the Mission will focus its resources on those project interventions that would have the greatest impact on achieving the program outputs and strategic objective. Resource requirements are summarized below (\$ million):

	FY 92	FY 93	FY 94	FY 95	FY 96
ESF	18.2	6.8	0	0	0
DA	5.4	0.2	0.9	1.3	0.7

b. **LAC Sub-objective: Encourage accelerated opportunities for increased participation in the economy by the historically disadvantaged**

— **Mission Objective: Smaller, Healthier Families**

(1) ***Strategic Objective Selection and Rationale***

The problems of health and population in Guatemala are among the most severe in Latin America. High infant and maternal mortality and morbidity result from poor sanitary conditions, widespread malnutrition, and a chronically-underfunded public health system. The country's exceptionally high fertility rate (5.6 percent), which results in excessive "high risk" births, also contributes directly to high morbidity and mortality.

Guatemala's high fertility rate also causes rapid demographic growth which threatens to overwhelm social and economic development efforts. Guatemala has one of the most rapidly growing populations in Latin America, increasing at a rate of over three percent per year. Population will grow from its 1990 level of 9,600,000 to over 13,000,000 by the year 2000. As a result, between now and the turn of the century there will be, for example, a need for over two million new jobs, one thousand new rural health employees, and four thousand new schools. An estimated 1,500,000 hectares of forest will be cut for firewood. Unfortunately, Guatemala has one of the lowest contraceptive prevalence rates in the hemisphere. Only 23 percent of the women are using some form of contraception; only 19 percent are using one of the effective "modern methods". Among the indigenous population the contraceptive prevalence rate is only 5.6 percent.

Constraints to more effective health and family planning services include: (1) a policy environment traditionally hostile or indifferent to family planning and favoring hospital-based curative health services over preventive primary health care; (2) the traditional cultures and religion, which reject modern health and family planning services; (3) linguistic diversity, rugged terrain, and dispersed population, which make social marketing, promotion, counseling, and delivery of services difficult and expensive; (4) low educational levels, especially among women and the indigenous population; and (5) the low level of public sector funding for primary health care and family planning services.

To better focus our efforts to meet these challenges, USAID programs for child survival, health, nutrition, and family planning are being streamlined and unified under one strategic objective - **Smaller, Healthier Families**. The emphasis will be on reproductive health to have an impact on infant and maternal mortality, and on overall fertility rates. The focus will be on the family as a unit, because solutions for the broad array of health-related problems are best solved at the family level through the interaction of its members with caregivers.

Family planning will assume a high profile in the strategy. The Mission is at a mid-point in a forty-year strategy designed to help Guatemala reverse its out-of-control demographic growth. During the initial two decades of AID support for family planning in Guatemala, a large number of essential activities took place that created the foundations for a permanent, effective national program. Specific progress was made in improving the *policy environment* to one of neutrality instead of active opposition;

creation of a *diversified institutional base* of private and public institutions; and increase in the *scale of service delivery*. As a result, contraceptive prevalence increased by a factor of four, from six percent in 1969 to 23 percent in 1989.

USAID will remain the leader in the donor community for family planning programs. The new strategy represents a gradual re-direction of the program in a number of ways: (1) Emphasis will shift from creating and building new institutions to consolidating and expanding existing agencies; (2) there will be reduced dependence on AID funding; (3) the program will gradually assume a higher profile and be more aggressive than it has been in the past, promoting changes in public policy and in public opinion; and (4) rapid expansion of coverage levels will be accomplished by initial concentration on more easily reached urban, ladino, and middle class populations. A key operational research activity will work on developing cost-effective services for rural, indigenous, and poor populations, initiating a broadening of focus that will be continued beyond the planning period. The moment is opportune for these new emphases as the Government of Guatemala has made a firmer policy commitment to reproductive health and family planning. A specific action agenda is being developed to increase government support for the expansion of family planning services. Also, for the first time goals for total fertility reduction are being included in major GOG health planning documents.

Discrete child survival and health activities will remain an important, if secondary part of the strategy for **Smaller, Healthier Families**. The Mission has been engaged in child survival and in rural water and sanitation for many years in Guatemala. The new strategy incorporates measures for increasing burden sharing on the part of the GOG and other donors. USAID involvement in these areas will be reduced on a phased basis during the strategy period.

(2) *Implementation Strategy*

The overall strategy planning period coincides roughly with the planned new **Population and Family Health Services Project** (1992 - 1996), which more resembles a sector program. The program has three foci. The first is **Policy Development and Analysis**, designed to make the policy environment in Guatemala more favorable toward family planning. The second, **Research and Development**, will support "operations research" in the field, to test and refine new strategies for delivering family planning services to rural, poor, and indigenous families, to lay the basis for future provision of cost-effective services in the Guatemalan Highlands and for sustainability of organizations and services. The third, **Expansion of Services**, will assist the four Guatemalan family planning agencies to improve their operations and to expand their coverage.

In the area of expanded access to water and sanitation in the highlands, our involvement will come to an end. The current project is specifically designed to lead to a sustainable capability in the Ministry of Health to continue expanding community water systems and letrization. Because Guatemala has mastered water and sanitation technology, there is no reason why the GOG should not be able to continue this program in the future without donor support, if it considers it a priority. The current final project is viewed as an effort to consolidate and institutionalize the approach that has evolved under prior programming, which puts heavy emphasis on community involvement and health education. It is planned that the project will serve as a bridge between AID support in the past and local and/or other donor support in the future.

In child survival, the Mission hopes to be able to amend the current **Immunization/Child Survival** project (NPD submitted last year) by adding \$3 million in FY 93, and extending the PACD. Significant progress should be made toward eventual sustainability of basic primary health care services. With the completion of an in-country production facility for oral rehydration salts (ORS) under the

current project, local ORS production sustainability will be achieved. However, vaccinations will continue to require costly imported commodities that USAID and several other donors traditionally provide. Increasingly, the focus of our support in child survival will be on institutional strengthening in the Ministry of Health, preparing it to assume responsibility for providing child survival services to the population of Guatemala, without USAID support. Our policy dialogue stresses the requirement for the GOG to invest more of its own resources in the preventive health system. However, resources permitting, USAID will also maintain the flexibility to react quickly to the incidence of epidemic diseases, as has been the case in the fight against cholera.

Health and nutrition activities will continue to be linked under the PL 480 Title II program which, while being maintained at current resource levels, increasingly will be implemented with the intention of enhancing developmental impact. USAID will continue to be the leader in developing and improving food aid programs among donors (WFP, EEC) by, *inter alia*, designing programs for improving national food storage and distribution systems.

(3) *Measuring Program Impact*

Impact will be measured through successive Demographic Health Surveys (DHS), with the next scheduled to commence this year. This information will be complemented and cross-verified by data gleaned from project evaluations in the near term for child survival and family planning, immunization and water and sanitation, and in the longer term under the Population and Family Health project. The long-term targets for planned Mission supported family planning activities are to increase contraceptive prevalence from 23 percent to 50 percent and to decrease total fertility from 5.4 children per family currently to 4.9 per family by 1997 and 4.2 by 2010 (see Figure II).

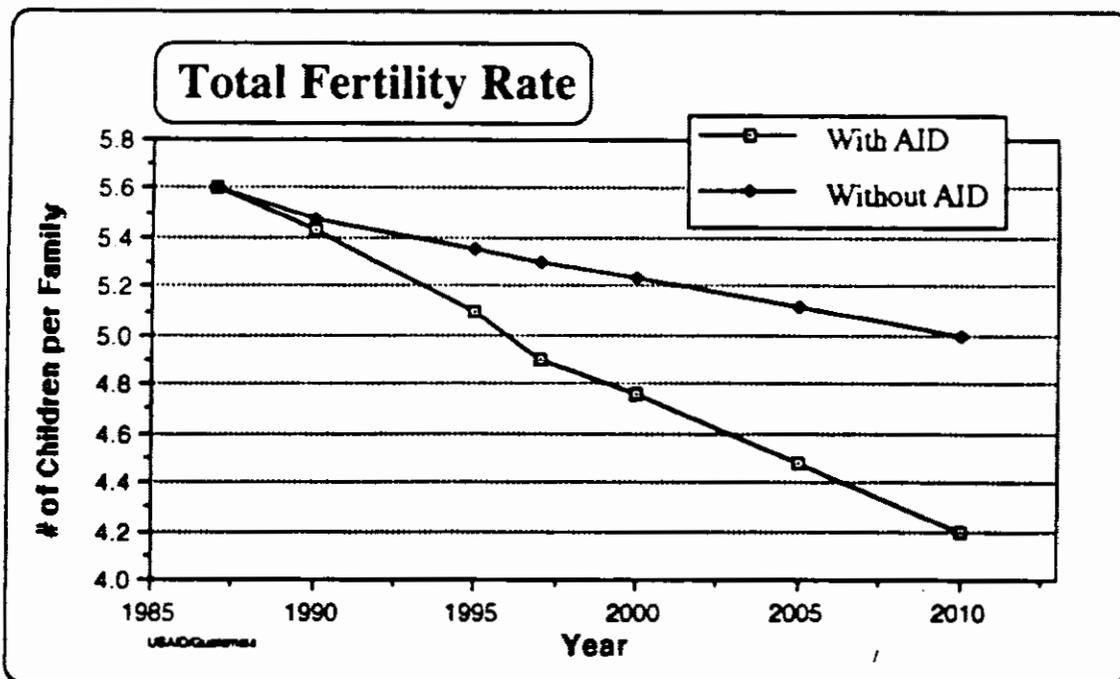


Figure II

Three measures of impact for family planning (see Tables 1A&B, Annex 7), therefore, will be *contraceptive prevalence (CPR)*, *total fertility rate (TFR)* and *couple-years of protection (CYP)*. Impact for child survival and health activities will be measured in terms of *infant mortality (IMR)*, *immunizations* and *ORT coverage* of children under age five. Finally, in a collaborative process with the sponsor agencies (CARE, Share, and CRS), indicators are now being designed to better measure impact of PL 480 Title II activities, particularly those for maternal/child health.

(4) Resource Requirements

In view of the obstacles to progress and the need for a comprehensive approach to the problem, the **Population and Family Health Project** must be resource intensive, both in terms of application of expertise and financial resources. Demonstrating our commitment to this objective, the Mission has recruited an experienced family planning specialist to lead its office responsible for FP, child survival, and health projects. Population and Child Survival funding on the order of \$30 million will be required during the planning period for the sector program alone.

Resource levels for the discrete child survival and health programs will remain high early in the strategy period but will decline rapidly thereafter. It is expected that PL 480, Title II resources for MCH will decline slowly until FY 94. Estimated funding levels (including freight charges for Title II) to support the strategy are as follows (\$ millions):

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
DA	9.3	12.9	9.8	5.0	7.0
Title II	9.0	8.0	7.0	7.0	7.0

-- Mission Objective: Improved Basic Education

(1) Strategic Objective Selection and Rationale

The human resources base in Guatemala is weakest at the bottom. While a number of modern universities produce many lawyers, physicians, architects, and engineers, the country's primary school system is one of the most deficient in Latin America. Furthermore, the country's unusually high population growth rate causes the primary school age population to swell faster than the rate at which the GOG can expand the coverage of its school system.

Other constraints pertain to the quality and efficiency of the primary school system. Poor teaching and the lack of materials and supplies result in high dropout and repetition rates. The repetition rate in the first grade alone is 46 percent; the dropout rate for first graders is 11 percent. Overall, only about half of the Guatemalan population completes the sixth grade.

These problems hit the indigenous population and girls particularly hard. These two groups have historically been last in line for the meager public educational services offered in Guatemala. As a result, it is estimated that 80 percent of adult indigenous females are illiterate.

Clearly, these two groups, which together represent a majority of Guatemalans, must be given access to effective, efficient primary education services if they are to effectively participate in the economy and in a democratic system of government. One example of the powerful effects of primary schooling for these historically neglected groups was found in recent analyses of the relationship between girls' educational attainment and fertility. Figure III illustrates how primary schooling influences the

number of children women hope to bear and the number they actually give birth to. (Source: DHS, 1987)

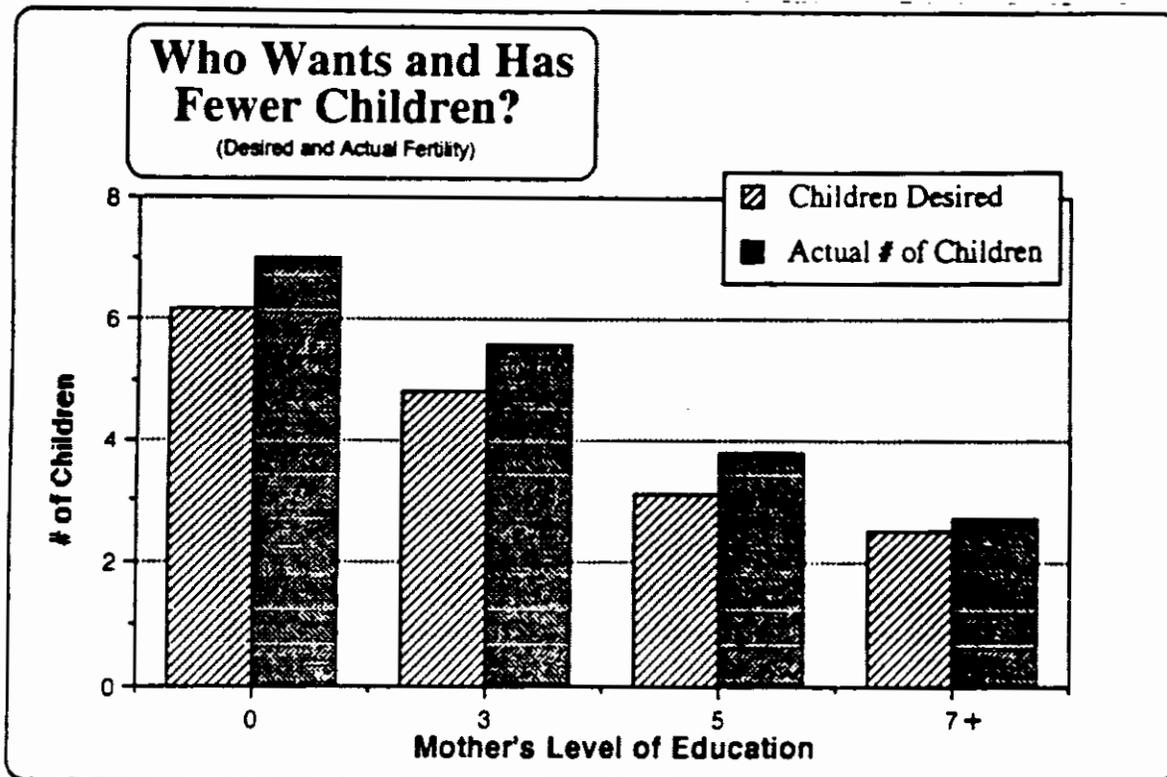


Figure III

The Mission's strategy in the education/human resources sector is to sharpen our focus on helping improve the efficiency of the country's public primary school system. During the 1993-1997 planning period, remaining projects in other areas (non-formal education and university scholarships for indigenous students) will be completed, leaving a single sector program—the Basic Education Strengthening (BEST) Project.

Experience in other countries and careful analysis in Guatemala have demonstrated convincingly that improving instructional quality and efficiency is an extremely important investment, promising a high return in the long run in terms of better agricultural and industrial productivity, improved participation in democratic processes, better health and nutritional status, reduced fertility, and increased incorporation of the indigenous population and women into socioeconomic and democratic development.

USAID has a significant comparative advantage in this area. USAID pioneered and developed the national bilingual education program that has, as a result of its record of successfully improving primary school services in indigenous communities, come to be fully accepted by the indigenous population and by the country's education establishment. USAID's BEST Project is able to provide substantial grant funding and external technical assistance needed to support R&D and subsequent institutionalization of important efficiency-improving innovations such as administrative decentralization, educational radio, and the innovative Colombian one-room school model (Escuela Nueva).

A cross-cutting, innovative effort—the Girls and Women in Development component—was added to the BEST Project in 1991, in response to increasing evidence concerning the relationship of girls' education to indicators of social and economic development in Guatemala. In an effort to focus resources

in the areas of greatest impact, this program will identify specific strategies to be implemented in each component of the Mission's education program for improving girls' primary school enrollment, retention, completion, and achievement.

The BEST Project directly and actively complements GOG and World Bank education sector activities. The Government is trying to increase its support for primary education. Although resources are tight, the teaching force is being expanded. The World Bank is planning to initiate a \$30 million loan project that will support in-service teacher training, textbooks, and school construction. The World Bank is coordinating the start-up of the second loan project closely with USAID to ensure the best use of donor resources.

(2) *Implementation Strategy*

During FY 1992, the Mission intends to reprogram some components of the BEST Project. In general, the Mission sees a need to enhance BEST Project activities that have a direct, visible impact in classrooms nationwide. A new activity providing incentives for families to enroll girls in school and keep them in school longer will be added. The educational radio pilot project, which has been exceptionally successful through achieving incorporation in 90 schools in the Guatemala City area, will be expanded to the rest of the country more quickly than originally planned. The highly cost-effective Colombian one-room school model, which was planned as a small scale experiment, will be expanded to an operational scale. Each of these initiatives has the strong backing of the Ministry of Education.

The Mission will continue to focus its policy dialogue strategy on promoting incremental increases both in GOG budgetary allocations to education and in MOE allocations to primary education. Specific policy dialogue issues focusing on educational quality and efficiency will continue to include the development of a professional career program for preparation and certification of teachers and supervisors, as well as for focusing MOE resources on improving educational opportunities for indigenous children and girls.

(3) *Measuring Program Impact*

The Mission's education program supports the achievement of the strategic objective of improved basic education by focusing on the following four broad, but intersecting, education service areas: 1) *improved and expanded bilingual education services*; 2) *improved support services for teachers and school supervisors*; 3) *validated models of low-cost alternative methodologies*, and 4) *improved Ministry of Education administration and management information practices*.

Monitoring and Evaluation indicators have been built into the BEST Project. A continuous formative evaluation program, operating in all project implementing units, provides on-going data to enable corrective decisions and responses to be made to changing program requirements. Incremental targets for each of the program output indicators are monitored closely under the formative evaluation program. Long-term targets for basic education, to be achieved under the BEST project, include: (1) *reducing the repetition rate from 318 per thousand to 215 per thousand, a 32 percent improvement*; (2) *reducing the average number of years to produce a sixth grade graduate from 11.6 years to 9.3 years, a 20 percent improvement*; (3) *increasing the primary school completion rate from 51 percent to 62 percent*; and (4) *reducing the dropout rate from 82 dropouts per 1,000 students to 68 dropouts per 1,000 students, a 17 percent improvement*. A mid-term evaluation of the education sector program will be conducted in late FY 92, providing additional monitoring data on the achievement of program outputs.

4) **Resource Requirements**

Estimated resource levels for FY 92 through FY 96 are based primarily on an expected extension of the LOP of BEST through 1998 (\$ million):

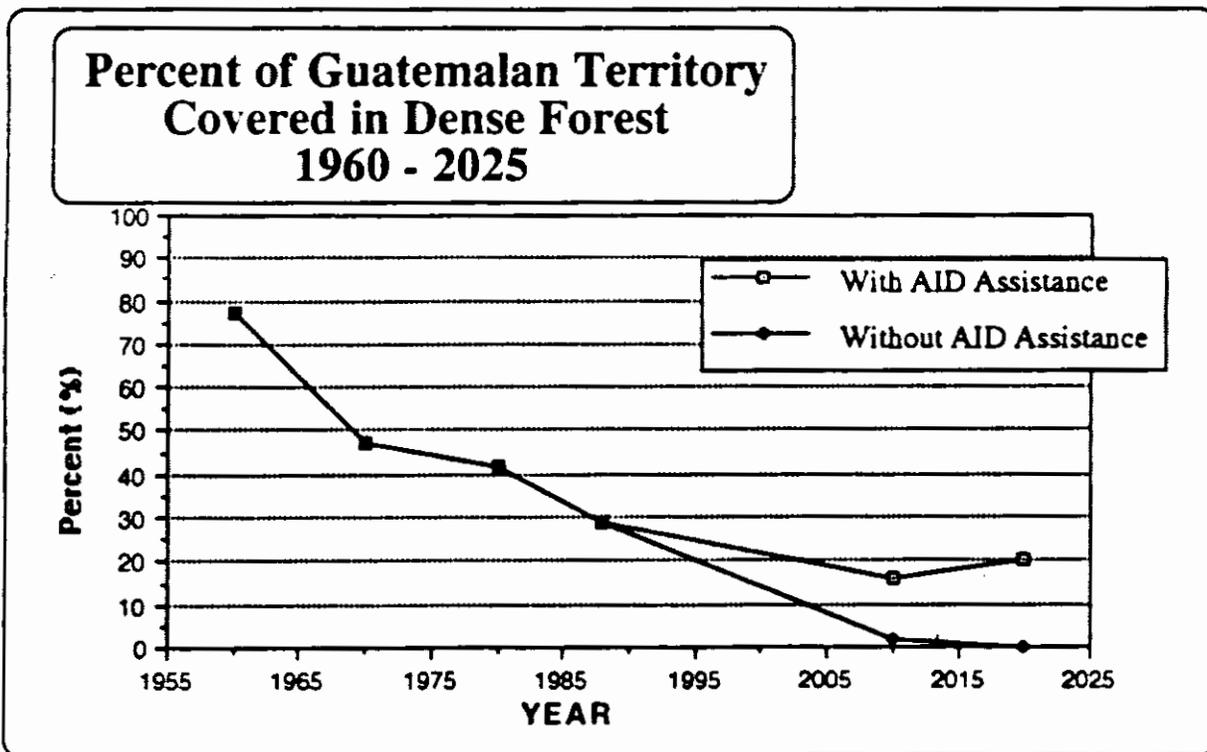
	FY 92	FY 93	FY 94	FY 95	FY 96
DA	4.6	4.6	4.6	4.6	0.84

c. **LAC Sub-objective: Encourage preservation and sustainable use of the natural resource base**

– **Mission objective: Sustainable Natural Resource Management**

(1) **Strategic Objective Selection and Rationale**

Guatemala is a country of extraordinarily rich natural resources. These resources support economic activities that provide more than 70 percent of national employment and generate over 80 percent of the gross national product, primarily in the agricultural sector. However, there are serious problems. The resource base is finite, and it is being depleted at an alarming rate. Soil erosion rates range between five to 35 tons per hectare annually in the Highlands agricultural region, threatening irreversible declines in agricultural productivity. Also, high incidence of pesticide contamination threatens producer and consumer safety and export growth. In addition, conservative estimates indicate that Guatemala will lose all of its primary forests within 30 years if deforestation continues at its present rate (See Figure IV). This will not only drastically reduce the biological diversity, but will also seriously threaten Guatemala's productive capacity for domestic and export commodities.



Due to the confluence of favorable factors within Guatemala and the Mission, USAID has the immediate opportunity to make significant and long-lasting contributions to Guatemala in natural resources (NR) management. The GOG has recently passed key natural resource laws and regulations, the new Administration has pledged to continue supporting related activities, and community participation has increased dramatically. USAID is well-placed, with its strong technical expertise and lengthy history of project experience in sustainable agriculture and resource preservation, to be a catalyst and leader in promoting rational use of Guatemala's scarce natural resources.

This strategic objective has been adopted by the Mission because of the critical importance of natural resources to Guatemala's overall economic growth and development, and because of the impact our programs can make here. Mismanagement of natural resources is a serious problem in the Central American region, exacerbating social and political instability and poverty, and creating conditions for a cycle of ever-increasing resource destruction and poverty. This "cycle" can be found in Guatemala's highlands and fragile tropical areas.

The LAC Bureau has placed a high priority on environmental protection and NR management as a key focus of the Agency's development strategy for the 1990s. This is especially important in Guatemala, which contains the largest remaining tropical forest in Central America and has significant biodiversity.

(2) *Implementation Strategy*

The Mission will support the following two basic activities: 1) *soil, water, and forest resources management* to ensure long-term productivity, focusing on diversified agricultural production; and 2) *protected areas management*, including the sustainable use of timber and non-timber forest products for export, as well as the extensive conservation of forest areas. These will be carried out by the implementation of focused NR projects and the promotion of key policy reforms. The main projects will be Highlands Agricultural Development (PACD 9/93) and the proposed FY93 Improved Natural Resource Management, targeted on the Highland agricultural region, and the Maya Biosphere Project in the lowland forests of the Peten.

Policy reforms under this objective include: a) *the creation of incentives for mobilization of local private entrepreneurs, municipal leaders, and community beneficiaries* to jointly undertake improved NR management; b) *the removal of trade restrictions* on international and domestic NR-based production (e.g., chicle); and c) *restructuring and/or elimination of public sector institutions* involved in NR-based production.

The Mission's NR program and ROCAP's Regional Environment and Natural Resource Management (RENARM) Project enjoy a productive and well-coordinated relationship in Guatemala. Integrated pest management, and watershed, forest, and protected areas management are priority interventions common to both of these programs. Many project activities are jointly implemented to provide maximum impact in resolving the country's most serious natural resource problems.

The Mission will sharpen its focus on the management of natural resources by encouraging a broad spectrum of participation from both public-and private-sector entities. Major policy reforms will be effected through the public sector, but research, extension, and program implementation will be increasingly handled by private sector groups. Ultimately, sustained resource management must come from the "bottom up." Thus, decentralization of decision-making and responsibilities will take place as local communities and municipalities become extensively involved in all phases of the program. In

particular, this includes women, who play an important role in the use and management of natural resources.

Primary beneficiaries under this objective will be small farmers and the rural poor who derive their livelihoods from exploitation of the natural resource base. Institutionally, private sector entities, NGOs, municipalities, and policy-oriented public institutions will be strengthened sufficiently to carry out long-term initiatives in natural resource management without external technical assistance.

(3) *Measuring Program Impact*

Activities under this objective will have a significant impact both in terms of geographical coverage and percentage of population. Mission efforts in the lowland tropical ecosystems will extend to approximately one-fourth of the country, including the areas of greatest biological diversity. Efforts in the Highland region are expected to incorporate approximately the same percentage of national area, including the areas of greatest agricultural production, population, and indigenous concentration. Long-term targets, therefore, include 1) *increasing the area of land under improved natural resource management from approximately 200,000 has. in 1992 to 1,900,000 has. in 1996*; 2) *increasing the number of institutions implementing sound agricultural and ENR plans from the current two to a total of 15 in 1996*; and 3) *accurately measuring and assuring that the number of people employing sustainable land use practices in Guatemala is continually on the increase.*

Quantifiable indicators (see Table 1A&B) will be measured to judge success at the project and sector levels for: 1) Policy reforms and enforcement; 2) Effective, sustainable NR organizations; 3) Improved knowledge, attitudes and behavior of the public and of decision-makers; and 4) Application of improved natural resource management technologies and practices.

Baseline and periodic impact monitoring and evaluations will be generated under the Maya Biosphere and proposed FY93 Improved Natural Resources Management Projects. This technical and social information will provide the analytical base to permit continuous, improved management decisions in this sector.

(4) *Resource Requirements*

Resource requirements for the planning period include bilateral, centrally-funded and ROCAP resources. Central and LAC resources on the order of \$185,000 will be obtained for analyses, project design, and related activities. Approximately \$1 million under the regional RENARM project will support natural resource management activities in Guatemala. Resource requirements for the bilateral USAID programs to support the objective are as follows (\$ millions):

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
DA	2.8	3.0	4.0	7.3	5.9

2. **LAC Objective II: Support the Evolution of Stable Democratic Societies**

a. **LAC 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: Sustained Exercise of Inalienable Rights.**

(1) ***Strategic Objective Selection and Rationale***

The 1985 Constitution is the first in Guatemala's history that defines the predominant role of the state as that of defender and protector of the rights of the individual citizen. During the six year period since the return to democracy, the two elected administrations have only tentatively assumed this new role, confronted by an overwhelming series of obstacles that emerged from the historical dominance by the military under an authoritarian society.

The exercise of basic rights guaranteed by modern constitutions does not come easily to Guatemala. There exist constraints to freedom of speech and assembly, freedom of the press, the right to responsible representation, the right to personal security, the right to due process under the law, and other rights. These are all aspects of the normal practice of daily life in democracy that the government has neither been accustomed nor equipped to defend nor has the citizenry been accustomed to demanding.

From 1986 to the present, the Mission has assisted democratic institutions with technical assistance, commodities, field office strengthening, diagnostic studies, computer capacity, and basic training. That is, substantial advice and other assistance was provided to foster systemic change; change which has been slow to occur. During this period, while the GOG attempted to explain the slow pace with which it was consolidating the defense of the basic rights of its citizens and the non-performance of many of its institutions, international donor support was increasingly conditioned on the country's ability to demonstrate real improvements, particularly in the area of human rights.

The Mission reaffirms its support for the democratic process in Guatemala, but has revised its strategy to be much more explicit about the central focus on deepening of those processes that promote and defend the constitutionally-mandated rights of the individual citizen. The assumption is that the Guatemalan public and private sectors support the legal reforms and institutional improvements required. The Mission will not take the lead in pushing for these measures but will play a strong supportive role for those people and processes that demonstrate an effective commitment to the consolidation of democracy.

(2) ***Implementation Strategy***

A major conclusion of the strategy revision for democratic initiatives was that the management requirements for its activities are extremely complex and staff intensive. Funds will not be made available through complex projects, but rather for short- to medium-term efforts. Policy, regulatory, and institutional reform will be key elements of the strategy. The nature of the nascent institutions and undefined processes involved is such that continued commitment to the activities and counterpart relationships must be constantly updated and clarified.

The Mission's strategy includes support for four major processes that will encourage the exercise of rights that are vital to the functioning of democracy: a) *the right to life and liberty* and b) *the right to due process under the law* (with the Office of Human Rights Ombudsman, the Judicial Branch, and the

Attorney General's Office); c) the *right to representation* (with the Guatemalan Congress), and d) the *right to individual participation and assembly* (through civic and human rights education programs and leadership training). In each of these areas the Mission has undertaken, and will continue to undertake, a lengthy process of dialogue on those policy changes and qualitative improvements that are expected. Resources will be allocated based on the potential for real impact and on perceived changes in specific processes. The areas of concentration are as follows:

(a) The Office of the Human Rights Ombudsman (OHRO): The OHRO will be supported in its attempt to realize its constitutional mandate. The departmental offices will be made fully operational to monitor and report on human rights violations. The case tracking system for the national office is in the development stage and will be field-tested and improved through access to vital information from the judicial sector. USAID/Guatemala anticipates an increase in numbers of human rights abuses reported to the OHRO, in part due to increased rural coverage provided by the OHRO departmental offices coupled with an improved political environment. Taking this into account, an increase in the reporting of Human Rights Violations should be viewed positively – not as an increase in present day incidences but rather, improved environment together with increased public confidence in the OHRO as an institution. Given this improved climate, many violations presently being reported are from past abuses. To clarify this, the OHRO tracking system will include information on dates of reported abuses. USAID/Guatemala will use the number of cases tracked from complaint through resolution as an indicator of progress being made.

Human rights education activities will be implemented nationwide among the following groups considered critical to the systematic defense of individual rights: the military, the churches, elected and non-elected local officials, the formal and non-formal education system, and the media.

(b) The Justice Sector: In the context of an expected passage of major reform legislation for the justice sector and the installation of a new Supreme Court in February 1992, the Mission considers that Guatemala has an excellent opportunity to initiate an overhaul of what is widely viewed as a non-functioning system. Based on clear indications of support for this process from the GOG, the Mission will consider providing important assistance in human resource development and institutional strengthening necessary to implement the forward-looking reform package. As an example, the reform has as a central focus the strengthening of the prosecutorial function in the Public Ministry. While the GOG may increase the number of prosecutors and raise salaries, the Mission will help the Public Ministry develop the broad-based training programs required for the prosecutors and other Ministry staff to perform their expanded functions.

(c) The Congress: The program with the Guatemalan Congress is developing slowly. The Congress' current political fragmentation impedes the fulfillment of both their legislative and representation functions which are so critical to democracy. The Mission believes that the modest package of training and technical assistance activities currently underway will help establish a strong and viable committee system capable of producing well-considered and timely legislation. This will be achieved through training of two permanent staff members (one technical and one legislative expert) on each of the major congressional committees for: 1) Legislature, 2) Budget, 3) Environment, 4) Finance, and 5) Energy and Mines. Emphasis will also be placed on improving legislative information access/management and documentation, internships for highly-motivated university students, and technical assistance in specific areas of legislation.

(d) Education and Training for Participation: The activities in this area are aimed at strengthening democracy at the grassroots, – among citizens and their organizations. As mentioned above, the OHRO is receiving support for both formal and non-formal education activities. Building on

these efforts, human rights education will be expanded to include improved civics education in the formal school curriculum. These activities will be targeted at both the school-age and adult populations, and will include the use of radio in Mayan languages.

Through the **Guatemalan Peace Scholarship Program (GPS)**, and other Mission sectoral projects that work through community groups and organizations, the Mission will foster the participation of local leaders and their constituencies in the decision-making and implementation of development efforts. The Mission expects to continue to surpass the 40 percent target for female participation under GPS given the important role of women in positions of leadership at the local level. GPS local leadership training will be closely coordinated with the **ROCAP/RHUDO Municipal Development Project** which targets training of municipal officials and sector policy analysis. In addition, **Title II Food for Work** activities will continue to focus on labor-intensive projects at the municipal level.

As a necessary complement to the strengthening of grassroots participation, the Mission will provide support for the consolidation of the civilian-military dialogue strategy being carried out by **Centro ESTNA (Center for National Stability)**. ESTNA's annual seminar brings together leading representatives of all of the major sectors of Guatemalan society. USAID/G is also providing logistics support (air travel and per diem) to the **National Reconciliation Commission** to assist it with its efforts to negotiate a peace agreement between the **GOG** and the coalition of guerrilla groups.

(3) *Measuring Program Impact*

Progress toward achievement of the strategic objective will be measured by improvement in the individual citizen's confidence in elected officials and opinion of their performance, as well as his/her perception of the ability of the individual to freely exercise such rights as public participation, free expression, and due process under the law. Therefore, three major related indicators have been identified for the measurement of progress against this strategic objective: 1) *Improved public opinion/confidence in elected officials*; 2) *Individual free expression and participation*; and 3) *Improved due process under the law*.

USAID has concluded that the first two indicators can only be monitored through bi-annual sampling of public opinion. The Mission is initiating the design and field-testing of survey instruments with a U.S. university and a Guatemalan social science research firm. The third indicator will be measured utilizing the case tracking system currently being installed as a part of **CENALEX**, the Court System's legislative information base originally funded by USAID. This quantitative measurement of the ability of cases to move through the system will be complemented by qualitative analysis of public opinion data gathered in the biannual opinion polls. The first poll, to be conducted during **CY 92**, will provide the baseline against which progress will be measured during this planning period. Since this is the first time the Mission will attempt to measure impact in this area, it will be necessary to constantly revisit and refine these indicators as the program and project activities evolve. Finally, impact indicators are being developed for municipal **PL 480 Title II FFW** activities.

(4) *Resource Requirements*

The Mission now knows that efforts in this area are not so much resource intensive as they are staff and time intensive. However, given the total dependence under this strategic objective on **ESF** resources, if **ESF** is significantly reduced and if **DA** funds are not forthcoming, the Mission will have to consider phasing out or not initiating ongoing or proposed projects such as the **Guatemala Peace Scholarships** and the policy based **Justice Sector Reform Support** where, to achieve the desired results, comparatively extensive resources are required.

Resource requirements will diminish over the course of the planning period, although the levels for Title II will increase slowly until FY 95 when they should stabilize. These requirements are illustrated as follows (\$ millions):

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>
ESF	8.8	13.2	10.0	0	0
DA	0.4	0.2	0.2	1.8	5.5
Title II	3.0	4.0	5.0	5.0	5.0

C. CONCLUSION: IMPACT OF RESOURCE REDUCTIONS

Resource levels for Guatemala are uncertain for FY 1992, and much more so over the planning period. In addition to uncertainty over levels, the issues of the dependence of two strategic objectives on ESF, the impact of earmarks (which in FY 91 accounted for over 60 percent of the DA budget), the inability of the Mission to reobligate significant amounts of deobligated "no year" loan funds, and country performance compound the difficulty of clearly defining the impact of reduced levels on the Mission's program. The following is our best estimate of the impact of reduced budget levels by strategic objective.

Increased Private Investment and Trade

With reduced ESF, the policy-based assistance portion of the program would be eliminated, concentrating resources on project assistance to private sector organizations (CAEM, the Gremial, and IESC). Policy dialogue would continue with the public sector, and through the private sector organizations, but no conditionality as such would be possible. If ESF were eliminated entirely in FY 92 or FY 93, a minimum level of assistance to the private sector would be provided by reallocating resources from DA. Under this scenario, the pace of reductions in USAID assistance to private sector organizations would be accelerated. Institutions would be "graduated" within three years, at lower levels of sustainability and at reduced institutional capacity.

Smaller, Healthier Families

The first response to reduced resources during the planning period would be to reduce water and sanitation activities and to eliminate the expansion of the Oral Rehydration and Immunization Project. All resources would be concentrated on the Population and Family Health project. The highest priority of DA resources would be on this program and on its follow-on in FY 96.

Improved Basic Education

The Mission already has concentrated DA resources on one sector project, and intends to carry it to its conclusion. Lower resources would require the Mission to stretch out the number of years in which funds would be obligated. However, given project pipeline, this may be a prudent course regardless of resource levels.

Sustainable Natural Resource Management

The major variable regarding resource requirements is the timing of initial obligation of the proposed Natural Resources Management project. Under sharply reduced funding levels, this would be deferred to FY 94 and, possibly, its scope would be curtailed.

Sustained Exercise of Inalienable Rights

Like Increased Private Investment and Trade, achievement of progress under this objective is now totally dependent on ESF levels. At reduced ESF, the policy component of the Judicial Sector Program would be eliminated. At drastically reduced levels, a modest program in training of judges and staff of the Public Ministry would be added to the current Democratic Institutions project using DA. The GPS project would be cut back substantially, with FY 92 as the last year of new funding.

Other

Projects in the "other" category would be reviewed to rank-order continuation based on anticipated impact. Unfortunately, earlier portfolio consolidation has eliminated non-performing activities and the Mission would be forced to judge whether, for example, eliminating a number of communities served by the Rural Electrification project would be less damaging than would be cutting cooperatives or credit unions out of participation in the Cooperative Strengthening project.

ACTION PLAN

A. PERFORMANCE ON LAC AND MISSION OBJECTIVES

Since review of the last Action Plan impressive gains have been made, *inter alia*, in export of non-traditional products, provision of social services, and strengthening of human rights reporting. A mix of policy dialogue and project interventions have contributed to this success. Where there have been shortfalls or delays (e.g., in fiscal and judicial reform, and in implementing planned social service budget increases), the Mission continues to engage decision-makers. Historic reform of the justice system is within reach. Comprehensive fiscal reform, budget increases dependent on it, and an IMF agreement are also within grasp. In one sense, the slow pace of implementation is a result of improved democratic processes: a multi-party Congress is no longer a rubber-stamp for the Executive. However, efforts must persevere if more Guatemalans are to have a better life, and U.S. interests are to be served. USAID Guatemala maintains its commitment to help achieve these objectives.

The following narrative summarizes program performance, in the context of the current strategic objectives. Progress over the past year is also indicated against the strategic objectives that are no longer being pursued. Targets for the Action Plan and Strategy periods are subsumed within the POD and attendant tables. (The program performance table from last year's Action Plan is provided as Annex 8 for reference purposes).

1. **LAC Objective I: Support the Achievement of Broad-Based Sustainable Economic Growth**
 - a. **LAC Sub-objective: Encourage a Vigorous Response by the Private Sector to a Favorable Policy Environment**
 - **Mission Objective: Increased Private Investment and Trade**

Fiscal reform and signing of an IMF agreement are not yet a reality in Guatemala. However, over the past year the Government of Guatemala has otherwise maintained an appropriate policy environment for stimulating increased private investment and trade. This policy environment is characterized by:

- depreciation of the real, effective exchange rate;
- a greatly reduced rate of inflation, from 60% in 1990 to 10% by end 1991;
- a reduction in the tariff range from between 0 to 150 percent in 1986 to between 2 and 37 percent, currently, with the average weighted tariff now 14 percent;
- streamlined export procedures, through the creation of a one-stop export center for export registration; and
- the elimination of the national airline's monopoly on the cargo market in Guatemala, thereby further expanding air cargo capacity to meet demands of exporters.

The impact on trade and investment has been significant. Private investment represented 12.2% of GDP by the end of 1991. Trade (exports plus imports) was 51% percent of GDP, with non-traditional exports (NTEs) continuing to gain momentum:

- NTEs from Guatemala grew by 35% in 1991 compared with 23% in 1990.
- Gross value of agricultural NTEs increased from a 1990 level of \$80 million to \$96 million.
- The gross dollar value of non-agricultural NTEs increased from \$216 million in 1990 to \$275 million.

As of 1992, NTEs have surpassed coffee as the leading foreign exchange earner for the first time. USAID can take a substantial amount of credit for laying the basis with the GOG and private sector for achievement of this milestone.

In addition, the Mission has continued to press for structural reforms in the agricultural and industrial sectors. Results include:

- liberalization of the interest rate policy of BANDESA (the public sector agricultural development bank) to lend at market interest rates for its entire portfolio;
- electricity tariff increases of 46 percent;
- legislative and other initiatives to promote private participation in the electrical sector; and,
- further simplification of export procedures and expedited handling of shipments by Customs.

USAID was also instrumental in stimulating increased trade and investment in Guatemala over the past year through its assistance to private, non-profit institutions as well as to selected public sector institutions.

- The Non-Traditional Exporters Guild, through its export promotion and policy support activities, influenced approximately \$228 million of the \$371 million 1991 NTE production total.
- The Investor Services Center facilitated five new investments in Guatemala valued at nearly \$7 million.
- IESC assistance to Guatemalan firms resulted in \$1.5 million of U.S. imports and \$4.5 million in increased exports.
- Assistance to 5,000 small farmer members of 27 agricultural marketing and service cooperatives resulted in earnings of approximately \$3 million from high value agricultural exports.
- The 1990/91 growth rate of 21% in horticultural product exports was partially achieved due to technical and financial assistance provided under the HADS project, including TA to more than 7,000 producers, improvements in irrigation systems on almost 4,000 farms (2,000 has.), and improved conservation practices on these farms.
- Marketing of agricultural products was facilitated through construction or rehabilitation of 185 kms. of access roads benefitting 82,000 persons. Furthermore, another 1,195 kms. of access roads were maintained, benefitting some 390,000 rural inhabitants.

Rural Guatemala was transformed in the 1980s. The opening of the economy and the adoption of sound economic policies increased the profitability of vegetable and fruit exports. The Highlands have a natural advantage for cool-climate products such as snow peas, broccoli, cauliflower and fruits. As a result, the area devoted to such products increased by over 6 percent a year between 1979 and 1989, compared with only 2 percent for beans and corn.

This growth permanently changed the lives of rural farmers. Traditionally, family incomes were augmented by seasonal labor in coastal farms producing cotton, coffee or other traditional crops. Now, intermediaries such as local marketing cooperatives and international frozen foods industries, such as Birds Eye and Green Giant, pay for high-quality produce. As a result, families are no longer available for seasonal labor. For example, Cuatro Pinos is a cooperative, located in the Western Highlands, that has a seasonal need for agricultural workers. Traditionally, as the harvest season approached, the managers of the cooperative would simply let workers know that additional labor was being hired. Tulio Garcia, manager of Cuatro Pinos said that the coop could get 200-300 seasonal workers in that way. Things have changed. The labor market is now so tight that Cuatro Pinos has to aggressively seek seasonal workers in areas far away.

Finally in the area of energy generation, key for increased trade, two contracts were signed by INDE and private sugar mills for the cogeneration of electricity. INDE also is assessing with private companies prospects for the exploration and development of energy resources and generation of electricity. Also, initiatives to modify energy legislation to domonopolize energy are being discussed with Congress. Furthermore, electrical tariffs were raised substantially in 1991 and with another increase programmed for early 1992 tariffs will cover the total cost of generation. A contract was signed between INDE and a consortium of U.S. firms to create a private \$55 million 100 MW generating facility that will sell energy to INDE at \$.0055/KWH. Finally, three municipal electrical distribution enterprises are negotiating joint venture agreements with private sector groups.

b. **LAC Sub-objective:** Encourage accelerated opportunities for increased participation in the economy by the historically disadvantaged

– **Mission Objective:** Smaller, Healthier Families

As discussed in the strategy section of this document the Mission has consolidated former objectives for "Increased Use of Family Planning Methods" and "Reduced Child and Maternal Mortality" into one objective, **Smaller, Healthier Families**, with the emphasis on family planning. Performance was mixed over the past year:

- actual numbers of family planning users increased – by almost 14% (although contraceptive prevalence rates increased only marginally);
- thus, couple-years of protection increased from 294,000 in 1990 to 335,100 in 1991.

Policy accomplishments during the last Action Plan period took various forms and some were of national significance, e.g.:

- creation of a reproductive health unit in the Guatemalan Social Security Institute thereby increasing FP service coverage by a potential 20% nationally;

- initiation of a national family planning policy review; and
- issuance of a new GOG Plan which features commitment to FP and reduced total fertility rates as a national goal.

Concepción Díaz was 35 years old, had had six children in just eight years and she could afford no more. She knew about the Guatemalan Family Planning Association, *APROFAM*, but had no resources to finance a two day stay in the clinic in the nearest city. Her only alternative was to sell a small plot of farmland her father left her when he died. Concepción sold the land, made the trip and went to *APROFAM* for voluntary sterilization.

"With a monthly income of 200 quetzales (US\$40)," Concepción explains, "it is impossible to support all the children, feed them, clothe them and send them to school. For me, the operation was the best thing that could ever happen. It was worth all the effort. Now I have more time to work and to dedicate to the children I have. In the long run, selling the land was a great investment."

In the Mission's view, the GOG is still devoting too large of a percentage of the national health budget to curative (hospital) services. Furthermore, ground has been lost in Child Survival, although the Mission and GOG are moving in tandem to regain it. The Immunization/ORT project has been reinitiated, due to the GOG's repaying \$1.1 million in disallowed costs. However, the suspension of the project was a major factor in the decline of preventive health services:

- immunization coverage fell from 60% at the end of 1989 to approximately 40% currently (coverage did rebound from the 1990 low of 34.7%), although
- ORS coverage increased from a low of 24.6% of children under five in 1990 to 38% in 1991.

During the past year the Mission was the major player for overall assistance for the prevention of cholera.

- 2,000,000 ORS packets, 78,000 IV solutions, application kits, and educational materials were supplied.
- AID staff provided critically needed field supervision.
- Deaths have been limited to less than 1% of the number of persons infected.

The Ministry of Health and USAID/Guatemala coordinated interventions to limit the outbreak of cholera in 1991. The Ministry of Health estimates that interventions resulted in the prompt treatment of 25,000 cases of extreme diarrhea, and greatly limited deaths.

Dr. Cesar Davila, Director of the Santo Domingo Health Center said that prompt USAID intervention was critical in the control of the disease. Dr. Davila's center and USAID staff carried out door-to-door visits and worked closely with local authorities. Each health promoter was responsible for monitoring diarrheal diseases, providing treatment for dehydration and maintaining constant surveillance of cholera cases.

Annual diarrheal deaths in Guatemala prior to the cholera epidemic numbered 10,000 and affected the more vulnerable under five population. Preliminary reports indicate that the USAID-assisted educational and early treatment efforts used in the cholera epidemic are anticipated to have a positive impact on the reduction in the overall number of diarrheal disease related deaths. Other water and sanitation activities during the period helped curb the incidence of diarrheal disease, although the impact of AID activities was more limited than in prior years due to the hiatus in 1991 between the prior and new water and sanitation projects with the GOG. However, under the CARE Water and Sanitation Project: 12 potable water systems were installed, 1,300 latrines were constructed, approximately 6,000 persons benefitted, 750 women were trained in health, 24 women served as community promoters, and 12 women as extension agents.

In addition to accomplishments under DA-financed projects, the PL-480 Title II program continued to provide direct assistance during 1991 for the most disadvantaged groups, and particularly to advance maternal/child health.

- CARE, World SHARE and CRS distributed monthly rations to 345,000 "at risk" mothers and children.
- About 14,600 female heads of households and children previously diagnosed as malnourished regularly consumed nutritionally-balanced meals.

— **Mission Objective: Improved Basic Education**

During 1991, the Mission's education sector strategy continued to demonstrate its effectiveness in targeting education resources to improve the quality and efficiency of the primary school system. The program achieved the following targets:

- The bilingual program has now created curricula for grades one through four in the four major Mayan languages.
- Additionally—for the first time in Guatemala—a pre-school program is now functioning for six and seven year old indigenous children in the four major Mayan languages.
- The bilingual program has now trained 800 indigenous educational promoters to teach pre-school children in the highlands regions in their native languages.

- A total of 5,371 teachers have received in-service training in bilingual teaching methodologies and with bilingual materials.
- An innovative, interactive radio-mathematics program was initiated, bringing state-of-the art mathematics instruction directly to teachers and students in the classroom.
- The first issue of a specialized magazine—aimed at motivating teachers in isolated areas with creative approaches for teaching children, using the resources available in the community—was produced and distributed to teachers in remote areas of the country.
- The first full national census of the teacher personnel system was conducted.
- The number of indigenous primary school-age children enrolled increased from 92,621 in 1990 to 119,939 in 1991.

In Guatemala, it is estimated that for every 10 children who complete sixth grade, only two are girls. Female adult illiteracy rates, particularly among Mayan-speaking girls and women, are nearly three times that of non indigenous girls. In an effort to increase educational opportunities for girls USAID has supported a pilot effort to provide scholarships for girls in primary grades. The program now operates in 22 schools in 13 indigenous communities where only 53 percent of school-aged girls attend primary school. In an effort to increase this percentage further a total of 2,457 girls have received scholarships since 1986. The monthly scholarship payment (only \$3 per month) helps compensate parents for the lost help that daughters provide to the family (e.g., girls fetch water and wood, care for younger siblings, tend to household chores, and assist with food preparation). Communities are reporting—for the first time in their history—that girls are graduating from the sixth grade.

Three years ago, in the village of Chamil in Alta Verapaz, there were no girls in upper primary school. Now girls comprise nearly half of the students in those grades. Beginning three years ago, when they were in the third and fourth grades, five girls in each grade were awarded scholarships; these girls have graduated to the fifth and sixth grades.

The GOG has not yet increased the annual level of resources devoted to basic education from 2% of GDP to 3% as called for under the BEST project. The 1992 GOG budget planning figure for primary education is the equivalent of \$157 million vs. \$122 million budgeted in 1991 (28% increase). This continues to be a major policy issue, however.

c. LAC Sub-objective: Encourage preservation and sustainable use of the natural resource base

— Mission Objective: Sustainable Natural Resource Management

Guatemala continues to be a regional leader in natural resource (NR) management efforts --marked by new and improved policies and legislation, stronger institutions and increased implementation of related fieldwork. From 1990 to 1991 USAID support was responsible for:

- Approximately 10,000 additional hectares of land under improved management practices for sustainable agricultural yield.
- Land under watershed management increasing from 5,700 has. in 1990 to 6,500 has. in 1991.

- Improved management of 320,000 hectares of legally established protected areas. (Short of the target of 380,000 hectares but a dramatic increase from the 60,000 has. legally protected in 1990.)
- Technical training courses for 108 Guatemalan professionals.

Environmental degradation occurs, in part, when the market value of natural products is understated. If prices do not reflect the true value or scarcity, products are used excessively, they are not protected and they are not replaced. The exploitation of lumber in the Peten region of Guatemala reflects this overexploitation.

For over 100 years, the Peten has been the primary source of fine hard wood exports such as mahogany (*caoba*) and Spanish cedar (*cedro*). The lumbering concessions were not managed well, partially because trees were viewed as free resources. The Maya Biosphere Reserve was established, in part, to improve the management of natural resources including lumber. In the past year, the Mayan Biosphere was closed to lumbering companies. An immediate impact was a significant increase in the value of standing timber on private land outside the Biosphere Reserve. Prices paid to private sellers have quadrupled from Q200 (\$40) per log to Q800 (\$160), causing land owners to recognize that trees have a significant market value. Once the product has a market value, land holders have an increased incentive to manage forests rather than simply burn them. "Getting the prices right" is the first step towards improving forest management.

2. LAC Objective II: Support the Evolution of Stable Democratic Societies:

- a. LAC 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: Sustained Exercise of Inalienable Rights.

During the previous Action Plan period, the Mission targeted its efforts on the deepening of those processes which contribute to the defense of the rights of individual citizens. This focus guided project design and implementation, evaluations, sector analyses, and strategic programming exercises. In addition, a Country Team Work Group was established, chaired by the DCM and including participation by the Political Section, USIS and the DAO.

For Administration of Justice it was determined with the Country Team Working Group not to extend the bilateral AOJ project. Instead, a new agreement was negotiated which, in the context of the imminent passage of the new Penal Procedures Code and full turnover of Supreme Court justices, would provide support for the different institutions in the sector. During the period prior to the PACD, the AOJ project supported:

- Establishment of CENALEX, the Court System Legislative Information Center.
- Creation of a Training Unit in the Public Ministry to train prosecutors.
- Preparation of the Penal Procedures Code, a prospective accomplishment of historical proportions.

Under the Democratic Institutions Project during the period,

- 22 departmental offices of the Office of the Human Rights Ombudsman (OHRO) were fully equipped by USAID, and began operation.
- OHRO initiated education and training activities with a broad range of institutions and community groups.
- A case tracking system for human rights violations was also designed and put in place.

Within hours of being notified by his USAID-equipped regional office of the massacre in Santiago, the Human Rights Ombudsman (HRO) arrived in USAID financed vehicles at the scene of the crime. He quickly defused the tense situation by promising an investigation and offering to immediately view the bodies and begin the documentation of the massacre. During the ensuing months the HRO followed up on this incident closely. After the release of his report which clearly demonstrated the military's abuse of the local population over time the President ordered the military base removed.

In November 1991, the conviction and sentencing of two military officers for the massacre was announced. Rarely have Guatemalan military officers ever had to answer for abuses and the convictions were a source of satisfaction. It is widely believed that the HRO's investigation and subsequent publication of his reports office contributed significantly to this conclusion. The people of Santiago honored the HRO on the first anniversary of the massacre by presenting him with the letter the President sent them which ordered the military base removed from their town. The HRO has profusely thanked AID for its increased support, which has enabled his staff to investigate alleged HR violations more quickly and comprehensively.

A grant for institutional strengthening to the new Congress was also signed during the period. The first activity under the grant was a highly successful symposium on the 1992 GOG budget with participation of the Executive, which provided the new Congress with a more in-depth understanding of budget processes.

The Guatemala Peace Scholarship project, which reinforces all strategic objectives, continued the tradition initiated under CAPS which has had major impact in training future Guatemalan leaders and introducing them to U.S. values.

- 190 persons were trained in short-term leadership and technical specialities.
- 50 long-term participants also were trained.
- 2,000 alumni participated in in-country follow-on activities.

Also, an analysis was completed in collaboration with RHUDO of the role of local development strategies and decentralization in the USAID/Guatemala portfolio. This will have ramifications for our strategy in the future.

3. OTHERS

Important activities for 1991 under projects which do not fit within the strategic objectives are illustrated below:

- Electrical service was provided to six new rural communities under the Rural Electrification project.

- \$3 million in production loans were provided to 1,400 small farm families under Commercial Land Markets.
- 815 Guatemalans were trained in a variety of disciplines through Development Training and Support.
- Under Altiplano Higher Education, a university student development center was founded which now is offering counseling and guidance services, remedial training, and job placement services.
- Through the Cooperative Strengthening project, 7,000 new members joined the 57 project cooperatives, cooperative capital increase by the equivalent of \$2.7 million (Jan.-Sept.) and credit union savings by almost \$2 million.

B. MONITORING AND EVALUATION

The Mission has updated its monitoring and evaluation plan in light of the refocusing of the overall portfolio. The revised plan will provide Mission management with the necessary information for monitoring sector developments, for evaluating progress in achieving both strategic and program objectives and for measuring the impact of project interventions.

A major development is the establishment of cross-Mission teams, one for each strategic objective. The purpose of each team will include oversight of the data collection and reporting of incremental progress for each strategic objective. Furthermore, an additional team has been established to coordinate the evaluation and monitoring efforts of the Mission.

1. Strategic and Program Level Indicators

The Mission regularly carries out sector-level analyses (See Annex 5). They provide necessary information for the establishment of program priorities and project design. They usually contain a description of the policy environment, the institutions of the sector and expected developments in the sector. To date, such sector-level analyses has been developed by offices responsible for project design. The cross-Mission teams (1) will ensure that complete sector frameworks exist for each strategic objective and (2) that they are updated on a regular basis. These sector documents provide the rationale for the selection of the performance indicators attached to each strategic and program indicator.

The sector analyses led to the selection of quantifiable performance indicators at both the strategic objective level and program output level. The first task of the cross-Mission teams is to establish or verify a baseline for each of those performance indicators and identify performance targets for the next five-year period. Both active and passive projections of performance targets will be made. Passive projections assume no program or project interventions by the Mission in the sector while active projections assume successful project interventions. The difference between the active and passive indicators will reflect the impact of the Mission's activities.

The performance indicators at both the strategic objective and program output level will help management identify progress in achieving Mission objectives and provide indicators when a reprogramming of Mission activities may be necessary to ensure successful achievement of Mission goals.

2. Project Level Evaluation and Monitoring

The cross-Mission teams also will ensure that each project has an appropriate monitoring and evaluation program and that impact or summative evaluations of key projects are carried out. On-going evaluations help streamline the management function, and give an early warning of potential difficulties. Indicators can include both financial and technical indicators. The purpose of a mid-term evaluation is to assess the project's progress in achieving its objectives and permit mid-course correction.

Traditionally, indicators of project activity have been inefficiently used and mid-term evaluations have focused only on the implementation process. The cross-Mission teams for each strategic objective will be responsible for ensuring that such mid-term evaluations are more complete, including estimates of beneficiary impact and rates of return on investment.

The Mission will also begin impact evaluations of key projects. Such evaluations will not focus on project implementation but rather on the effectiveness of the project. Given the initial objective, the impact evaluation will consider the technical soundness of the project, if the policy environment was taken into consideration and whether institutional weaknesses were underestimated. The purpose of the impact evaluation is to identify policy or institutional factors that could affect on-going projects and evaluate the impact of the project on the target group. In the latter case, project beneficiaries will be compared with nonbeneficiaries to evaluate the true impact of the project. The Mission will select a limited number of completed projects for such impact evaluation.

3. Implementation

The cross-Mission team will ensure that the sector analyses are updated and that the evaluation and monitoring plan is implemented at both the strategic objective level and the project level. To facilitate the evaluation and monitoring program, a "flagship" project will be selected for each strategic objective. All evaluations, regardless of the level of the indicator, will be financed through the flagship project. The cross-Mission team will ensure that the logframes of the project reflect this expanded responsibility.

Impact evaluations of selected projects will be incorporated into project design for all new projects. To begin the process, however, PD&S funds will finance the evaluations. The cross-Mission team focusing on evaluations will help design the components of the impact evaluations and the distribution of their results.

4. Additional Work

The Mission has advanced in the selection of program and performance indicators. Nevertheless, those indicators will continue to be refined. In particular, indicators in the areas of Sustainable Natural Resources Management and the Sustained Exercise of Inalienable Rights will be refined. As the Mission clarifies those indicators, it will request assistance from CDIE. In addition, CDIE may also be requested to help the Mission clarify the linkages between project-level indicators and sector-level indicators. Improvement in methodology will permit better evaluation of the overall impact of the Mission's activities on the Guatemala's development.

C. COUNTRY PERFORMANCE

USAID/Guatemala continues to question the basis for Guatemala's ranking in the performance-based budget exercise. Our major disagreement remains with the criteria for the macro-economic ranking. Notwithstanding adoption of an extremely tight monetary policy, submission to Congress of a comprehensive tax reform and restrictions on expenditures while the tax package is debated, the GOG is judged as having relatively poor economic policies. Despite extremely low inflation, significant increases in international reserves, accelerating growth of nontraditional exports and steady real economic growth, Guatemala is judged a relatively weak performer. Changes proposed by the Mission to certain scores are below.

Specific comments are found in Annex 3 to substantiate these revised scores.

I.	Macroeconomic Policies	Mission Score	LAC Score
A	Macro Reform Program	9.0-9.5	5.5
C	Exchange Rate	9.5	8.5
E	Trade Regime	9.0	8.0

D. PORTFOLIO ANALYSIS

1. New Initiatives

a. Project/Non-Project Initiatives

The Mission is proposing only two new activities in the FY 93/94 period, the Judicial Sector Reform Support program and the Natural Resources Management Project. Each project is essential to the attainment of the Mission's strategic objectives in the Sustained Exercise of Inalienable Rights and for Sustainable Natural Resource Management. See Annex 7, Table 5 for delineation of program activities and outputs. One major project amendment, Immunization/Child Survival also is planned for FY 1993. The NPD for this, which was presented in last year's Action Plan and approved, remains valid.

1. Judicial Sector Reform Support

The proposed project is a follow-on to the Improved Administration of Justice project, which terminated on December 31, 1991. It was originally submitted to AID/W in last year's Action Plan as the Judicial Sector Human Resources Development project, and approved for an FY 92 new start for a total funding level of \$4.5 million (ESF).

Based upon our experience with the previous project, as documented in a recently-completed stock-taking of the judicial sector, and the possibility of significant GOG efforts to implement a historic judicial reform, the Mission has amplified the earlier project concept to add a strong policy dimension, including linking non-project resources to policy actions (policy-based disbursement). We believe this is the first attempt to develop and implement a policy-based disbursement program in the judicial sector.

Given the expanded nature of the program, and key actions required prior to its initiation (including passage by the Guatemalan Congress of the criminal procedures code reform and selection of new Supreme Court leadership), we have moved initial obligation to FY 93. Funding would come from the FY 93 and FY 94 ESF budget. Local currency derived from policy disbursements will be used within the overall program and will not constitute a discrete management unit.

The proposed program is a crucial component required to implement the strategic objective of **Sustained Exercise of Inalienable Rights**.

Benchmarks will be developed, which could include budget increases for identified sector tasks and activities and priority institutional improvements to implement new reforms and policies. Local currency generated by U.S. dollar funds released as benchmarks are achieved will support sector logistics requirements. Project assistance will be directed at critical needs of the Public Ministry to train personnel in expanded investigative and prosecutorial functions and judicial personnel in new proceedings, as well as for much greater Court coordination responsibilities. The Bar Association and law faculties will also receive assistance.

It should be noted that limited funding (less than \$500,000) will be required in FY92 to continue specific activities initiated under the Improved Administration of Justice Project. This includes a \$140,000 grant to the Public Ministry to continue in-country training.

2. Natural Resources Management

This project was included in the FY 92-93 Action Plan and approved for FY 93; however, it was predicated on support from a PL 480 Title III program. It has, therefore, been revised and a new NPD is included herein.

The proposed project will promote improved management of natural resources under three principal components: sustainable agricultural practices, watershed management, and the consolidation of Guatemala's protected areas system. The sustainable agriculture component draws from 30 years of AID experience in rural development in Guatemala. The component is a vital part of the Mission's ENR strategy, providing more sustainable land-use alternatives to destructive slash-and-burn practices in tropical lowlands and erosive hillside farming in the highlands.

A key focus of the USAID policy agenda within the project is to improve agricultural productivity and sustainability through improved policies related to infrastructure (e.g., irrigation), land use, credit, technology development and dissemination. Among the specific policies to be addressed in the project are included the rationalization of subsidies and tariffs for agricultural inputs and outputs, and increased authority at decentralized levels for ENR management activities.

Watershed management and rehabilitation are essential to sustain agricultural production, energy generation, and potable water supplies in Guatemala. This component will build upon the watershed management pilot program begun recently under the HAD project. It forms an important part of the Mission's ENR strategy since, without watershed management, all downstream development activities are put at high risk of failure (agriculture, industry, urban development, water and sanitation, health, etc.).

The Protected Areas component will support a combination of policy accomplishments and policy implementation required to complete and consolidate Guatemala's Protected Area System. AID has been the lead donor in Guatemala in supporting the development of a protected areas strategy and in helping to define the institutional framework required for its realization. USAID is already working with the GOG Inter-agency on Protected Areas (CONAP) in the Maya Biosphere Project in the Peten region. CONAP has shown interest in decentralizing protected area management and delegating on-the-ground implementation to the private sector through NGOs and contractual relationships (concessions). This creates a historic opportunity to define the future size and shape of protected areas and their management in Guatemala.

3. Immunization/ORT Amendment

Child Survival activities will be continued for two additional years under this amendment, until 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.

b. Food Aid

With the decision to continue Guatemala as a PL 480 Title I recipient, and the total shift of Section 416 responsibility to USDA, no initiatives are planned involving either policy conditionality or programming of local currency generations related to those programs.

Regarding Title II, the Mission is working closely with the participating PVOs (CARE, SHARE, and Catholic Relief Services) to better integrate their programs into the Mission's strategic objectives. The PVOs will be increasing the amount of food commodities programmed for monetization, because increasing management costs must be funded through this means. Furthermore, the Mission is considering a proposal for establishment of a "revolving fund" to help finance transportation costs which previously were funded with PL-480, Title I local currencies. We propose continuing the Title II program at a level of \$12 million (including freight) for both FY 93 and FY 94.

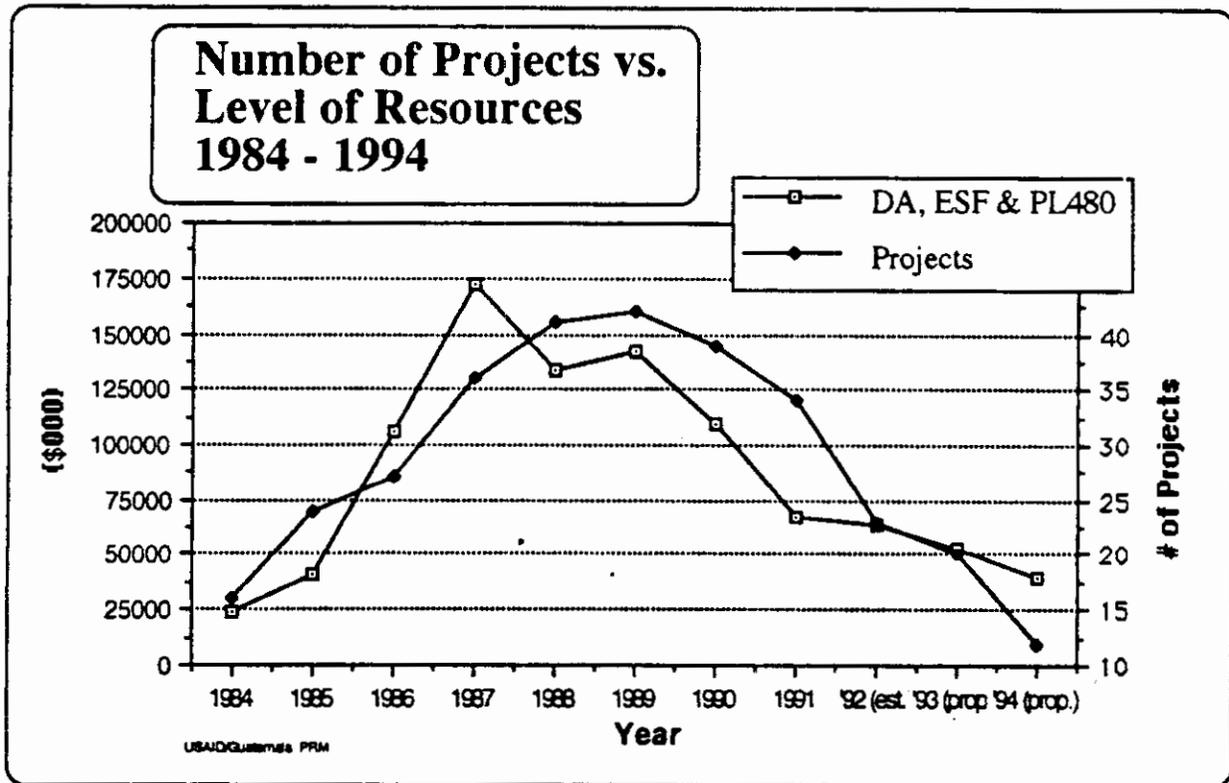
2. Terminating Projects:

The projects scheduled for completion during the planning period, including a brief description and expected terminal date, are detailed in Annex 6. Furthermore, portfolio consolidation is discussed in Resources Requirements, Section E, which follows.

E. RESOURCE REQUIREMENTS

1. Summary - Program Consolidation

Over the last year, USAID/Guatemala has gone through an extensive process of consolidating its strategic objectives from nine to five, and in reducing staff accordingly. The streamlining of the program portfolio in line with the new strategic framework is well underway. During fiscal year 1991, six projects were completed and only one major project (Rural Water and Sanitation) and a small PVO activity (Orphans/Displaced Children) commenced. During FY 1992, ten more projects will end and no more than two will begin. Completion of five additional projects is expected in FY 1993, while only two new starts and one major amendment are planned. Four projects will be completed and no new projects are planned to commence during FY 1994. In sum, the Mission's portfolio will be reduced by 23 project activities by the end of FY 94, from 34 active projects at the outset of FY 91 to 12 by the end of FY 94 (see chart below). In addition to the decline in the project portfolio, FY 91 was the final year of macroeconomic balance of payments assistance and the year USAID ceased active involvement in programming local currency resources generated by the PL 480 Title I program.



At the end of FY 91, the mortgage was \$83 million, more than half of which (\$46 million) was from the BEST and Guatemala Peace Scholarships (GPS). By the end of the second quarter of FY 92, this will be reduced to \$65 million by reducing the GPS authorized level to \$20 million from \$37 million. By the end of FY 94, the total Mission mortgage will have been reduced to \$27.2 million; as indicated in descending order by functional account ARDN \$9.6 million, Population \$6.5 million, EHR \$5.4 million, PSEE \$5.3 million, Health \$200,000, Child Survival \$150,000, and ESF \$100,000.

This program consolidation is being effected in recognition of the changing priorities for Guatemala and the region, and with the clear understanding that resource flows will diminish. The

elimination of the macroeconomic objective - and the focusing on trade, investment and democratic initiatives will enable the Mission to efficiently implement an ESF-financed program on the order of \$10 million to \$20 million a year during the planning period. It is estimated that the level of the DA program will remain relatively constant at between \$20 million to \$25 million per year. ESF levels lower than \$10 million will have drastic consequences for the DA program. That is, lower-than-expected ESF will require elimination of at least one strategic objective if DA is held constant or lowered, in view of the emphasis on (and Congressional earmarks for) family planning, child survival, basic education and environmental protection. In an ESF-poor situation where trade-offs with DA are not possible during the Action Plan period, the reduction from five to three or two strategic objectives planned to occur at the end of the strategy (POD) period will have to be accelerated.

To implement the program described in this POD/AP, and to reach the levels of impact defined for each strategic objective, therefore, the following program resources will be necessary:

	FY 93 (\$ mil)	FY 94 (\$ mil)
DA (NOA)	23.8	20.0
DA (reob)	4.1	2.0
ESF	20.0	10.0
PL 480 Title II	12.0	12.0

The one certainty about resource levels for Guatemala is that they will decline; only the pace is in question. Several assumptions were made in defining the minimum levels for FY 93 and FY 94: (a) FY 92 levels would be no less than \$26.725 million DA, and \$30 million ESF; (b) the Mission would retain all deobligations for reobligation in its portfolio; (c) Guatemala, with an IMF Agreement in CY 92 would receive full performance funding; (d) resource allocations would not be constrained by functional account rigidity or earmarks; and (e) FY 94 would be the last year for ESF.

As stated in the POD, the Mission plans to be actively involved in at most three objectives by the end of the planning period. If resources were 20 percent below those anticipated for FY 93 and FY 94, the Mission would accelerate the pace of program consolidation. Section B.7. of the POD outlines specific steps the Mission would take in response to lower funding levels.

2. Staffing

The Mission commitment in last year's Action Plan and ABS was to reduce the total staff to 200 by the end of FY 91; we have exceeded that target. USAID staffing reductions are perhaps the most significant in the LAC Region. From a total of 253 positions in FY 90, USAID/Guatemala was reduced to 230 positions in FY 91, and this level has been reduced to 196 as we complete the Action Plan. This reduction of 23 percent is in line with LAC guidance, and commensurate with the reduction in program levels. The significant drop will even off with an additional reduction of 13 percent by 1995.

USAID/Guatemala's staffing levels in the past were misjudged by outside observers to be higher than they actually were because of the inclusion in our staffing pattern of positions for providing support services to other missions, particularly ROCAP. This has been corrected through an analysis of the Executive Office, the Controller's Office, and the Regional Contracts Office which concluded that 21

positions should realistically fall under ROCAP's FTE level. It has been mutually agreed that a one time adjustment is necessary adding FTEs to ROCAP's ceiling; these positions can be moved to ROCAP's staffing pattern to better reflect the administrative support requirements of USAID/Guatemala and ROCAP. ROCAP's Action Plan this year, therefore, includes a commensurate increase of 21 positions. We would expect these levels to be reflected in the ABS control levels.

As the following table illustrates, by 1995 USAID/Guatemala will have decreased its overall staff size by 36 percent from 1990 levels. The largest reductions are being taken in the expensive workforce areas of USPSCs and PASAs, where we are implementing reductions of 68 percent and 60 percent respectively. These reductions are commensurate with reductions in the program size. At this time there are no staff costs currently funded by OE which can be funded through program resources.

USAID GUATEMALA FTE

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95	Overall Reduction	% Decrease
USDH	28	27	23	22	21	19	9	32
USPSC	19	12	10	7	6	6	13	68
PASA	5	3	2	2	2	2	3	60
FNDH	43	43	38	37	35	34	9	21
FNPS	158	145	104	104	104	102	56	35
TOTAL	253	230	177	172	168	163	90	36

3. Operating Expenses

USAID operating expense requirements reflect the streamlining of our portfolio and the impact of staff reduction and consolidation. Specific cost reductions were, or will soon be, achieved through:

- 1) Combining of ROCAP and USAID Missions into one building, reducing administrative support and enabling the elimination of six positions;
- 2) 50 percent reduction in warehouse costs through removal of project commodities from the Mission warehouse;
- 3) reducing the size of the motorpool;
- 4) savings in guard service from consolidation from five buildings to one;
- 5) negotiated rent increases for nine years of only six percent a year (uncompounded) on the office building.

As indicated, therefore, USAID/Guatemala has accomplished several cost-saving measures which will result in reduced operating costs in the next few years. However, the drastic reduction in Operating Expense budget authority for FY 1992 is not acceptable. In FY 1991, the authorized budget was \$6,328,500. For FY 1992, the authorized budget is currently \$3,682,000. A major reason for the reduction is, of course, the need in FY 1991 for Operating Expense to pay for the move into the new office building (\$1,940,000). Another rationale for reduction is due to the significant reduction of OE Non-Expendable property procurement in FY 1992 by LAC. In FY 1991, USAID obligated \$755,000 for NXP other than that required for the new office building. With these reductions, the recurring cost

of the Mission would be expected to be \$3,633,040 plus inflation and other unanticipated costs. However, there are some cost increases over which the Mission has limited control; these need to be taken into consideration in the establishment of the FY 1992 Operating Expense budget level.

Most of the procurement in FY 1991 was for computer equipment so that USAID could comply with the Agency policy (mandated by Congress and OMB) to move to an industry standard computer system. USAID needs an estimated \$150,000 in FY 1992 to complete the replacement of old equipment and to bring the Mission up to the new Agency standard by FY 1993. The maintenance costs previously paid by AID/W will have to be paid by the Mission this year. This represents an anticipated cost of \$100,000 per year. The Mission is assuming the cost of maintenance of the VS minicomputer and its support equipment will continued to be paid by AID/W. If this is incorrect, this estimate will have to be increased.

The Government of Guatemala doubled the cost of electricity in September 1991 to try to raise the electricity cost to the level of production (at the urging of AID and other donors). Another large increase is anticipated in FY 1992 so the budget for office electricity is expected to rise from \$27,000 to \$110,000. We also anticipate an increase in the LQA to cover the increased utility costs in FY 1992 amounting to \$15,000.

USAID has developed a comprehensive training plan for all Mission employees and had hoped to increase its training budget by \$50,000 this year in anticipation of a reduction of USDH over the Action Plan period and due to the obvious need to increase the responsibilities of the FSN staff. Without additional training our vulnerabilities will increase.

There was no increase in FSN salaries implemented last year so the actual pay costs for FSNs in FY 1991 is understated. There was a 14.1 percent increase implemented on October 7, 1991, and another wage survey will be done the second quarter of FY 92, which it is anticipated will result in another increase of \$174,000. The costs for an FSN retirement plan are a new budget item in FY 1992. This represents an increase of \$60,000.

USAID is requesting \$4.1 million (a reduction from \$4.38 requested in the ABS) to cover its operating expense costs for FY 1992. We are prepared to cover the increase from Trust Funds.

Our projections for USAID Operating Expense budget resources for the period FY 1991-1995 are:

OE BUDGET PROJECTIONS			
FY 92-95			
(US\$ 000s)			
Fiscal Year	Dollar OE (US\$)	Trust Fund OE	TOTAL
1991 (Actual)	2,650	3,678.5	6,328.5
1992	2,200	1,900	4,100
1993	2,100	1,800	4,000
1994	1,900	2,000	3,900
1995	1,800	2,000	3,800

TRUST FUND AVAILABILITY
FY 91-95
(US\$000)

Fiscal Year	Expected Deposits	Project Usage	Interest Earned	Ending Balance
1991 (Actual)	5,000	3,678.5	2,216	3,520
1992	2,000	1,900	1,000	4,620
1993	0	1,900	800	3,520
1994	0	2,000	400	1,920
1995	0	1,920	80	0

The retirement issue mentioned in previous planning documents has been resolved. Increments for most U.S. dollar operating expense funded costs will be pegged at the estimated U.S. rate of inflation. Local costs will be compensated from the Operating Expense Trust Fund. Local payroll costs, utilities, and local procurement will be subject to the local inflation rate in local currency, which is volatile. We have assumed the equivalent of annual increases at five percent in U.S. Dollars. However, if there is a significant devaluation of local currency, we will need additional U.S. Dollars to offset the loss in purchasing power of the Trust Funds.

USAID ceased using Trust Funds for program uses in FY 1991. Furthermore, no significant reverse accommodation exchange transactions are expected during the planning period. Therefore, the Mission expects to fully comply with the Agency policy of not increasing the amount of reverse accommodation exchange.

4. Internal Controls

USAID has continued to support the Agency's objective of strengthening its internal controls. There has been direct involvement of senior staff in the internal control assessment. The 1991 assessment was more intensive than the norm and categorized more internal controls as unsatisfactory. Although most of these weaknesses were not considered material, USAID's management is determined to resolve areas of weakness by the periodic monitoring of the planned corrective actions. In addition, a contractor will be recruited to assist in this facet of the operations of the Controller's Office. Finally, regarding capability to respond to non-federal audits (NFA), current financial analysis staff levels are adequate for this purpose if administrative responsibilities for NFAs are restricted to monitoring the implementation of audit recommendations.

5. Program Uses of Local Currency (See Annex 7, Table 6)

a. ESF FY 1992 marks the phasing out of local currency support for projects funded under the Core Development Budget, as part of the Mission's drive to make the GOG less reliant on these resources and due to reduced resource availabilities. As specified in last year's Action Plan, local currencies attributed to ESF during FY 1992 and beyond will be used to co-finance specific trade and investment activities and to support judicial sector reform.

b. P.L. 480 Guatemala has been a PL 480 Title I recipient during FYs 1991 and 1992. The Mission requested and attempted to justify a Title III program for FY 1993. However, it appears

that while there is a very strong case based on qualification under PL 480 legislation, policy and resource requirements for a Title III program, a decision has been taken not to approve it. Therefore, the Mission's planning at this time does not include Title III. (See Mission issues, Section F.)

F. MISSION AND AID/W ISSUES

Mission Issues

Mission issues during the period covered by both the Action Plan and strategy revolve around the mutually reinforcing themes of 1) Guatemalan responsibility for the country's development and 2) management requirements for a USAID program with rapidly declining resource levels. In this regard, several issues raised by the Mission in last year's Action Plan have not been fully resolved. The status of each is briefly stated below, prior to discussion of new issues.

1. IMF Structural Adjustment Program. Fiscal reform and negotiation of an IMF standby are attainable but are not expected before mid-1992. Their achievement is essential if the strategic objective for Increased Private Investment and Trade is to be retained.

2. Resource Levels/Program and Mortgage Management. As is clearly spelled out in this document, the Mission has followed through on its commitment to consolidate the program and to reduce the mortgage and staffing. Prospective resource flow reductions, however, are even more draconian than those foreseen last year. Given this environment, the Mission must be given full flexibility to use deob/reob authority if our objectives are to be met. Our deob/reob plan is further complicated by unclear Agency policy concerning "no-year" loan reobligations. As much as 53 percent of our potential FY 92 - 93 loan deobligations will be lost.

3. PL 480 Title III. The Mission met the criteria for a Title III program last year to Agency satisfaction; the Administrator approved development of a program. We have been informed that the Food Assistance Policy Council decided that Guatemala will remain a Title I country, however. This and other resource reductions effectively preclude expansion of malnutrition interventions, which LAC has repeatedly urged the Mission to undertake. Furthermore, it will cause the initiative for Natural Resource Management to be much more reliant on scarce DA funding, or to be significantly curtailed. Given lack of support outside LAC for a Guatemala Title III program, we seek your guidance on whether to pursue this issue for FY 94.

4. Judicial Sector Reform Program. The enactment and implementation of the judicial reform/penal procedures code will be a development of historic proportion in Guatemala. The foundation for protection of individual rights will be laid. This process is critical to many U.S. policy objectives concerning Guatemala. If U.S. foreign assistance flows (particularly ESF) decline substantially below the levels proposed in this PODAP, we may not be able to effectively support this process further. Should resources prove inadequate, the Mission may request LAC support for supplementary ESF resources to fund the Judicial Sector Reform Program if and when the new law is enacted.

5. Earmarks and Directives. In recent years, the USAID Guatemala program has shouldered more than its share of the burden for LAC in meeting earmarks and directives for basic education, environmental protection, family planning and child survival. Conversely, reductions in ESF, DA and PL 480 have been disproportionately high for USAID Guatemala during this same period. Without additional funds, USAID/Guatemala sees no other recourse than to reduce our commitment to meeting Agency earmarks by the same proportion as we absorb overall budget cuts.

6. Increased Workload. It is worth noting formally that the workload on field staff has increased substantially for activities which, while important, are additional to AID's traditional development role. Examples of these activities are the identification by project officers of source and origin of all goods and services for each voucher approved for payment (implementation of Buy America provisions), requirement of annual non-federal audits of all projects, requirement of either prior certification of the accounting systems of grantees or 100% audit of all expenditures prior to reimbursement, a very rigorous Internal Control Assessment, implementation of a new MACSTRAC system requiring Mission debugging, procurement waivers required for all non-U.S. source and origin commodities, etc. USAID/G agrees that improvements in the Agency's monitoring and control functions are called for, but LAC should note that these requirements, on top of declining staff, decreases involvement in technical issues of concern to the Agency and must be taken into consideration in assessing staffing requirements for field missions.

7. Guatemala Peace Plan. Peace negotiations between the GOG and guerrilla groups could be concluded this year. While it is not expected that significant U.S. resources will be available to support implementation of a peace agreement, the U.S. may want to consider some modest additional financial support to help promote the peace. Existing USAID programs near the conflictive areas could be quickly expanded into those areas to provide basic services to returning refugees and other residents. The Mission has not specified in the POD/AP what this expansion would entail, but is proposing to discuss at the AID/W review prospects for peace and modest additional resources to support it.

ANNEXES TO
PROGRAM OBJECTIVES DOCUMENT
FY 1993 to FY 1997

and

ACTION PLAN
FY 1993 and FY 1994



January, 1992

ANNEXES

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-- Mission Workplan --

	LAC Objectives/Planned Action	Mission Actions
A.	Objective I. Support the Evolution of Broadly Based, Sustainable Economic Growth	
	1. Mission Objective: Increased Private Investment and Trade	
	a. CY 1991 Accomplishments	
	Banking System Providing Credit to Small Coffee Farmers (April)	460 production loans totaling 94.5 million made to small farmers by 3 banks.
	Negotiate Framework Agreement (September)	Bilateral Framework Agreement negotiated and signed between the GOG and the U.S. (November)
	Trade and Investment Constraints Assessment (October)	A joint assessment, with the GOG and the Private Sector, of the policy/institutional constraints to increased trade and investment completed (November)
	Begin Trade and Investment program design (November)	Development of the new Trade and Investment Program begun (November)
	Transfer of Zolic Industrial Park to Private Sector (October)	Transfer of Zolic has been delayed while new GOG develops overall privatization strategy.
	In-depth analysis of financial reform system (November).	In-depth analysis of financial system in preparation for financial reform package to be negotiated with GOG under the Trade and Investment program is underway and will be completed in March 1992.
	b. Mission Actions - CY 1992	
	Initiate policy dialogue with the GOG on reforms in financial markets and related policy areas constraining trade and investment (January).	
	Complete development of the new Trade and Investment Program (May).	
	Develop Agenda for the second meeting between the U.S. and the Guatemalan Trade and Investment Council (November).	

	<u>LAC Objectives/Planned Action</u>	<u>Mission Actions</u>
	Complete analysis and recommendations for the GOG on the benefits of concessions, demonopolization, and privatization of major state-owned and operated utilities and productive enterprises (November).	
	Provide production and marketing financing to 21 coffee cooperatives for an estimated volume of 35,000 quintales of coffee (March-April).	
	Finance non-traditional winter vegetables (snow peas, French beans, broccoli, etc.) for export. Total volume estimated to reach 279,000 boxes in 1992 (July-September).	
2.	<u>Mission Objective:</u> Smaller, Healthier Families	
a.	<u>CY 1991 - Accomplishments</u>	
	Begin expansion of experimental IPROFASA micropharmacy program to increase contraceptive sales through the private sector (June).	Fifty micropharmacies have been established to serve distant rural communities in the Guatemalan Highlands. Contraceptives are the number two product sold after aspirin.
	Initiate APROFAM pilot decentralization effort to increase access to family planning methods (September).	Decentralization was initiated in November, 1991. A Regional Office was established in the Guatemalan Highlands to ensure easier access to family planning services by rural populations.
	Hold population awareness seminar for Guatemalan public/private sectors and other donors to strengthen GOG population policy and private sectors/other donor involvement (November).	In October, the two Vice Ministers of Health, the Medical Director of the Guatemalan Social Security Institute and the Aprofam Executive Director visited family planning programs in México and Ecuador. As a result of this trip, the Minister of Health will host a meeting of high level government and political leaders at which México's experience in fertility reduction and population will be discussed.
	Commence reproductive health services in National Social Security Institute (November).	Post partum IUD insertion services were initiated in October. A presentation to the Guatemalan Social Security Institute board on the creation of a reproductive health unit is scheduled for January, 1992.
	Begin expanded reproductive health services in four public hospitals (November).	Expanded reproductive health services have begun in five public hospitals.

		Planned	Mission Actions
		Restart child survival project to increase immunization coverage (June).	In May, the Government of Guatemala repaid the outstanding \$1,092,000 owed to the child survival project thereby paving the way for renewed relationship with AID. AID assisted the 1991 immunization campaign efforts by providing syringes and technical assistance.
		Complete comprehensive ORT demand and distribution study (August).	In preparation for the cholera epidemic, AID and UNICEF surveyed public health centers and posts to determine their readiness to deal with cholera. Included in this survey was a review of ORS availability and projected need at the local level.
			In conjunction with the completion of a local ORS production facility at the University of San Carlos, a comprehensive ORS demand and distribution study has begun and will be completed in 1992.
		Initiate non-formal health education program in communities that are installing water and sanitation services (December).	Health education programs have been implemented by CARE and the Ministry of Health in various communities in the Guatemalan Highlands.
	<i>b.</i>	<i>Mission Actions - CY 1992</i>	
		Minister of Health will host a meeting of high level government and political leaders at which the Director of Mexico's experience in fertility reduction and population policy. This meeting is the direct result of an AID sponsored observational trip of Guatemalan Government leaders to Mexico (January).	
		The Mission will support preventive activities against future cholera outbreaks (on-going).	
		The IGSS Board of Directors will formally approve the establishment of a reproductive health unit that will provide family planning services (March).	
		A seminar will be held with government officials to discuss primary health care recurrent costs and recommendations for expanding government resources to the sector (March).	
		The Mission will provide technical assistance to support the improvement of the Ministry of Health's Management Information System (June).	

	<u>Planned</u>	<u>Mission Actions</u>
	A baseline survey for easuring impact on infant mortality and diarrheal disease incidence will be completed (June).	
	Four directors of MOH hospitals will receive training in the administration of post-partum family planning services (August).	
	A study of the legal and procedural impediments to the provision of family plannig services will be initiated (September).	
	The MOH health care teams will receive training in post-partum voluntary surgical contraception (VSC) and IUD insertion (October).	
	A Regional Center for Health Education will be established in Tonicapán (November).	
	A local oral rehydration salt (ORS) production facility will be established at the University of San Carlos (December).	
	45 water systems and 86,000 latrines will be installed (December).	
3.	Mission Objective: Improved Basic Education	
a.	<i>CY 1991 Accomplishments</i>	
	Begin needs assessment for a national MIS to improve education administration (January).	The needs assessment was conducted at all eight regional education offices. Computer equipment was purchased for these offices to enable them to participate in the design of the national Management Information System
	Initiate applied educational research studies in a private university to support educational policy reform (March).	Due to the inability of the institutional contractor to reach agreement on sub-contracting issues with the private sector implementing institution, the activity was temporarily postponed. A new implementation mechanism was developed to respond to research needs on an ad hoc basis. The activity is being redesigned.

	Planned	Mission Actions
	Commence broadcast of radio mathematics education program to improve academic achievement in primary schools (April).	120 Interactive radio mathematics programs were broadcast successfully to children in 96 schools in the metropolitan area as part of the pilot activity. Because of the initial positive response, an expansion design is under consideration to expand the program to the entire Guatemala metropolitan area.
	Begin production and distribution of basic school materials through private sector to improve efficiency of primary education at first grade level (May).	Because of a disagreement between the original private sector implementing institution and the Ministry of Education, the activity was suspended and redesigned. An RFP was issued and Fundazucar, a private foundation, was awarded a grant. Beginning in January, 1992, Fundazucar will distribute 18,000 school baskets of basic school materials to first grade students on the South Coast and 1,500 sets of instructional materials to teachers.
	Begin social marketing campaign to increase primary school enrollment and promotion rates, especially among girls (May).	The activity was temporarily suspended to replace the technical assistance team. A new team was brought on board in October, 1991; their 1992 annual plans were approved and work began in December, 1991.
	Start self-study program for teachers to improve quality of instructional services (September).	Due to the inability of the institutional contractor to reach agreement on subcontracting issues with the private sector implementing institution, the activity was temporarily postponed. Modifications to the original plan are under development to allow a more flexible and up-dated approach to teacher training to be incorporated into the activity design.
	<i>b. Mission Actions - CY 1992</i>	
	Conduct training course for 340 newly appointed district supervisors using Project developed supervision training manual to improve the quality of classroom instruction (January).	
	Initiate development and conduct pilot testing of standardized achievement tests for the first three primary grades to improve the quality of classroom instruction and to promote academic achievement (January).	

	<u>Planned</u>	<u>Mission Actions</u>
	Initiate Interactive Spanish-as-a-second-language radio broadcasts in Alta Verapaz in 30 schools to improve academic achievement in primary schools (February).	
	Initiate the application of the Colombian Escuela Nueva Model (one-room, one-teacher, school) in the Alta Verapaz and South Coast areas in 100 pilot schools to improve the quality and efficiency of primary school instruction (February).	
	Produce and distribute to teachers countywide three issues of Teachers' Magazine (focusing on new classroom strategies, materials development, and communication with education community) to improve the quality of classroom instructions (March).	
	Complete a baseline study on a pilot scholarship program for girls and develop plans for a nationwide scholarship program to promote the enrollment, retention, and achievement of girls in primary school (April).	
	Install the computerized system for personnel management and selection in the Misnistry of Education to improve education administration (April).	
	Conduct first national social marketing campaign to increase primary school enrollment and promotion rates, especially among girls (May).	
	Expand interactive radio mathematics program participants to include all primary schools in the Guatemala metropolitan area to improve academic achievement (May).	
	Complete mapping study and training of Ministry of Education staff to assume complete responsibility for conducting full range of ongoing socio-linguistic mapping activities to enable efficient expansion of bilingual education (June).	
	Develop and approve redesign of distance training program for teachers to include innovative, interactive methodologies rather than self-study modules (January); and initiate teacher training program to improve quality of classroom instruction (June).	

	<u>Planned</u>	<u>Mission Actions</u>
	Complete the design of the nation-wide, computerized Management Information System for the Ministry of Education to improve education administration (June).	
	To improve primary school achievement among indigenous children, train bilingual education staff, conduct analysis, and develop plan for revision of bilingual education textbooks in four major Maya languages. Develop prototypes for revised texts and teachers' guides (September).	
	Initiate design of textbooks in four additional Mayan languages to improve primary school achievement (September).	
	Distribute basic school materials to 18,000 first grade students and 1,500 classroom teachers on the south coast to improve the efficiency of primary education at the first grade level.	
4.	<u>Mission Objective:</u> Sustainable Natural Resource Management	
a.	<i>CY 1991 Accomplishments</i>	
	Guatemala Forestry Congress (May)	The Second National Forestry Congress was held as planned and succeeded in convincing DIGEBOS (The National Forestry Directorate) to adopt new measures for community participation in forest management.
	Maya Biosphere Reserve Master Plan (September)	The GOG Park Service (CONAP) signed an agreement with a US NGO to assist it in Master Plan preparation. (July) Master plan approval pending.
	Lake Izabal (December)	The protected areas studies were conducted and preliminary reports presented to CONAP. (December) Approval pending.
	Biodiversity Programs in place (December)	The CONAP Board has approved three institutional agreements to support the improved management of Natural Resources and protection of biological diversity in Peten.
b.	<i>Mission Actions - CY 1992</i>	
	Tropical Forestry Action Plan is completed through international roundtable event and project commitments received from five donors (January).	

		<u>Planned</u>	<u>Mission Actions</u>
		CONAP prepares and begins to implement an operational management plan for the Maya Biosphere Reserve (December).	
		The "Master Plan" (policy framework) for the MBR is revised based upon public review by stakeholders. (December)	
		<u>LAC Objectives</u>	<u>Mission Actions</u>
B.		<u>Objective II: Support the Evolution of Stable Democratic Societies</u>	
	5.	<u>Mission Objective: Sustained Exercise of Inalienable Rights</u>	
	a.	<i>CY 1991 Accomplishments</i>	
		Provide critically needed equipment and training to SET to carry out national election run-off (January).	Elections were held and were considered to be fair, open and honest.
		Implement MIS and procedures manual for Guatemalan Congress (March)	MIS is functioning; information from MIS being utilized and procedures manual is operational.
		Initiate U.S. based training of 120 sectoral leaders under GPS Program (May).	200 leaders were trained during FY 1991.
		Provide increased support for Centro ESTNA for its efforts in improving dialogue between civilian and military authorities (July).	1991 course completed. 65 graduates representing the military, private sector, labor, etc.
		Implement MIS and communications systems for the Judicial Branch and train staff in their adequate use (August)	12 criminal courts (first instance and appellate) are computerized and staff members receive on-going training/support provided by CENALEX.
		Commence design of non-formal human rights education activities with ASIES and Human Rights Office for out-of-school children and adults (October)	Curriculum design and tested. Dissemination seminars W/NGO's and PVO's underway. 35 seminars by 1/92. 200 programmed for CY 92 (nationwide).
		Initiate training for institutional strengthening of the Office of Human Rights Ombudsman (OHRO) in the use of MIS and financial management (October)	12 courses held during FY 1991 for technical and support staff. Improved systems now functioning.
		Reach agreement with leadership of new Guatemalan Congress on areas in need of institutional strengthening and initiate focused needs assessment (November)	Immediate plan of action developed and implementation initiated on October 1, 1991. National Congressional Budget Seminar to analyze GOG 1992 Budget held in October, 1991.

	Planned	Mission Actions
	Implement baseline survey for monitoring system (August).	
6.	Other	
a.	<i>CY 1991 Accomplishments</i>	
	Submission of Tax Reform to Congress (April).	Legislation submitted by Executive (November).
	Approval of IMF Program (June)	Delay in approval of fiscal reform has delayed negotiation with IMF.
	Administrative improvements in tax collection (June)	Customs tracking program put in place for vehicles and other imports. Advanced audit program initiated. Delay in tax reform has delayed other administrative reforms.
	IBRD SAL Approval	Negotiations delayed due to delay in tax reforms.
	Elimination of IBRD and IDB arrears (August)	Arrears to IDB eliminated in mid-1991; arrears to World Bank reduced and frozen.
	Agreement under PER III on financial criteria for community selection (May)	Community selection methodology and community contribution requirements for project approved. Communities will be selected according to strict criteria giving preference to those that can use electricity for productive uses. Participating communities will provide a contribution of approximately 35% of the total cost of the installation.
	Private sector extension services for non-traditional agricultural production (May)	Private sector extension services established and reached 619 farms in 1991.
	BANDESA credit line interest rate ceilings removed (July)	Interest ceilings officially removed, December 1991.
	INDECA restructured (August)	Restructuring plan completed in August.
	INDE Plan (August)	Seminar held in September on Private Participation in the Electrical Sector. INDE has presented plan for the partial privatization of generation and distribution. Negotiations with INDE on a project-related agenda will be completed in January 1992 and new policy plan benchmarks will be incorporated at that time.
	GOG capacity for rural road infrastructure implementation (September)	Phase over plan completed for implementation through 1995.

	<u>Planned</u>	<u>Mission Actions</u>
	Prepare GOG for regional PDD meeting, with Embassy Econ (April)	GOG participated in regional PDD meeting(s).
	Complete preparation for Phase II Drug Abuse Awareness activities (July)	Buy-in with S&T Narcotics Education and Awareness Project (August)
	Support World Bank Consultative meeting on Guatemala (September)	Meeting not convened.
	<i>b. Mission Actions for 1992</i>	
	Attain acceptable repayment rate on loans to beneficiaries, sufficient for Fundacen to achieve self-sustainability and to be able to continue to purchase land for re-sale to landless farm laborers.	
	Reorganize National Credit Union Federation (FENOACOAC) along with new operational lines; establish self-regulatory program; expand national liquidity fund; and initiate steps taken to transfer authority for credit union financial stabilization fund (March-June).	
	Achieve substantial progress in private participation in the energy sector through the project-related policy dialogue: Signed two concession agreements with private companies for exploration, development and electricity generation in geothermal fields (December).	
	Provide electrical service to 40 rural communities with productive uses of electricity emphasis (on going).	
	Complete phase II of Drug Abuse Awareness activities, i.e., at least six seminars and conferences by August.	
	Provide full amount of congressionally - earmarked funds (\$300,000) to orphanages, etc., for projects. Complement with TA (December).	

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

Mission Strategic Objective(s) : Sustainable Natural Resource Management and Increased Private Investment Trade.

Project Title : Improved Natural Resource Management (New)

Project Number : 520-0404

Project Funding : FY93 \$1,500 LOP \$15,000

Type of Funding : DA: ARDN, PSEE

A. Consistency of Project with Mission Strategy: The project directly supports the areas prioritized in the new Mission Environment and Natural Resources (ENR) Strategy, the Action Plan, and the POD. The project's interventions are focused on the integration of sustainable resource use and production linked to a growing export sector. This approach directly supports the Mission's objectives of sustaining the natural resource base and increased trade and investment.

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 seven-year project will focus on the integration of sustainable resource use and production linked to a growing export sector. The principal components of the project are:

- 1) The Sustainable Agriculture component will carry out the development, validation, and dissemination of improved land use systems for diversified, sustainable, agricultural production;
- 2) The Watershed Management component will assist municipalities and NGOs to improve planning, implementation, and administration of activities to prevent degradation of critical watersheds upstream from important agricultural production areas; and
- 3) The Protected Areas component will complement the first two components by assisting in the management of key forest reserves in critical watersheds through a balance of sustainable use and conservation practices.

The project is designed to support more sustainable agricultural systems and practices -- integrated agro-silva-pastoral systems, soil conservation, IPM, forest management for diverse products -- as well as protected areas management utilizing the most sustainable implementation mechanisms that the Mission has been able to identify: the development of a "learning culture" based on client participation in R&D planning, monitoring and evaluation, and execution through the private sector.

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 will fund technical assistance, training, and institutional strengthening for the NGOs and private sector participants.

A key focus of the AID policy agenda is to improve agricultural productivity and sustainability through improved policies related to infrastructure, land use, credit, technology development, and dissemination. The specific policy agenda of this project includes: rationalization of subsidies and tariffs for agricultural inputs and outputs; and increased authority at decentralized levels for ENR management activities. This component will also leave a network of on-farm research and private extension systems that will enable sustainable agricultural practices to continue to evolve and expand. This component directly complements Mission trade and investment initiatives by improving the management of the resource base that makes these activities possible.

E. Planned Implementation Arrangements: The project will be implemented with the support of an institutional contractor and will also involve Handbook 13 Cooperative Agreements.

F. Sustainability of Proposed Activities: All interventions within the project are targeted toward long-term economic growth based on natural resource management practices and improved agricultural production systems. Decentralized, municipal implementation, participation of the private sector, and policy reforms will all contribute toward achievement of sustainability.

G. Mission Management Role: The project will be managed under the Office of Rural Development.

H. Potential Issues and/or Innovative Project Approaches: The project proposes to carry out what have traditionally been public sector activities (e.g., agricultural research, extension, protected areas management) through private sector mechanisms. This innovation is considered to be more reliable and effective in achieving AID developmental goals and project objectives. The principal issue is whether or not funding levels will permit the realization of the full project as designed in support of the Mission strategy.

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NEW PROJECT DESCRIPTION

LAC BUREAU OBJECTIVE/SUB-OBJECTIVE: Support the Evolution of Stable Democratic Societies.

MISSION STRATEGIC OBJECTIVE: Sustained Exercise of Inalienable Rights.

PROJECT TITLE: Judicial Sector Reform Support (New).

PROJECT NUMBER: 520-0407.

FUNDING (\$000): FY 93 8,920
LOP 17,420

TYPE OF FUNDING: ESF

A. Consistency of Project with Mission strategy: The Project will support policy and institutional changes that will strengthen and make more effective the Judicial System, with emphasis on the Criminal Justice System, a critical part of the infrastructure of democracy and a sine qua non for the protection of citizens from abuses of their individual rights.

B. Relationship to A.I.D. and other donor activities: There are direct linkages between the improved functioning of Guatemala's justice system and the country's overall development. Improvements in the functioning of the rule of law have a direct impact on the defense of human rights, the strengthening of the role of the legislative branch, and the autonomous development of the three powers of government. Improved functioning of due process under the law for the individual citizen will directly affect the citizenry's confidence in democracy as a system. This lack of confidence is currently a major constraint to the full functioning of democracy in Guatemala. In addition, improvements in the criminal justice system will have a spillover effect on the equally weak civil law system. These weaknesses are considered a major constraint to Guatemala's economic development and specific elements of the Mission's trade and investment strategy. Discussions on the justice sector have been ongoing with other donors (e.g., Chile, Spain, Germany, Venezuela, ICITAP, etc.). However, in all cases these donors are

directing their assistance efforts primarily to police functions of the criminal justice system. ILANUD is no longer very active in Guatemala.

C. Relationship of project to overall A.I.D. policy objectives: The strengthening of the rule of law, the elimination of human rights violations, and reform of the dysfunctional criminal justice system are US Mission objectives for Guatemala. Deficiencies in these areas are among the most critical constraints to Guatemala's evolution as a stable democracy. The Country Team Working Group on Democratic Development has determined that all A.I.D. assistance in the justice sector should be an integral part of the US Mission policy framework and pursued in a unified fashion by all members of the Country Team.

D. Project Description: Major reform legislation for the justice sector is currently before the Guatemalan Congress, the most important of which are the revised and modernized Criminal Procedures Code, the Judicial Branch Career Service Law, and the new Organic Law for the Public Ministry. Passage of the Criminal Procedures Code is considered the critical legislation which will open the door to passage of the others laws. If this happens and if the new Supreme Court leadership (set for 2/92) demonstrates interest in its implementation, the Mission will develop a package of assistance which combines both project elements and non-project policy-based disbursements. A series of benchmarks will be identified that are critical to the full implementation of this ambitious reform, and funds will be made available against clear achievement of the benchmarks. These benchmarks will include budgetary increases for specific sector tasks and activities and institutional changes required to carry out functions under the reform and policy changes that regulate the participating institutions. Funds made available as these benchmarks are achieved will be directed toward the increased logistics requirements of the courts and the Public Ministry.

The projectized assistance will develop and institutionalize the sector's human resource development capability. In A.I.D.'s previous efforts in this area, the deficiencies in the human resource base have been systematically identified as the critical constraint to improved performance. The project funds will focus on training of judges and prosecutors, as well as support personnel, to conform to the requirements detailed in the reform legislation. Training activities will address the needs of each participating institution under the reform. For example, in the case of the Public Ministry, the focus will be on the investigation and prosecution functions as this Ministry takes

on an enhanced role in the criminal justice process. In the case of the courts, judges will have to be re-trained for the new oral trial proceedings and for increased coordination with other court personnel and, most importantly, with the Public Ministry. Support personnel will take on new functions as the process of justice becomes more defined, open, and transparent.

Training activities will also include, to a lesser degree, the Guatemalan Bar Association and the university law faculties. They will need to include in their training activities and curricula the content of the reform legislation. The justice sector institutions participating in the bilateral project will be charged with coordinating these activities with the Bar Association and the law faculties to ensure that the focus and content are appropriate to the successful implementation of the reform.

Severe institutional weaknesses in the Public Ministry and the Courts have been identified clearly through past A.I.D. assistance. A limited portion of project funds will be made available to implement recommendations of past studies and analyses. This will be particularly true in the case of the Public Ministry (universally recognized as the weakest institutional link in the justice chain). However, progress on specific processes and functions will depend largely on the commitment of the Guatemalan institutions to implement the large volume of administrative systems already designed with prior A.I.D. assistance. A critical element in the successful implementation of these systems will be the commitment of the new authorities of the Supreme Court to follow up on A.I.D.'s major investment in the National Legislative Information Center (CENALEX) which, if fully implemented, has the potential for improving the key administrative functions of the justice sector.

Financial Plan:

Policy-based disbursements	\$12,420,000
Projectized Assistance	<u>5,000,000</u>
Total	\$17,420,000

E. Planned implementation arrangements: The USAID will enter into a HB 3 Agreement with the GOG. Signators will include the Judicial Branch, the Public Ministry, and the Ministry of Finance, the latter due to the GOG's budgetary commitments. Participation of private sector entities such as the Guatemalan Bar Association and the law faculties will be coordinated with the HB 3 Grantees. All procurement will be A.I.D. direct and is expected to include a U.S. Institutional Contractor.

F. Sustainability of proposed activities: Specific benchmarks against which non-project assistance resources are made available will indicate the budget and staffing resources the GOG must provide to institutionalize the reform package. Project funds will be supportive of these steps but the very nature of this policy-based assistance is to make sustainable the reform process. Conditionality will include such critical elements of sustainability as hiring of additional prosecutors and investigators, raising salary levels of current Public Ministry staff, renting additional space for the Public Ministry, installing of a training unit or institute at the judicial branch, etc. Activities under the project will not be initiated until there is a clear demonstration of commitment to the sustainability of the reform effort by the participating institutions.

G. Mission management role: The Project will be managed by the USAID's Office of Democratic Development and Training. A full time project-funded USPSC will be hired to monitor and supervise the Project. He/She will be assisted by a Guatemalan PSC who is a lawyer.

H. Potential issues and/or innovative program approaches: The major issue is the willingness of the political leadership of the executive, judicial, and legislative branches to provide sustained support for these legal reforms in the form of institutional changes/improvements and permanent budget and human resource increases for the sector. Currently leaders of all three branches of the GOG are publicly stating that they wish to pursue the objectives of this Project. The GOG's will to focus and sustain that interest during FY 92 will be critical as the Mission makes the determination whether or not the conditions and commitment exist to proceed with this project. Regarding use of dollars disbursed for policy implementation, a mechanism will be developed with the Bank of Guatemala to sell dollars to Guatemalan private sector importees of U.S. goods/services, possibly using the TCIP model with the EXIM Bank.

COUNTRY PERFORMANCE: DETAILED COMMENTS

Macroeconomic Reform Program

The low score on macroeconomic reform (5.5 of 10) is the most perplexing. The Bureau does not appear to be crediting strong economic performance and seems to be confusing policies under government control with policies not under government control.

When the GOG took office in January 1991 it faced high inflation, slowing economic growth, and a growing fiscal deficit. In response, monetary policy was tightened; interest rates on central bank bonds were kept extremely high in real terms; reserve requirements were increased, and net credit to the public sector was negative. The GOG also adopted serious structural reforms. A revised tax code was submitted to Congress in mid-year, emergency bonds were sold to finance critical expenditures, the GOG joined GATT, signed a framework agreement with the US, eliminated all arrears with the IDB, froze World Bank arrears, and has hosted an appraisal of the investment climate by the IDB.

As a result inflation fell from 60 percent in 1990 to 10 percent in 1991 and dollar holdings of the central bank increased from only \$50 million in January 1991 to almost \$600 million by the end of the year. The exchange rate remained stable and no spread exists between the official and parallel rates. Nontraditional export growth for 1991 is now estimated in excess of 30 percent.

The GOG also initiated negotiations with both the IMF and the World Bank. As the immediate economic crisis was addressed successfully by the GOG, the IMF focused discussions on a medium-term program in which the tax package played a central role. Discussions have been delayed because Congress continues to debate the tax package. Once it is defined, negotiations with the IMF will resume.

It is surprising that these actions are not judged by the Bureau to be comprehensive. The Mission assumes that the low score on macroeconomic policy reflects failure of Congress to pass the tax reform. The GOG, however, merits high marks for proposing such legislation and then following policies that promote stability as political discussions are undertaken.

The Exchange Rate

Guatemala received 8.5 of 10. In the previous Performance Based Budgeting exercise, Guatemala received a relatively low score because of frequent changes in the system during 1990. In 1991, the auction system was not changed; no spread emerged between the official and parallel market rates; the dollar reserves of the central bank increased; nontraditional exports grew at a rapid pace; and import growth slowed.

There are no indicators of difficulties in the exchange market or that the exchange rate is restricting economic activity. The Mission, therefore, would appreciate clarification of what factors lead to a reduction in Guatemala's score for this indicator.

Trade Regime

Guatemala received 8 of 10 points. The cable cites import and export prohibitions as a distortion: "nearly 80 items, covering 6 percent of domestic production, are subject to import prohibitions". This

information, however, is incorrect. As described to the Bureau in previous occasions, only three imports are prohibited (wheat, wheat flour and cacao seeds) and only one export is prohibited (unprocessed coffee). Following the trade reforms adopted early in CY91, requirements for licensing only affect 12 import items and 13 export items (list available on request).

The Mission does not believe that all licensing is bad—particularly for health and sanitation reasons. The Mission (1) requests further details on the determinants of Guatemala's score in this area and (2) urges the Bureau to rethink the emphasis it puts on the absolute number of licensing requirement and focus, instead, on distortions in the trade regime.

Other Indicators

While the Mission is not necessarily in accord with the methodology for scoring education, infant vaccination rates, modern contraception prevalence, environmental policies and democracy/human rights, we do not have issues on it for purposes of the Action Plan.

PROJECTS OUTSIDE THE STRATEGIC OBJECTIVE FRAMEWORK

The Mission reviewed each project in its active portfolio, primarily using the project's logical framework, to determine which fit within the strategic objectives and which did not. Of the projects active in FY 92, 18 specifically contribute to strategic objectives and nine contribute only partially ("other" category). Although these projects do not fit within the Mission's streamlined strategic objectives, all were achieving their goals and all had a positive impact on Guatemala's development. While no new starts are contemplated outside the refocused SOs, these projects will continue. Some will be incrementally funded (in FY 93) to ensure successful conclusion. The Mission has categorized projects rigorously, and has tended to put projects in the "other" category rather than force-fit activities within strategic objectives.

The table below lists "other" projects that will be active as of the beginning of FY 92, and the rationale for continuation. Projects that require incremental funding during the planning period are also identified.

Project	PACD	Incremental Funding Required	Rationale for Continuation
Fiscal Administration (520-0371)	12/31/92	FY 92 \$3 million/ESF	The PACD will be extended to 12/31/93 to concentrate on improved tax administration/collection. The project extension will institutionalize the fiscal modernization initiated under the project; it is critical for increasing the GOG ability to expand public-sector investment.
Microbusiness Promotion (520-0371)	8/31/92	None	Fund last tranche of short-term TA in loan portfolio management.
Atiplano Higher Education (520-0304)	12/18/93	None	Resources required to fund scholarships of Mayan-speaking students to the end of their degree programs.

<u>Project</u>	<u>PACD</u>	<u>Incremental Funding Required</u>	<u>Rationale for Continuation</u>
Child in Need (520-0409)	12/93	FY 93 \$300,000	Initial funding for this pilot OPG to help orphans and street children was provided under a Congressional earmark. Given the extent of the problem in Guatemala and Congressional interest, the Mission will provide additional resources to the project and extend the PACD if the implementing mechanism proves sound.
Cooperative Strengthening (520-0286)	8/31/94	FY 92 \$2.8 (ARDN) FY 93 \$1.6 (ARDN)	Begun in 1986, the project is in its most intensive phase of activity. Early termination would undermine the ability to leave in place financially viable cooperative federations, selected cooperatives, and credit unions. Also, while not its primary objective, the project is supporting agricultural cooperatives entering the non-traditional crop export market.
Pilot Commercial Land Markets II (520-0343)	8/30/94	None	In FY 92, \$900,000 was programmed to assist in modernizing the land registry. Budget restrictions and institutional problems led to a decision to cancel this project component. Requirements for the Penny Foundation are fully funded, and necessary to assure it become financially self-sustaining by the PACD.
Development Training and Support (520-0384)	9/30/94	None	Project resources are required to the PACD to complete funding for long-term trainees.
Rural Electrification III (520-0353)	8/25/95	FY 92 \$1,200,000 FY 93 \$1,000,000 FY 94 \$500,000	Project is a follow-on rural electrification program, using potential economic productivity of communities as the key selection criterion and including TA in productive uses of electricity. 90% of funds will be used for U.S. procurement. The policy dialogue associated with the project is supporting demonopolization and co-generation of electric power.

Project
Regional Technical Aid Center II
(598-0791)

PACD
8/22/96

Incremental Funding Required
None

Rationale for Continuation
The MOU between USAID and the Guatemalan American Institute has a terminal date of 8/22/96. This is an LAC Regional Project, requiring only Mission staff monitoring.

EVALUATION AND MONITORING PLAN

<u>STRATEGIC OBJECTIVE/EVALUATION/STUDY TITLE</u>	<u>STATUS</u>	<u>PURPOSE/ISSUES</u>
<p>A. <u>INCREASED PRIVATE INVESTMENT AND TRADE</u></p> <p>1. Non-Traditional Agricultural Exports IFPRI/INCAP Survey</p> <p>2. USAID/INE Household Survey</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Survey to estimate improvements in income and quality of life on diversifying farms within the "Cuatro Pinos" Cooperative during 1986 - 91.</p> <p>Determine food consumption, expenditure, and nutrition status of rural and urban households as functions of income, demographic characteristics, and agricultural technologies; survey will be carried out at Departmental level.</p>
<p>B. <u>SMALLER AND HEALTHIER FAMILIES</u></p> <p>1. Demographic/Health Survey 1992-93</p>	<p>Being planned (FY 92)</p>	<p>Repeat of the 1987 Survey: assess population changes, morbidity, mortality; significant for Mission Child Survival and Family planning programs.</p>
<p>C. <u>IMPROVED BASIC EDUCATION</u></p> <p>1. Basic Education Strengthening (BEST)</p>	<p>Being planned (FY 92)</p>	<p>Assess improvements made in efficiency, coverage, and administration of basic education services, and extent to which project is meeting strategic objective.</p>

STRATEGIC OBJECTIVE/EVALUATION/STUDY TITLE

D.

SUSTAINABLE NATURAL RESOURCE MANAGEMENT

Maya Biosphere Project

STATUS

FY 93

PURPOSE/ISSUES

Determine direction of natural resource management activities in future.

E.

SUSTAINED EXERCISE OF INALIENABLE RIGHTS

1. Stocktaking of Administration of Justice

Completed (FY 91/92)

Examined policy framework and environment for future USAID AOJ activities.

2. Guatemala Peace Scholarship Program

Being planned
(FY 93)

Assess progress to date and make adjustments in strategy to conform with project authorization level.

PROJECTS SCHEDULED TO TERMINATE IN FY 93 - FY 94

<u>Project</u>	<u>LOP Funding</u>	<u>Description</u>	<u>Current PACD</u>	<u>Comment</u>
Microbusiness Promotion (520-0377)	\$2,092,420	The project supports the institutional development and expansion of two indigenous PVOS (FUNDAP and FUNTEC) to provide market-rate credit and technical assistance to micro-entrepreneurs. To date, 11,300 businesses have benefited from the project	9/30/92	The PACD will not be extended.
Agricultural Production and Marketing (520-0363)	\$1,400,000	The project is working through AIFLD to strengthen rural trade union confederation, focusing on small farmer production.	10/31/92	The project will terminate at the PACD; the Mission decided not to add an additional \$400,000 scheduled for obligations in FY 92.
Fiscal Administration (520-0371)	\$9,200,000	The project purpose is to assist the GOG in a comprehensive modernization of its fiscal administration system.	12/31/92	Assuming passage of the fiscal reform package, in the Guatemalan Congress, an additional \$3.0 million will be added and the PACD will be extended to 12/31/93, focusing on tax administration.

<u>Project</u>	<u>LOP Funding</u>	<u>Description</u>	<u>Current PACD</u>	<u>Comment</u>
CARE Water and Sanitation (520-0408)	\$800,000	CARE will assist up to 22 communities to build potable water systems and latrines, as well as provide health education to 32 communities.	6/30/93	The PACD will not be extended.
Highlands Agricultural Development (520-0274)	\$32,100,000	In its final 18 months, the project will focus on supporting farmer production for export, expanded emphasis on irrigated farm systems, and sustainable agricultural practices.	9/30/93	The PACD will not be extended. Key, proven elements will be consolidated under the FY 93 Natural Resources/Sustainable Agricultural production project.
Atiplano Higher Education (520-0304)	\$5,000,000	The project is strengthening the highland campus of the Universidad Rafael Landivar to expand its educational program for Mayan-speaking students, which includes providing scholarships to at least 415 Mayan-speaking students.	12/18/93	The PACD will not be extended.
Child in Need (520-0409)	\$475,000	The project through an OPG with SHARE/Guatemala will provide support to a number of small local groups who work to improve the lives of street children and orphans.	9/29/93	Assuming this pilot program with SHARE is successful in meeting its objectives, the Mission will add modest resources and extend the PACD.

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: GUATEMALA

Title

Proposed New Project/Program

IMPROVED NATURAL RESOURCE MANAGEMENT

Number 520-0404

Activities	Program Outputs	Strategic Objective
<p>SUSTAINABLE AGRICULTURE COMPONENT - Development, validating and dissemination of improved land use systems for diversified, sustainable agricultural production.</p>	<p>(1) Policy reforms implemented. (2) Increased incomes through sustainable agricultural production. (3) Network of on-farm research and private extension systems which will enable sustainable agricultural practices to continue to evolve and expand. (4) Increased number of farms using sustainable agricultural practices.</p>	<p>(1) Sustainable Natural Resource Management (2) Increased private investment and trade.</p>
<p>WATERSHED MANAGEMENT COMPONENT - To assist municipalities and NGOs to improve planning, implementation and administration of activities to prevent degradation of critical watersheds up-stream from important agricultural production areas.</p>	<p>(1) Land under watershed management. (2) Systematic improvements in municipal planning and project management. (3) Impact on decentralized rural development.</p>	<p>Sustainable Natural Resource Management</p>

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: GUATEMALA

Proposed New Project/Program Title
 IMPROVED NATURAL RESOURCE MANAGEMENT

Number 520-0404

Activities	Program Outputs	Strategic Objective
<p>PROTECTED AREAS COMPONENT - Management of key forest reserves in critical watersheds through a balance of sustainable use and conservation practices.</p>	<p>(1) Land under protected areas management. (2) Decentralization of protected area management and delegation of on-the-ground implementation to the private sector. (3) Policy reforms implemented.</p>	<p>Sustainable Natural Resource Management</p>

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: GUATEMALA

Title

JUDICIAL SECTOR REFORM SUPPORT

Proposed New Project/Program

Number 520-0407

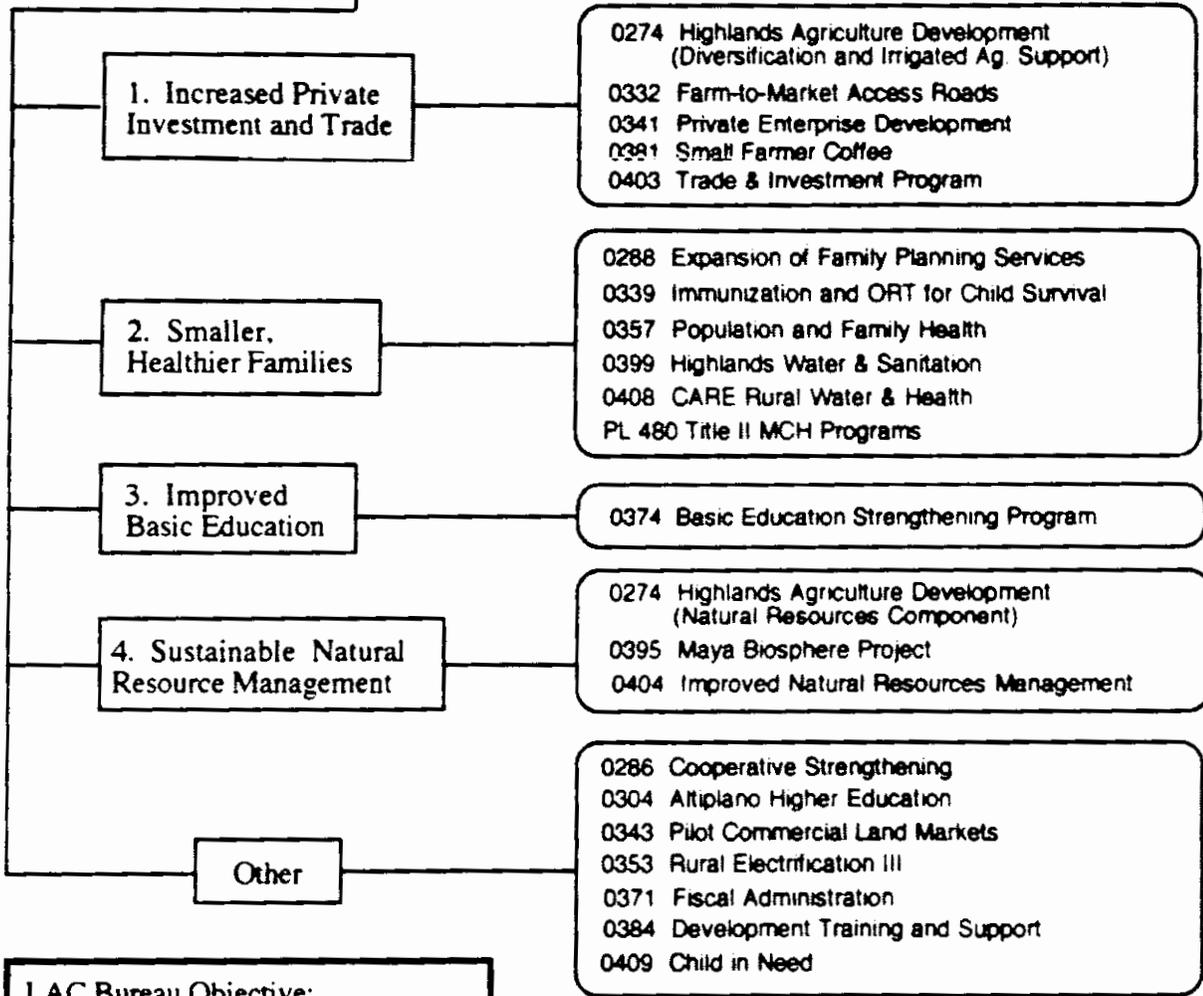
Activities	Program Outputs	Strategic Objective
<p><u>TRAINING</u> of judges and prosecutors, as well as support personnel, to conform to the requirements detailed in the reform legislation.</p> <p>Training activities will also include, to a lesser degree, the Guatemalan Bar Association and the University Law Faculties.</p>	<p>(1) Development and institutionalization of justice sector's human resource base.</p> <p>(2) Content of reform legislation included in university curricula.</p>	<p>Sustained exercise of inalienable rights.</p>
<p><u>IMPLEMENTATION</u> of administrative systems already designed with prior A.I.D. assistance.</p>	<p>Successful implementation of systems to improve key administrative functions of the justice sector.</p>	
<p><u>POLICY DIALOGUE</u> on major reform legislation for the justice sector.</p>	<p>Passage and implementation of major reform legislation</p> <p>(1) Revised and modernized criminal procedures code.</p> <p>(2) Judicial branch career service law.</p> <p>(3) New organic law for the Public Ministry.</p> <p>(4) Increased budgetary support for justice sector.</p>	

Table 2

-- Strategic Objective / Activity Matrix --



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



LAC Bureau Objective:
Support the Evolution of Stable, Participatory Democratic Societies

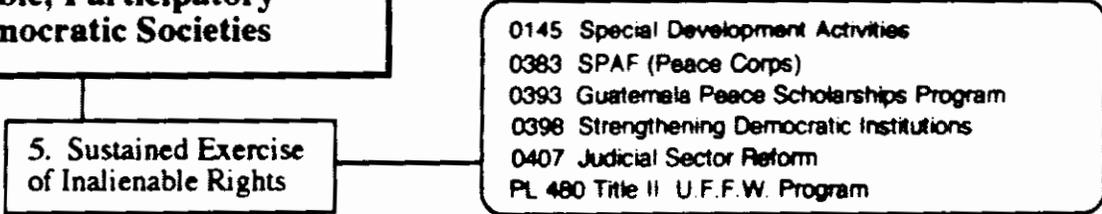




Table 3
-- Summary Program Funding Table --
Dollar Program by Strategic Objective
(\$000 - All Grant Funding)

Category	FY '91 (actual)	FY '92 (estimated)	FY '93 (proposed)	FY '94 (proposed)	FY '95 (proposed)	FY '96 (proposed)
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Development Assistance and Projectized ESF:¹

1. Increased Private Investment and Trade	\$23,207	23,625	7,015	875	1,315	682
2. Smaller, Healthier Families	9,369	9,300	12,935	9,835	5,000	7,000
3. Improved Basic Education	4,526	4,600	4,600	4,600	4,600	844
4. Sustainable Natural Resource Management	5,638	2,830	2,950	3,990	7,310	5,970
5. Sustained Exercise of Inalienable Rights	7,041	9,200	13,400	10,200	1,775	5,504
Other	10,112	7,170	2,900	500	0	0

Subtotal DA and ESF: \$59,893 56,725 43,800 30,000 20,000 20,000

Development Assistance:	\$29,369	26,725	23,800	20,000	20,000	20,000
Economic Support Funds:	30,524	30,000	20,000	10,000	0	0

PL480:

Title II ² :	\$8,668	7,404	9,553	9,553	9,553	9,553
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PROGRAM TOTAL:	\$69,085	64,129	53,353	39,553	29,553	29,553
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Local Currency: (Please see Table 6)

1. Specific references to Central Bureau resources are included in Annex 9 (Active and Prospective Centrally Funded Activities and Buy-Ins) and Table 7.
2. Excluding Freight Costs

Table 1

-- Monitoring Performance Indicators and Program Outputs --

Country: Guatemala

LAC Bureau Objective:

Support the Achievement of Broadly-Based, Sustainable Economic Growth

Mission Objective:	Baseline Data (1989)	FY '92	FY '93	FY '94	Target (1997)	Data Source
1. Increased Private Investment and Trade						
Performance Indicator:						
Increase in Private Investment as Share of GDP	10.6%	12.8%	13.4%	14.0%	15.0%	Central Bank
Increase in Non-Traditional Exports (\$US millions)	240	420	480	540	616	Central Bank
Increased Trade as a Percentage of GDP	40.0%	52.0%	52.5%	53.0%	54.0%	Central Bank
Program Output						
• Output Indicator (cumulative):						
a. Sound Investment Environment:						
• Direct Foreign Investment (\$US millions)	91.0	114.5	120.5	126.5	144.5	Central Bank
• Increased Private Investment as a Percent of GDP	10.6%	12.8%	13.4%	14.0%	15.0%	Central Bank
b. Deepening Financial Markets:						
• Interest Rate Spread Between Savings Deposits and Lending (12/91)	8.6%	8.0%	7.5%	7.0%	5.0%	Central Bank
• Domestic Savings as a Percent of GDP	8.0%	12.0%	13.0%	14.0%	17.0%	Central Bank

Trade and Investment (cont.)	Baseline Data	FY '92	FY '93	FY '94	Target (1997)	Data Source
c. Increased Production and Marketing of Non-Traditional Exports (amounts in \$US millions):						
• Increased Textile and Textile Assembly Exports	63.6 (1990)	113.0	125.0	138.0	165.6	Central Bank
• Increased Light Manufacturing Exports	31.0 (1990)	31.3	32.4	33.5	34.6	Central Bank
• Increased Non-Traditional Agriculture Exports	73.5 (1990)	102.0	113.0	124.0	156.0	Central Bank
d. Open Trade Regime:						
• Average Weighted Tariff	30% (1990)	14%	13%	12%	10%	Central Bank
• Tariff Range	0% - 150% (1990)	5% - 20%	6% - 20%	7% - 20%	10% - 20%	Central Bank
• GATT Agreement Compliance	TBD					

2. Smaller, Healthier Families	Baseline Data (1989)	FY '92	FY '93	FY '94	Target (1996)	Data Source
Performance Indicator:						
Total Fertility Rate (TFR)	5.6%	5.4%	5.3%	5.2%	4.2% (by 2010)	DHS Survey
Infant Mortality Rate (IMR)(per 1000 births)	74.4	70.0	69.0	68.0	66.0	DHS
Program Output						
• Output Indicator (cumulative):						
a. Increased Use of Contraceptives:						
• Contraceptive Prevalence Rate (CPR)	27.0% (1991)	29.0%	29.5%	30.0%	32.0%	MOH / APROFAM
b. Increased ORT and Immunization Coverage:						
• ORT Coverage Rate (under 5 years old)	38%	35%	40%	42%	45%	MOH
• % of Children 24 Months Fully Immunized Against:						
Tuberculosis	21%	35%	40%	50%	60%	MOH
DPT	52%	55%	60%	65%	70%	MOH
Measles	54%	55%	60%	65%	70%	MOH
Polio	59%	60%	65%	70%	75%	MOH

3. Improved Basic Education	Baseline Data (1989)	FY '92	FY '93	FY '94	Target (1999)	Data Source
Performance Indicator:						
Indigenous Children* Enrolled in Primary School by Gender (% of total eligible indigenous population)	30.0%	32.0%	33.0%	34.0%	40.0%	MOE
# of Years to* Complete 6th Grade by Gender	11.7	10.5	10.3	10.1	9.3	MOE
Sixth Grade Completion by Indigenous Girls	TBD (1993)					MOE
Academic Achievement Scores		8.0%	9.8%	10.6%	25.0%	MOE
Percentage of Students Completing Primary School	51.0%	55.0%	56.0%	57.0%	62.0%	MOE
Number of Students Repeating Grades (per thousand)	318	300	285	260	215	MOE
Program Output						
• Output Indicator (cumulative):						
a. Bilingual Service Improved and Expanded:						
• Mapping Study Conducted	0	1	1	1	1 (in 1992)	MOE
• 462,000 Additional Textbooks and Teachers' Guides Revised and Printed	0	0	231,000	462,000	462,000 (by end of 1994)	MOE
• 500 Additional PRONEBI Schools established	0	0	100	200	500	MOE
b. Support Services for Teachers Improved:						
• Distance Training Courses Delivered	0	2	3	5	18	MOE
• Magazines Produced (# of issues)	0	4	7	10	15	MOE

* Gender targets will be established at beginning of FY '93 when data becomes available.

Basic Education (cont.)	Baseline Data (1989)	FY '92	FY '93	FY '94	Target (1999)	Data Source
• District Supervisors Retrained (# of courses)	0	3	5	7	10	MOE
• Student Kits Distributed	0	18,000	43,000	61,000	810,000	MOE
• Teachers' Kits Distributed	0	1,500	3,500	7,000	30,000	
• National Social Marketing Campaigns	0	1	2	3	3 (by end of 1994)	MOE
c. Models of Low-Cost Alternative Methodologies Validated:						
• Interactive Radio Math Implemented (# of broadcast recordings)	0	155	310	465	465 ² (end of 1994)	AED
• Radio Spanish Implemented (# of broadcast recordings)	0	150	300	450	550	AED
• One-Room School Program Implemented	0	25%	60%	100%	100% ² (end of 1994)	MOE
• Girls' Education Program Developed	0	15%	25%	35%	100%	AED
d. MOE Administration and Management Information Practices Improved:						
• MIS Installed	0	60%	100%	100%	100% (end of 1993)	MOE
• Field Studies Conducted	0	1	4	7	13 ¹	MOE
• Academic Achievement Tests Produced	0	1	2	4	8	MOE
• Personnel Management System Installed	0	100%	100%	100%	100% (end of 1992)	MOE

¹Redesign Under Consideration

²Expansion Under Consideration

4. Sustainable Natural Resource Management	Baseline Data	FY '92	FY '93	FY '94	Target (1996)	Data Source
Performance Indicator:						
Land Under Improved Natural Resource Management (Ha.)	58,200 (1989)	200,000	500,000	1.0 million	1.5 million	Project Reports and Surveys
Institutions Implementing Sound Agricultural and Natural Resource Plans	0 (1991)	2	6	10	15	Project Reports and Surveys
People Employing Sustainable Land Use Practices						(Base-Line Survey TBD 1992)
Program Output						
• Output Indicator (cumulative):						
a. Policy Reform and Enforcement:						
• Key Laws Passed	1 (1989)	5	6	7	10	Legislative Review / Policy Inventory TBD based on ROCAP Policy Inventory Case Studies - Project Reports
• Cases of Positive Interpretation and Dissemination						
• Cases of Positive Enforcement Actions	0	10	25	40	80	
b. Effective, Sustainable ANR Institutions:						
• Successful GOG-NGO Collaborations on Agriculture and Natural Resource Programs	0	6	12	18	30	Project Reports
• Non-AID Budget of CONAP (million Q/yr.)	1.6 (1990)	3.2	4.0	4.8	6.0	CONAP / Project Reports
• New NGO / Community Groups Participating	0	3	5	7	10	Project Reports

ANR (cont.)	Baseline Data	FY '92	FY '93	FY '94	Target	Data Source
<p>c. Public Support for Sound Agricultural and Natural Resource Management:</p> <ul style="list-style-type: none"> • People Who Are Knowledgeable About ANR Programs • People Who Report Supporting ANR Programs • People Who Adopt Improved ANR Practices 						
						(Base Line Data TBD in 1992)

LAC Bureau Objective:

Support the Evolution of Stable, Participatory Democratic Societies

5. Sustained Exercise of Inalienable Rights	Baseline Data	FY '92	FY '93	FY '94	Target	Data Source
Performance Indicator:						
Increase in Individual Free Expression and Participation	TBD (1993)					Public Opinion Poll
Improved Due Process Under the Law	TBD (1993)					Public Opinion Poll
Improved Public Confidence in Governing Officials & Institutions	% polled					Public Opinion Poll TBD 1993
Program Output						
• Output Indicator (cumulative):						
a. Public and Private Sector Leadership Development:						
• Trained Leaders Exercising Leadership Skills Post-Training	TBD (1992)				80% (1994)	GPS/CIS data base
• ESTNA Graduates Actively Participating in Alumni Association	TBD (1993)				100% (1994)	ESTNA Records
b. Judicial Sector Reform Support:						
• Output Indicator TBD						
c. Tracking System for Human Rights Violations:						
• Geographic Coverage in Reporting of Human Rights Violations (# of Departments)	11 (1990)	18	23	23	23 (1993)	OHRO Records
• Geographic Coverage in Reporting of Human Rights Violations (# of cases reported)	1,780 (1990)	2,000	2,200	2,200	2,200 (1993)	OHRO Records

Stable Democracy (cont.)	Baseline Data	FY '92	FY '93	FY '94	Target	Data Source
• Increased Follow-up on Cases in Tracking System	TBD (1992)					OHRO Tracking System
d. Public Awareness in Civic Education and Human Rights:						
• Participation in Political Organizations	TBD (1993)					Public Opinion Poll
• Number of Annual Civic and Human Rights Educational Activities	40 (1991)	200	200	200	200 (1995)	OHRO Records / AID Documentation
• Number of Radio Programs Broadcast Nationwide	TBD (1993)					OHRO Records / AID Documentation
• Voter Participation in National Elections	47.0% (1990)				55% (1995)	SET Data
• Voter Participation in Municipal Elections	45% (1991)		55%		55% (1993)	SET Data
e. Strengthened Legislative Capacity:						
• Number of Bills Reported Out of Major Committees Annually	58 (1991)	72	80	93	116 (1995)	GOG Congressional Records
• Major Committee Permanent Professional Staff	0 (1991)	5	10	10	10 (1993)	Congress Liaison / AID Committee

<u>Project</u>	<u>LOP Funding</u>	<u>Description</u>	<u>Current PACD</u>	<u>Comment</u>
Cooperative Strengthening (520-0286)	\$19,000,000	The project is supporting the institutional development and financial stabilization of agricultural cooperative federations, agricultural and handicraft producer cooperatives, and 24 credit unions.	8/31/94	The PACD will not be extended.
Pilot Commercial Land Markets II (520-0343)	\$13,500,000	The project is a pilot program with the Fundacion del Centavo to provide greater access to agricultural land to landless producers.	8/30/94	The PACD will not be extended.
Development Training and Support (520-0384)	\$6,850,000	The project provides a broad spectrum of long- and short-term training opportunities in Guatemala, the U.S., and third countries. Originally authorized for \$8 million, the project was cut back to shift resources to the Guatemalan Peace Scholarship Program.	9/30/94	The PACD will not be extended.
Rural Electrification III (520-0353)	\$10,000,000	The project will extend electrification in rural Guatemala, with communities selected on the basis of the productive potential of electricity. Technical assistance is being provided in the productive uses of electricity.	8/25/95	The PACD will not be extended.

<u>Project</u>	<u>LOP Funding</u>	<u>Description</u>	<u>Current PACD</u>	<u>Comment</u>
Immunization and ORT Services for Child Survival (520-0339)	\$16,418,000	Following GOG reimbursement of over \$1 million in undocumented expenditures, the project will be re-started in FY 92.	6/30/93	If resources are available, the PACD will be extended and \$3 million added to expand coverage and institutionalize MOH capacity to manage program activities, including financial controls.

TABLE 6

LOCAL CURRENCY UTILIZATION FY '91
(\$000)

<u>USES</u>	<u>ESF</u>	<u>PL480-I</u>	<u>PL 480-II</u>	<u>SEC 416</u>	<u>TOTAL</u>
HG BUDGET GEN	17,141				17,141
HG BUDGET SECTOR					
HG BUDGET TO AID PROJECT		9,893			9,893
HG MANAGED L/C PROJ. (GOVT. OR PRIVATE)		8,095		1,659	9,754
AID PROGRAM TRUST FUND	2,807 ¹				2,807
AID OE TRUST FUND	3,678				3,678
SECTION 108					
OTHER			450		450
TOTAL	23,626	17,988	450	1,659	43,723
B. CHANNEL FOR ASSISTANCE					
PUBLIC SECTOR	20,819	17,988		1,659	40,466
PRIVATE SECTOR	2,807		450		3,257
TOTAL	23,626	17,988	450	1,659	43,723

1. Balance of ESF '87

TABLE 6
LOCAL CURRENCY UTILIZATION FY '92
(\$000)

<u>USES</u>	<u>ESF</u>	<u>PL480-I</u>	<u>PL-480-II</u>	<u>SEC 416</u>	<u>TOTAL</u>
HG BUDGET GEN	21,383				21,383
HG BUDGET SECTOR					
HG BUDGET TO AID PROJECT		11,764 ⁴			11,764
HG MANAGED L/C PROJ. (GOVT. OR PRIVATE)	10,000 ¹	9,626 ⁴		2,000	21,626
AID PROGRAM TRUST FUND	1,308 ³				1,308
AID OE TRUST FUND	1,800				1,800
SECTION 108					
OTHER			1,950 ²		1,950
<hr/>					
TOTAL	34,491	21,390	1,950	2,000	59,831
 B. CHANNEL FOR ASSISTANCE					
<hr/>					
PUBLIC SECTOR	23,183	21,390		2,000	46,573
PRIVATE SECTOR	11,308		1,950		13,258
TOTAL	34,491	21,390	1,950	2,000	59,831
<hr/>					

1. Trade & Investment Program
2. PVO Monetization
3. Balance of ESF '87
4. Balance of '84-'90

TABLE 6
LOCAL CURRENCY UTILIZATION FY '93
(\$000)

<u>USES</u>	<u>ESF</u>	<u>PL480-I</u>	<u>PL-480-II</u>	<u>SEC 416</u>	<u>TOTAL</u>
HG BUDGET GEN	28,000				28,000
HG BUDGET SECTOR					
HG BUDGET TO AID PROJECT					
HG MANAGED L/C PROJ. (GOVT. OR PRIVATE)	10,000 ¹				10,000
AID PROGRAM TRUST FUND					
AID OE TRUST FUND	1,900				1,900
SECTION 108					
OTHER			2,468 ²		2,468
<hr/>					
TOTAL	39,900		2,468		42,368
 B. CHANNEL FOR ASSISTANCE					
<hr/>					
PUBLIC SECTOR	34,900				29,900
PRIVATE SECTOR	5,000		2,468		7,468
TOTAL	39,900		2,468		42,368
<hr/>					

1. Trade & Investment & Judicial Sector Reform Programs
2. PVO Monetization

TABLE 6

LOCAL CURRENCY UTILIZATION FY'94
(\$000)

<u>USES</u>	<u>ESF</u>	<u>PL480-I</u>	<u>PL-480-II</u>	<u>SEC. 416</u>	<u>TOTAL</u>
HG BUDGET GEN					
HG BUDGET SECTOR					
HG BUDGET TO AID PROJECT					
HG MANAGED L/C PROJ. (GOVT. OR PRIVATE)	5,000 ¹				5,000
AID PROGRAM TRUST FUND					
AID OE TRUST FUND	2,000				2,000
SECTION 108					
OTHER			2,468 ²		2,468
TOTAL	7,000		2,468		9,468
B. CHANNEL FOR ASSISTANCE					
PUBLIC SECTOR	7,000				7,000
PRIVATE SECTOR			2,468		2,468
TOTAL	7,000		2,468		9,468

1. Judicial Sector Reform Program
2. PVO Monetization

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TABLE 7: ESTIMATED FUNDING REQUIREMENTS
BY STRATEGIC OBJECTIVE

Project Number	PROJECT TITLE	Func. Acct.	LOP Planned	1992 OYB	End '92 Mortgage	1993 Prop.	End '93 Mortgage	1994 Prop.	End '94 Mortgage
1. INCREASED PRIVATE INVESTMENT AND TRADE									
520-0000	Program Development and	PH	13,304	400	1,060	215	845	315	530
520-0274	Highlands Agricultural	PH	10,600	1,500	0	0	0	0	0
520-0381	Small Farmer Coffee	PH	11,000	3,525	2,242	0	2,242	560	1,682
520-0403	Trade & Invest. Program	IS	25,000	10,200	6,000	6,800	0	0	0
	Total		67,904	23,625	10,102	7,015	3,087	875	2,212
2. SMALLER, HEALTHIER FAMILIES									
520-0000	Program Development and	CS	977	100	0	75	225	75	150
520-0000	Program Development and	HE	2,017	80	400	100	300	100	200
520-0000	Program Development and	PH	1,690	100	400	100	300	100	200
520-0339	Immunization/Child Surv	CS	3,000	0	0	3,000	0	0	0
520-0357	Population & Family Hea	PH	22,500	5,400	17,100	5,400	11,700	5,400	6,300
520-0357	Population & Family Hea	CS	7,000	1,600	5,400	3,800	1,600	1,600	0
520-0399	Highlands Water & Sanit	HE	5,300	620	2,721	160	2,561	2,560	1
520-0399	Highlands Water & Sanit	CS	800	300	300	300	0	0	0
520-0399	Highlands Water & Sanit	PH	4,740	900	1,440	0	1,440	0	1,440
520-0408	CARE Water and Sanitati	HE	500	200	0	0	0	0	0
	Total		48,524	9,300	27,761	12,935	10,126	9,835	8,291
3. IMPROVED BASIC EDUCATION									
520-0000	Program Development and	HE	3,187	100	400	100	300	100	200
520-0374	Basic Education Strengt	HE	30,000	4,500	14,244	4,500	9,744	4,500	5,244
	Total		33,187	4,600	14,644	4,600	10,044	4,600	5,444
4. SUSTAINABLE NATURAL RESOURCE MANAGEMENT									
520-0000	Program Development and	PSEK	5,987	370	1,680	450	1,230	450	780
520-0395	MAYARENA	PSEK	6,500	2,460	0	0	0	0	0
520-0395	MAYARENA	PH	4,000	0	1,440	1,000	440	440	0
520-0404	Imprvd Environ. & Nat.	PSEK	7,500	0	0	1,500	6,000	1,500	4,500
520-0404	Imprvd Environ. & Nat.	PH	7,500	0	0	0	0	1,600	5,900
	Total		31,487	2,830	3,120	2,950	7,670	3,990	11,180
5. SUSTAINED EXERCISE OF INALIENABLE RIGHTS									
520-0145	Special Development Fun	PSEK	3,271	300	800	200	600	200	400
520-0383	Special Project Assista	PH	180	100	0	0	0	0	0
520-0393	Guatemala Peace Scholar	IS	10,487	5,700	4,680	3,000	1,600	1,500	100
520-0398	Democratic Institutions	IS	5,900	3,100	1,200	1,200	0	0	0
520-0407	Judicial Sector Reform	IS	17,420	0	0	0,820	0,500	0,500	0
	Total		45,258	9,200	6,680	13,400	10,700	10,200	500

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TABLE 7: ESTIMATED FUNDING REQUIREMENTS
BY STRATEGIC OBJECTIVE

Project Number	PROJECT TITLE	Func. Acct.	LOP Planned	1992 OTB	End '92 Mortgage	1993 Prop.	End '93 Mortgage	1994 Prop.	End '94 Mortgage
OTHER									
520-0286	Cooperative Strengthen	FN	19,000	2,000	1,600	1,600	0	0	0
520-0343	Commer. Land Markets II	FN	13,500	0	0	0	0	0	0
520-0353	Rural Elec. III	FN	10,000	1,200	1,500	1,000	500	500	0
520-0371	Fiscal Administration	ES	9,200	3,000	0	0	0	0	0
520-0409	Child in Need	CS	470	170	300	300	0	0	0
	Subtotal		52,170	7,170	3,400	2,900	500	500	0
	<u>STRAT. OBJS. TOTALS</u>		278,530	56,725	65,707	43,800	50,127	30,000	27,627
	DA			26,725		23,800		20,000	
	ESF			30,000		20,000		10,000	

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BY FUNCTIONAL ACCOUNT

(Not Specifically Requested in Guidance)

Project Number	PROJECT TITLE	PACD	LOP	1991	1992	End '92	1993	End '93	1994	End '94	
			Planned	OYB	OYB	Mortgage	Prop.	Mortgage	Prop.	Mortgage	
ARDN											
520-0000	Program Development and Support	ongoing	13,304	571	400	1,060	215	845	315	53	
520-0274	Highlands Agricultural Developme	09/30/93	18,600	1,700	1,500	0	0	0	0		
520-0286	Cooperative Strengthening	8/31/94	19,000	2,600	2,800	1,600	1,600	0	0		
520-0343	Commer. Land Markets II (PVD)	08/30/94	13,500	400	0	0	0	0	0		
520-0353	Rural Elec. III	08/05/95	10,000	2,000	1,200	1,500	1,000	500	500		
520-0363	Agric. Prod. & Marketing Service	04/30/93	1,800	300	0	400	0	400	0	40	
520-0381	Small Farmer Coffee	07/21/97	11,000	584	2,085	3,682	1,000	2,682	1,000	1,68	
520-0383	Special Project Assistance Fund	12/31/92	180	0	100	0	0	0	0		
520-0393	Guatemala Peace Scholarships	04/15/97	1,313	13	0	0	0	0	0		
520-0395	MAYAREMA	08/30/96	4,000	1,900	0	1,440	0	1,440	0	1,44	
520-0399	Highlands Water & Sanitation	12/31/95	4,740	2,400	2,340	0	0	0	0		
520-0404	Imprvd Environ. & Nat. Res. Mgt.	16-7 yr.	7,500	0	0	0	0	0	1,600	5,90	
Subtotal ARDN					12,468	10,425	9,682	3,815	5,867	3,415	9,95
POP											
520-0000	Program Development and Support	ongoing	1,690	100	100	400	100	300	100	20	
520-0288	Expansion of Family Planning Ser	8/31/92	28,131	3,630	0	0	0	0	0		
520-0357	Population & Family Health Servi	new	22,500	0	5,400	17,100	5,400	11,700	5,400	6,30	
Subtotal POP					3,730	5,500	17,500	5,500	12,000	5,500	6,50
HEALTH											
520-0000	Program Development and Support	ongoing	2,017	180	80	400	100	300	100	20	
520-0399	Highlands Water & Sanitation	12/31/95	5,299	1,959	620	2,720	160	2,560	2,560		
520-0408	CARE Water and Sanitation	06/30/93	500	300	200	0	0	0	0		
Subtotal HE					2,439	900	3,120	260	2,860	2,660	70
CHILD SURVIVAL											
520-0000	Program Development and Support	ongoing	977	230	100	0	75	225	75	15	
520-0288	Expansion of Family Planning Ser	8/31/92	7,200	370	0	0	0	0	0		
520-0339	Immunization/Child Survival	06/30/93	3,000	0	0	0	3,000	0	0		
520-0357	Population & Family Health Servi	new	7,000	0	1,600	5,400	3,800	1,600	1,600		
520-0399	Highlands Water & Sanitation	12/31/95	800	200	300	300	300	0	0		
520-0409	Child in Need	09/29/93	470	0	170	300	300	0	0		
Subtotal CS					800	2,170	6,000	7,475	1,825	1,675	15

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BY FUNCTIONAL ACCOUNT

(Not Specifically Requested in Guidance)

Project Number	PROJECT TITLE	PACD	LOP	1991	1992	End '92	1993	End '93	1994	End '94
			Planned	DYB	DYB	Mortgage	Prop.	Mortgage	Prop.	Mortgage
EHR										
520-0000	Program Development and Support	ongoing	3,187	105	100	400	100	300	100	200
520-0374	Basic Education Strengthening	07/01/95	30,000	4,421	4,500	14,244	4,500	9,744	4,500	5,244
520-0398	Democratic Institutions Support	09/30/94	500	500	0	(0)	0	(0)	0	(0)
Subtotal EHR				5,026	4,600	14,644	4,600	10,044	4,600	5,444
PSEE										
520-0000	Program Development and Support	ongoing	5,987	393	370	1,680	450	1,230	450	780
520-0145	Special Development Fund	ongoing	2,867	204	300	396	200	196	200	(0)
520-0341	Private Enterprise Development	08/27/92	7,826	352	0	0	0	0	0	(0)
520-0377	Microbusiness Promotion (PVC)	09/30/92	2,092	42	0	0	0	0	0	(0)
520-0380	Entrepreneurial Development (PVC)	07/31/92	1,250	225	0	0	0	0	0	(0)
520-0395	MAYAREMA	08/30/96	6,500	3,390	2,460	0	0	0	0	(0)
520-0404	Imprvd Environ. & Nat. Res. Mgt.	new	7,500	0	0	0	1,500	6,000	1,500	4,500
520-0409	Child in Need	09/30/93	300	300	0	0	0	0	0	(0)
Subtotal PSEE				4,906	3,130	2,076	2,150	7,426	2,150	5,276
Subtotal DA				29,369	26,725	50,022	23,800	40,022	20,000	27,520
ESF										
520-0371	Fiscal Administration	12/31/92	9,200	4,200	3,000	0	0	0	0	(0)
520-0393	Guatemala Peace Scholarships	04/15/97	18,487	5,324	5,700	4,680	3,080	1,600	1,500	100
520-0394	Economic Stabilization and Growth	06/30/91	20,000	20,000	0	0	0	0	0	(0)
520-0398	Democratic Institutions Support	09/30/94	5,900	1,000	3,100	1,200	1,200	0	0	(0)
520-0403	Trade & Invest. Program	new	25,000	0	18,200	6,800	6,800	0	0	(0)
520-0407	Judicial Sector Reform Program	new	17,420	0	0	0	8,920	8,500	8,500	(0)
Subtotal ESF				30,524	30,000	12,680	20,000	10,100	10,000	10,000
Total DA&ESF				59,893	56,725	65,702	43,800	50,122	30,000	27,620

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PRM
podapFA2Table 7: Mortgage Analysis for FY '93 - '94 Action Plan
by Functional Account
(not specifically requested in guidance)

Project Number	PROJECT TITLE	Func. Acct.	L/G	PACD	LOP Planned	1991 OYB	1992 OYS	End '92 Mortgage Prop.	1993 Mortgage Prop.	End '93 Mortgage Prop.	1994 Mortgage Prop.	End '94 Mortgage
EHR												
520-0000	Program Development and	ER	G	ongoing	3,187	105	100	400	100	300	100	200
520-0374	Basic Education Strengt	ER	G	07/01/95	30,000	4,421	4,500	14,244	4,500	9,744	4,500	5,244
520-0398	Democratic Institutions	ER	G	09/30/94	500	500	0	(0)	0	(0)	0	(0)
Subtotal EHR						5,026	4,600	14,644	4,600	10,044	4,600	5,444
PSER												
520-0000	Program Development and	PSER	G	ongoing	5,987	393	370	1,680	450	1,230	450	780
520-0145	Special Development Fun	PSER	G	ongoing	2,857	204	300	396	200	195	200	(4)
520-0341	Private Enterprise Deve	PSER	G	08/27/92	7,826	352	0	0	0	0	0	0
520-0377	Microbusiness Promotion	PSER	G	09/30/92	2,092	42	0	0	0	0	0	0
520-0360	Entrepreneurial Develop	PSER	G	07/31/92	1,250	225	0	0	0	9	0	0
520-0395	MAYARMA	PSER	G	08/30/96	8,500	3,390	2,460	0	0	9	0	0
520-0404	Imprvd Environ. & Nat.	PSER	G	new	7,500	0	0	0	1,500	6,000	1,500	4,500
520-0409	Child in Need	PSER	G	12/31/93	300	300	0	0	0	0	0	0
Subtotal PSER						4,906	3,130	2,076	2,150	7,426	2,150	5,276
Subtotal DA						29,369	26,725	53,022	23,800	40,022	20,000	27,522
ESF												
520-0371	Fiscal Administration	ES	G	12/31/92	9,200	4,200	3,000	0	0	0	0	0
520-0393	Guatemala Peace Scholar	ES	G	04/15/97	18,487	5,324	5,700	4,680	3,080	1,600	1,500	100
520-0394	Economic Stabilization	ES	G	06/30/91	20,000	20,000	0	0	0	0	0	0
520-0398	Democratic Institutions	ES	G	09/30/94	5,900	1,000	3,100	1,200	1,200	0	0	0
520-0403	Trade & Invest. Program	ES	G	new	25,000	0	18,200	6,800	6,800	0	0	0
520-0407	Judicial Sector Reform	ES	G	new	17,420	0	0	0	8,920	8,500	8,500	0
Subtotal ESF						30,524	30,000	12,680	20,000	10,100	10,000	100
Total DA&ESF						59,893	58,725	65,702	43,800	50,122	30,000	27,622

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podapFA2Table 7: Mortgage Analysis for FY '93 - '94 Action Plan
by Functional Account
(not specifically requested in guidance)

Project Number	PROJECT TITLE	Func. Acct.	L/G	PICD	LOP Planned	1991 OYB	1992 OYB	End '92 Mortgage	1993 Prop.	End '93 Mortgage	1994 Prop.	End '94 Mortgage
ARDW												
520-0000	Program Development and	FN	G	ongoing	13,304	571	400	1,060	215	845	315	530
520-0274	Highlands Agricultural	FN	G	09/30/93	18,600	1,700	1,500	0	0	0	0	0
520-0286	Cooperative Strengtheni	FN	G	8/31/94	19,000	2,600	2,800	1,600	1,600	0	0	0
520-0343	Commer. Land Markets II	FN	G	08/30/94	13,500	400	0	0	0	0	0	0
520-0353	Rural Elec. III	FN	G	06/05/95	10,000	2,000	1,200	1,500	1,000	500	500	0
520-0363	Agric. Prod. & Marketin	FN	G	04/30/93	1,800	300	0	400	0	400	0	400
520-0381	Small Farmer Coffee	FN	G	07/21/97	11,000	584	3,525	2,242	0	2,242	560	1,682
520-0383	Special Project Assista	FN	G	12/31/92	180	0	100	0	0	0	0	0
520-0393	Guatemala Peace Scholar	FN	G	04/15/97	1,313	13	0	0	0	0	0	0
520-0395	MAYAREMA	FN	G	08/30/96	4,000	1,900	0	1,440	1,000	440	440	0
520-0399	Highlands Water & Sanit	FN	G	12/31/95(	4,740	2,400	900	1,440	0	1,440	0	1,440
520-0404	Imprvd Environ. & Nat.	FN	G	(6-7 yr.	7,500	0	0	0	0	0	1,600	5,900
Subtotal ARDW						12,468	10,425	8,682	3,815	5,867	3,415	9,952
POP												
520-0000	Program Development and	FN	G	ongoing	1,690	100	100	400	100	300	100	200
520-0288	Expansion of Family Pla	FN	G	8/31/92	28,131	3,630	0	0	0	0	0	0
520-0357	Population & Family Bea	FN	G	new	22,500	0	5,400	17,100	5,400	11,700	5,400	6,300
Subtotal POP						3,730	5,500	17,500	5,500	12,000	5,500	6,500
HEALTH												
520-0000	Program Development and	HE	G	ongoing	2,017	180	80	400	100	300	100	200
520-0399	Highlands Water & Sanit	HE	G	12/31/95(	5,293	1,959	620	2,720	160	2,560	2,560	0
520-0408	CARE Water and Sanitabl	HE	G	new	500	300	200	0	0	0	0	0
Subtotal HE						2,439	960	3,120	260	2,860	2,660	200
CHILD SURVIVAL												
520-0000	Program Development and	CS	G	ongoing	877	230	100	0	75	225	75	150
520-0288	Expansion of Family Pla	CS	G	8/31/92	7,200	378	0	0	0	0	0	0
520-0339	Immunization/Child Surv	CS	G	06/30/93	3,000	0	0	3,000	0	0	0	0
520-0357	Population & Family Bea	CS	G	new	7,000	0	1,600	5,400	3,800	1,600	1,600	0
520-0399	Highlands Water & Sanit	CS	G	12/31/95(	800	200	300	300	300	0	0	0
520-0409	Child in Need	CS	G	12/31/93	470	0	170	300	300	0	0	0
Subtotal CS						800	2,170	6,000	7,475	1,825	1,675	150

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					
		1996	1987	1988	1989	1990	Projected 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 Objective: 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 Objective: Increased Trade and Investment Indicators: 2/						
	1. Gross Value of Exports (\$ mil.)						
	a. Agriculture	702.4	608.3	663.2	657.8	635.7	657.3 679.7 702.8
	(1) Traditional	34.7	54.7	60.9	72.4	78.7	86.0 95.0 105.0
	(1) Non-Traditional						
	b. Manufacturing (Free-zone and Drawback)	19.5	39.6	77.4	128.3	187.0	260.0 330.0 410.0

LAC Bureau Objectives/
Sub-Objectives

Mission Strategic Objectives/
Performance Indicators

	Fiscal Year					
	1986	1987	1988	1989	1990	Projected 1991 1992 1993

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

2. Gross Value of Production (\$ mil.)									
(a) Agriculture	1049	918	984	980	1110	1144	1185	1231	
(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	6.5	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	
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LAC Bureau Objectives/
Sub-Objectives

Mission Strategic Objectives/
Performance Indicators

Fiscal Year
1986 1987 1988 1989 1990 1991 1992 1993

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 Objectives: 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 Objectives: 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	1991	1992	1993
Projected								

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	M.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

FOOTNOTES:

- 1/ "Inflation" refers to average annual percent change in price index; "Public Savings" is current revenue minus current expenditures -- IRIQ savings implies that any financing of the overall deficit is used for investment. SOURCE: 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; SOURCE 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): SOURCE are Bank of Guatemala Statistical Bulletin 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. SOURCE 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 314-354 for first and second round national elections respectively that year with 1990 data structured similarly. Data in 1988 for elections in municipalities only.

ACTIVE AND PROSPECTIVE CENTRALLY FUNDED
ACTIVITIES AND BUY-INS

Prior to review of the PODAP in AID/W an analysis of the centrally-funded activities will be provided to LAC.

PROJECT NAME	PROJECT NUMBER	AMOUNT	PERIOD
<u>PRIVATE SECTOR</u>			
Price Waterhouse	522-9106	\$180,000	1/92 - 8/92
Trade, Technology and Investment Initiatives (TIAA/MTAP)	936-4053	\$211,988	12/90 - 8/92
Private Enterprise Development Support (PEDS II - Ernst and Young)	940-2028	\$532,500	3/89 - 8/92
Trade, Technology and Investment Initiatives (TTII/MTAP)	936-4043	\$500,000	3/89 - 8/92
<u>HEALTH AND POPULATION</u>			
R & D Orphans and Displaced Children Fund	936	\$300,000 (No buy-in)	FY'91 - 92
Hope Child Survival Project		\$722,000	9/91 - 8/94
La Leche League Breastfeeding Promotion Project	936-3040	\$9,000	FY'90 - 91
Care Child Survival Project		\$685,000	10/89 - 10/92
International Eye Foundation	936-5981	\$420,202	1/92 - 9/95
Leishmaniasis Research Project	936-5542	\$200,000	6/89 - 7/92
(The above projects are on-going)			
Association of Voluntary Surgical Contraception (AVSC) (present and future)	936-3049	\$101,000	FY'90-92

PROJECT NAME	PROJECT NUMBER	AMOUNT	PERIOD
Population Council	936-3030	TBD	FY'92-96
Mothercare	936-5966	\$210,000	FY'91-92
The Futures Group	936-3035	\$94,050	FY'91-92
Demographic and Health Surveys	936-3023	TBD	FY'92-93
Latin America and Caribbean Health and Nutrition Sustainability Project	590-0657	\$ 60,000	4/91 - 4/92

EDUCATION

Regional Technical AID Center II Project (RTAC II)	598-0791	\$2,934,000 (No buy in)	8/86 - 8/96
R&D Narcotics Education and Awareness Project	936-5834	\$100,000	FY'92

DEMOCRATIC INITIATIVES

LAC Regional Administration of Justice Project	598-0642	TBD	FY'93-94
LAC Regional Democratic Development Support Project	New	100,000	FY'93-94

AGRICULTURE/ENVIRONMENT

Development Strategies for Fragile Lands (DESFIL)	936-	\$90,000	5/92 - 7/92
Cooperative Agreement, Wisconsin Land Tenure Center (RENARM)	596-0150	\$20,000	1/92 - 2/92
Rural Development Technical services (LAC/TECH)	598-0654	\$1,473,000 (No buy in)	2/92

9218C

February 11, 1992

MEMORANDUM

TO: See Distribution (attached)

FROM: LAC/DR, Peter Bloom *DL*
LAC/DPP, Bastiaan Schouten

SUBJECT: Review of Guatemala Program Objectives Document and
Action Plan for FY 1993-1994

Attached for your review and comment is a New Project Description for the Guatemala Child Survival Project, which was inadvertently not included in the Action Plan distributed earlier. Additional copies may be obtained from LAC/DR/PSS, Room 2252 NS.

As a reminder, Action Plan issues were due on Monday, Feb. 10. If you have issues, please submit them, in writing, as soon as possible to Jeanne Bourgault, LAC/DR/CEN, Room 2248 NS (647-8656). POD issues should be submitted to Erhardt Rupprecht, LAC/DPP, Room 2246 NS (647-5597), and were also due Monday, Feb. 10.

The Action Plan Review, chaired by AA/LAC, James Michel, will be Tuesday, February 25, 1992, at 2:00 P.M.. The POD issues meeting, chaired by Bastiaan Schouten, will be on Friday, February 14 at 10:30 A.M. The combined Action Plan issues and NPD meeting, chaired by Peter Bloom, will be Wednesday, February 19, at 2:00 P.M. All meetings will be held in Room 2248 NS.

Issues Due	Mon	February 10, 1992	COB
POD Issues Meeting	Fri	February 14, 1992	10:30 A.M.
AP Issues/NPD	Wed	February 19, 1992	2:00 P.M.
Action Plan/POD Review	Tues	February 25, 1992	2:00 P.M.

LAC/DR:01/31/92:U:\DRPUB\CEN\GUATEAP.DIS

**USAID/Guatemala
FY 1993-94 ACTION PLAN
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FY 1993-94 ACTION PLAN
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Treasury	1	566-2373	Mr. James H. Fall Dep. Asst. Sec., IDN Department of Treasury Room 3209 1500 Pennsylvania Ave., N.W. Washington, D.C. 20220
Agriculture	1	720-0625	Ms. Patricia Haslach Area Manager FAS/EC/PPP/LACO Department of Agriculture Room 4520 South Building 14th & Independence Ave. S.W. Washington, D.C. 20250
Peace Corps	1	606-3724	Mr. Earl McClure Regional Director Peace Corps 1990 K Street, N.W. Washington, D.C. 20526

2

NEW PROJECT DESCRIPTION

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

Sub-Objective: Encourage Increased Economic Opportunities for the Disadvantaged.

Mission Strategic Objective: Smaller, Healthier Families

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

2. Project Number: 520-0339

		Original	Amendment	New Total
3. <u>Project Funding:</u> (\$000)	FY93:	-	\$3,000	\$ 3,000
	LOP:	\$16,418	-	\$19,418

4. Type of Funding: CS

A. Consistency of project with Mission strategy: This project is consistent with the Mission's overall program objective of spreading the benefits of economic growth. This amendment will result in increased immunization and ORT coverage as well as eventual sustainability of basic primary health care services independent of A.I.D. financial support.

B. Relationship to AID and other donor activities: This project is complementary to the Mission's proposed Population and Family Health Services Project as experience has shown that if many babies are dying, the birth rate will remain high in order to replace lost children. Thus, family planning can not expect to be fully successful in the absence of effective child survival services. The planned activities also complement host country and other donor projects providing child survival services.

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

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 is shifting 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.

The ongoing Child Survival Project was suspended in March, 1990, as a result of serious MOH administrative deficiencies. Project suspension, in part, contributed to a decline in immunization coverage rates from approximately 60% in December, 1989 to approximately 40% in 1991. A corollary reduction in ORT coverage rates however, was not noted due to substantial A.I.D. support in the fight against cholera.

The proposed amendment is crucial to achieving project objectives of reaching 70% immunization and ORT use coverage. In mid-1991, the Mission and the GOG agreed to contract a firm to provide the necessary management services and technical assistance to manage project funds and to implement a new administrative and financial management system in the MOH. The emphasis is on strengthening the management capacity of the MOH's 24 health areas so that AID, other donor and GOG resources will be more effectively utilized. The installation of an efficient administrative system and training of MOH personnel in its use is being coupled with local programming, monitoring and evaluation efforts which will ensure that resources are targeted at the most vulnerable populations and communities within a given area. To assist in this effort epidemiological surveillance is being fortified by creating a uniform national health management information system. The MOH will receive technical assistance in data collection as well as in data analysis which will assist decision-making at all levels of the MOH.

At the same time, the Mission is requiring that Government of Guatemala counterpart funds be used to support recurrent costs at the operational level as well as for procurement of commodities such as vaccines, syringes and ORS packets. Project funds are being used to support the establishment of a local ORS production facility at the University of San Carlos. MOH counterpart funds will be used to procure the salts and ensure continued production.

This amendment is expected to provide the requisite time to ensure a well-established and sustainable administrative and financial management system with trained MOH personnel as well as a sustainable national health information system and local production of ORS at the University of San Carlos.

Without this project amendment it is highly unlikely that the administrative and financial management system will be fully operational in all 24 health areas. Likewise, it is unlikely that the National Health Management Information system will be operational throughout the country and to the point of analysis of data collected to impact on decision-making in the health sector.

Planned Implementation Arrangements: A firm is being contracted to install an administrative and financial management system in the 24 health areas and to train MOH personnel in its use. Another firm is being contracted to remodel the local ORS production facility at the University of San Carlos and to design an administrative, distribution, quality control system for sustainable production. The Government of Guatemala will contribute local operating costs to support immunization and ORT services which will be implemented by the MOH.

Sustainability: The probability of sustainability is increased by a design which requires the MOH to fund recurrent costs. In addition, the establishment of an administrative and financial management system with trained MOH personnel to continue its operation as well as the establishment of a national health management information system and local ORS production add to sustainability of project activities. A complementary primary health care recurrent cost analysis will assist the MOH, Ministry of Finance, Economic Planning, Directorate, and members of Congress to make necessary policy and operational changes in budget allocations to ensure support for child survival activities.

Mission management role: The USAID/Guatemala USDH Health and Population Officer will have overall responsibility for project implementation. She will be assisted by an FSN project officer, and an FSN procurement specialist.

Potential Issues and/or Innovative Program Approaches: The challenge will be the timely disbursement and effective utilization of GOG counterpart funds. The Ministry of Health and the Ministry of Finance propose to implement a more decentralized and coordinated system which is expected to impact favorably on effective use of counterpart funds.