

PD-ABE-029

PARAGUAY

ACTION PLAN

FY 1993 - 1994

### Ambassador's Statement

In August 1993, Paraguay will inaugurate its first elected, civilian government in forty years. This event brings Paraguay to a critical crossroad in its democratic transition. For despite remarkable progress, basic democratic institutions need strengthening for the foreseeable future. We can predict that the new government will expect our support to define its socio-economic agenda. The United States should demonstrate in concrete terms its continued commitment to the democratic process in Paraguay, once considered the "pariah" of South America.

I believe that the United States should increase substantially its economic assistance in 1994, to help Paraguay solidify its democratic transition and to prevent the "backsliding" evidenced in other countries.

I asked the A.I.D. Representative to propose in the FY 1993-94 Action Plan a "democracy dividend" of \$20 million for Paraguay in FY 1994. This amount exceeds dramatically the straightlined budget level suggested for Paraguay. But the investment is more than justifiable, in my opinion, when one considers how far Paraguay has progressed since the coup of 1989.

Waking from its repressive past, Paraguay is eager to make democracy work, to expand trade and investment horizons, and to provide social justice for its citizenry. A.I.D. is well positioned to help the United States provide a mark of excellence to Paraguay's new civilian government in 1993. Based on experience gained since 1990, I am confident that A.I.D. can direct an expanded program of U.S. technical assistance and training for key democratic institutions.

The Action Plan describes the broad outline of a one-time "democracy dividend" of \$20 million in FY 1994, prefaced by a modest increase to \$4.2 million in FY 1993. I endorse these request levels. The investment is justifiable and in our national interest.



Jon D. Glassman  
Ambassador

**PARAGUAY  
ACTION PLAN  
FY 1993-1994**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>SECTION I. Selection of and Rationale for USAID/Paraguay Objectives</b>	<b>1</b>
<b>A. Overview of Environment for Development</b>	<b>1</b>
<b>B. Program Goal</b>	<b>5</b>
<b>C. Strategic Objectives</b>	<b>5</b>
<b>SECTION II. Program Performance</b>	<b>14</b>
<b>SECTION III. Portfolio Analysis - New and Terminating Activities</b>	<b>17</b>
<b>A. New Initiatives</b>	<b>17</b>
<b>B. Terminating Activities</b>	<b>19</b>
<b>SECTION IV. Resource Requirements</b>	<b>20</b>
<b>SECTION V. A.I.D. Representative Issues</b>	<b>22</b>
<b>SECTION VI. Tropical Forestry &amp; Biodiversity Analysis</b>	<b>25</b>
 <b><u>Attachments</u></b>	
<b>ANNEX 1</b>	<b>USAID/Paraguay Strategic Objectives</b>
<b>ANNEX 2</b>	<b>Summary Program Funding Table</b>
<b>ANNEX 3</b>	<b>New Activity Descriptions</b>
<b>ANNEX 4</b>	<b>FY 93-94 Operating Expense Budget Proposals</b>
<b>ANNEX 5</b>	<b>USAID/Paraguay Proposed Organization Chart</b>

1

**SECTION I. SELECTION OF AND RATIONALE FOR USAID/PARAGUAY STRATEGIC OBJECTIVES**

**A. Overview of Environment for Development**

The United States has three major policy objectives in Paraguay: 1) support the democratic transition; 2) promote increased trade and investment within the context of President Bush's Enterprise for the Americas Initiative; and 3) eradicate the trafficking and use of drugs. The USG's economic assistance, administered by USAID, conforms thoroughly to these objectives. The USAID/Paraguay program is designed to help strengthen the democratic process, shape policy and legislation, and to improve public and private capacity for socio-economic development. USAID/Paraguay is committed to help put in place the tools and skills needed by the first civilian elected government in 1993 to solidify the democratic transition, pursue sound socio-economic policies, and operate in a transparent and accountable way toward equitable development and social justice.

Paraguay continues its transition toward democracy and an open, free market economy with increasing confidence. Since the coup of February 3, 1989 which toppled the repressive regime of General Alfredo Stroessner, the country has passed several important milestones. The country's first municipal elections were held in May 1991, and a Constituent Assembly was elected in December 1991. The Assembly will draft a new Paraguayan Constitution in 1992. Presidential, congressional and gubernatorial elections will take place in May 1993.

The inauguration of Paraguay's first elected, civilian president in forty years in August 1993 will mark the country's most important milestone in the democratic transition. President Andrés Rodríguez has announced publicly that he is not a candidate for re-election.

On the economic front, the Rodríguez Government has taken several important steps. It established a free-floating exchange rate. New legislation covering taxation, investment, and privatization has been passed. The government continues to encourage private sector investors to increase exports of cotton, soybeans, meat and unprocessed agro-forestry products to Paraguay's largest foreign markets in Brazil and Argentina. Two-way trade with the United States was \$428.2 million in 1991. Non-traditional exports continue to be negligible.

In 1991, the GOP registered Latin America's second lowest inflation rate (11.8 percent) and it took steps to deal with the country's relatively large official and commercial debt overhang.<sup>1/</sup> But despite sound management of the economy, efforts to conclude a Stand-by Arrangement with the International Monetary Fund (IMF) have been deadlocked over the questions of cotton and soybean subsidies and the need for a budget surplus. It is likely, however, that an IMF "shadow" program will be put in place, allowing the GOP to request a Paris Club rescheduling of its official debt. Commercial debt is being negotiated with various international banks.

-----  
<sup>1/</sup> Official debt was \$1,785 million at the end of 1991 of which \$37 million was owed to the United States.

Paraguay is a member of the Southern Cone Common Market (MERCOSUR), which includes Brazil, Argentina, and Uruguay and has a combined population of nearly 200 million. The Rodriguez Government has encouraged full and active participation in MERCOSUR. A new Ministry of Integration has been established, for example, to facilitate the country's participation and keep the private sector abreast. A new entity, Pro-Paraguay, has been created combining government and private sector talent to promote trade and investment. MERCOSUR membership has stirred up public debate on the need to be competitive with neighbor members.

But the reality remains. Paraguay is basically an agricultural country with 56 percent of the population working in the rural areas. Dependence on cotton, soybeans and cattle as the main exports makes the Paraguayan economy vulnerable to world market conditions and competition.

As a MERCOSUR member in good standing, the Government of Paraguay has tried to amend its political and economic agenda while not threatening traditional business alliances. Tax, investment and privatization laws have been passed. The GOP is moving to strengthen key entities such as the Controller General and the Superintendent of Banks to account for public resources and bolster the banking system. A new system of rationalizing budget and human resources is underway with the Ministry of health helping take the lead. There have been refreshing appointments of qualified professionals in many ministries. And a new partnership is forming between the executive and legislative branches for a more open and accountable society.

As Paraguay begins to look outward in its political, trade and investment policy, it faces serious socio-economic problems at home. Its social indicators belie the designation "More Developed Country". Predominantly rural, Paraguay has the second highest population growth rate in South America 1/ and the second highest maternal mortality rate 2/ in all of Latin America. Only 20.5 percent of Paraguayans have access to safe drinking water.

Unemployment is estimated at 13 percent and underemployment 25 percent. Only 35 percent of school children continue past the 6th grade. The education system is weak from the elementary level through the universities. Little technical/vocational training is available.

Both the education and health sectors were given lowest priority during the Stroessner era. At present, a courageous Minister of Health and Social Welfare is attempting to improve health service delivery by creating a new vision of service for the Ministry's 12,000 employees, and by greater public accountability. Efforts in education reform have been phlegmatic, but the National Commission on Education Reform continues to deliberate.

-----  
1/ CEPEP, Encuestas de Demografia y Salud, Boletin Demográfico, CLAD-CELANE

2/ CPES - Revista Editada por CEPAL, Enero/92

There is growing pressure on Paraguay's 25 million hectares of farm and grazing land. An estimated 250,000 campesinos have no land, and conflict still smolders between conservative land owners and these landless campesinos. The GOP's agrarian reform program has attempted to deal with the problem by allocating lands to campesinos in resettlement areas, but progress has been spotty.

Paraguay's continued reliance on cotton as the main crop, with declining world market prices and increasing competition, provides minimal returns to the small farmer. Thousands are reported to migrate to Brazil and Argentina as laborers each month, or to Asunción to look for work. Soybeans are produced on large corporate farms by Paraguayan and Brazilian businessmen. The expansion of soybean cultivation has led to massive destruction of the country's forests. With an estimated 1,000 hectares cleared daily by corporate farmers or illegal loggers, it is estimated that Paraguay will have no forested land left by 2005, only 13 years from now.

The Paraguayan legal structure encourages destruction of its natural resources, i.e. cutting down its forests to establish "development of the land". Almost no reforestation is taking place. According to recent estimates of the useful lifespan of the Itaipu Hydro-electric complex, the world's largest, have been reduced from 100 to no more than 30 years due to silting caused by total deforestation on the Brazilian side. On the Paraguay side, illegal logging continues, although pressure has been building to stop it and other resource destruction.

Corruption remains endemic. The contraband "informal sector" is estimated to account for 30-40 percent of Paraguay's total commercial activity. While an official anti-corruption campaign has been launched, it has had relatively little impact. The reality of MERCOSUR could substantially affect this contraband economy.

So far in the transition, Paraguay's basic democratic institutions are forming but remain weak. The judiciary is hamstrung by archaic rules and a lack of trained judges and resources. Prisoners languish in the country's prisons for years, many serving more than the maximum sentence without trial. Trials are conducted in the Spanish tradition, without oral argument, with little use of physical or forensic evidence, and often without counsel for the accused. There are only twelve public defenders in Paraguay with a backlog of some 5,000 cases.

The legislature, comprised of a Senate and a House of Representatives is trying to deal with a constellation of socio-economic, legal and political problems. Operating without modern systems, it is trying to exercise a new oversight role, reviewing the national budget and studying trade, investment, taxation, and public management issues.

Other democratic institutions needed to ensure public accountability and confidence have been given new mandates but require significant strengthening. They include the Office of Controller General, the Superintendent of Banks, the Office of Attorney General, and the national police.

Paraguay enters its year of national elections with no history of decentralized power and authority for development. Power has traditionally been maintained in Asunción, the capital, and political institutions in the periphery have not been nurtured. In 1992, politicians of all stripes have made statements in support of a decentralized form of government. Governors of the country's 19 Departments will be elected for the first time in May 1993. The Constituent Assembly process has spurred debate about the proper pace of decentralization. Some argue for a complete, precipitous change; others for a gradualist approach. Regardless, local government institutions are extremely weak, lacking trained staff, financial resources and a shared vision with the community.

Looming on the horizon is a serious drug problem. Paraguay is known to be a drug transitting country through which cocaine from Bolivia, Colombia and Peru finds its way to markets in the United States, Brazil and Europe. The banking system is under-regulated and accomodating for money-laundering of illicit contraband and drug profits. And domestic drug abuse is increasing. A recent A.I.D.-funded epidemiological study revealed that 19.6 percent of young people aged 12-24 see no harm in trying cocaine or other hard drugs.

The National Anti-Drug Secretariat (SENAD) is responsible for drug enforcement and prevention. The Embassy and USAID/Paraguay have supported drug awareness and education efforts delegated by SENAD to the Ministry of Health and Social Welfare to develop a national strategy. The program combines public and non-governmental organizations and is beginning to make its mark in terms of public conciousness-raising.

A positive force in Paraguay is the strong spirit of volunteerism that exists and which has spawned outstanding private institutions like the Catholic University's Masters in Business Administration program, the Moises Bertoni Foundation, the Fundación Paraguaya, the Carlos Pfannl Institute and the Kansas-Paraguay Partners' Information and Resources Center for Development. The latter provides basic management training to a growing number of Paraguayan non-governmental organizations (NGOs)

Attitudinal and institutional obstacles remain in Paraguay which must be addressed if the country is to carry its democratic transition to fruition and position itself for increased trade and investment. A lack of trained manpower for planning and implementing development persists. There is no tradition of fruitful labor-management relations. The judicial system does not function efficiently or fairly. Political parties are trying to align their identity with the reality of the 1990s but with limited success. Recent legislation authorizing privatization of selected government-owned industries masks a statist mentality and state control of key industries. And, although Asunción remains the center of power, the rural areas may hold the key to the country's economic future.

B. Program Goal

The program goal for FY 1993-97 of USAID /Paraguay is Increased Capacity for Sustainable Development in a Participatory Democracy. The focus of the Mission's program is capacity building. Focussed investment by A.I.D., which creates an enabling environment in the commercial and environmental sectors, and in public management, can foster sustainable development in Paraguay.

C. Strategic Objectives

The first strategic objective, Strengthened Democratic Institutions, Systems and Practices, involves three parts of the democratization process: strengthening the legislature; strengthening the judiciary; and improving the financial and managerial accountability of selected government institutions. There are three sub-program outputs: an independent and accountable judiciary; improved professional judicial capacity; and a more efficient criminal court system.

For the second strategic objective, Improved Climate for Expanded and Diversified Trade and Investment, four program outputs are planned: increased macro-economic performance of key agencies; greater private sector participation in the promotion of trade and investment; the rational regulation of the business environment; and improved competitiveness of individual private firms.

The third strategic objective, More Rational Use of Natural Resources and Biodiversity Maintained, emphasizes public awareness and interventions to affect policy change in support of rational use of natural resources. Planned are four program outputs: an environmental awareness program implemented nation-wide; sustainable and diversified cropping systems in place; increased protected land area supporting maintenance of natural systems and biodiversity; and point source contamination of air, soil and water reduced.

In the area of social well-being, the Mission will undertake a few selected activities that, though not strategic, are important in supporting increased capacity for sustainable development. Drug awareness and prevention activities will continue, as well as management of voluntary family planning service delivery. In addition, USAID/Paraguay will support strategic planning for education policy reform. Development training will continue to enhance human resource development, and disaster preparedness will be supported to a limited extent. A pilot "labor-management relations" activity may be attempted through AIFLD and local NGO's.

1. STRATEGIC OBJECTIVE NO. 1: *Strengthened Democratic Institutions, Systems and Practices*

a. Selection and Rationale

With the end of the Stroessner regime three years ago, Paraguay became, for the first time in 34 years, a country in transition toward democracy. The history of the country has been characterized by autocratic rule and the emergence of a military class. The most recent authoritarian regime, under the direct control of the former President, resulted in corrupt officials and subsequent denial of human rights. There continues to be inadequate legal protection under the law. For example, an estimated 90 percent of prison inmates are pretrial detainees, the highest percentage in Latin America.

The legal system suffers from a declining legal education system, insufficient legal, paralegal and support personnel, lack of forensic capacity, and other inefficiencies. The criminal codes date back to the beginning of this century and contribute to procedural delay, inequities, corruption and general ineffectiveness.

Creation of strong independent Judicial and Legislative Branches has been hindered by the terms of the 1967 Constitution, specifically designed to assure centralized control by the Executive Branch. The Paraguayan Supreme Court, for example, historically has been politicized and subordinate to the Executive. Evidence of that continued control today is Executive Branch allocation of the budget without participation or input of other government agencies and ministries, including the Judicial Branch of government. The Minister of Health has already taken steps to begin development of an internal budgeting process and system within the Ministry, and then presenting it to the Executive for consideration in its determination of government-wide budget levels. Other institutions interested in developing their financial planning, budgetary and auditing capabilities are the Office of the Controller General and the Municipal Development Institute.

The Legislature has little or no staff and is allocated an annual budget of less than US\$2 million, equivalent to only 0.32 percent of the national budget. With no technical staff, its tasks in the past were often perfunctory, especially its review of the national budget. Today's legislative leadership wants to increase information, research and training capabilities. Informed debate will be essential to making good public policy choices and to provide the Executive Branch some challenge and input to its proposals and decisions.

b. Implementation

Already the country has taken critical steps. Municipal and Constituent Assembly elections were held successfully in 1991. Presidential and Congressional elections are planned for 1993. USAID/Paraguay's assistance for computer automation contributed to the success of the 1991 elections.

While the electoral process will continue to receive limited periodic support, the Mission will devote more attention in the next five to seven years to strengthening the legislative and judicial processes, and selected government institutions primarily in the realm of improved auditing, financial and managerial systems.

In the area of legislative strengthening, the Mission believes it can provide valuable assistance by developing: 1) an on-going program to increase staff capacity (professional and support); 2) a management information system; and 3) a legislative research and analysis unit.

The judicial system, currently ill-equipped to guarantee adequate treatment under the law, will be a focus of the USAID/Paraguay program. The discrete activities carried out during fiscal years 1990-91 were designed and implemented on an experimental basis, to assist the judiciary in resolving the most pressing problems and to determine if a broader effort would be appropriate. Based on the positive response to initial activities, USAID/Paraguay will continue these efforts. The country's legal system requires improved administrative and financial systems, enhanced professional capacity of its judges, and a more efficient and fair criminal court process.

Additional activities will be undertaken in selected government institutions where interest and potential exist to enhance the democratic management process. The Ministry of Health (MOH) with its dynamic pro-democratic leadership has already taken steps to improve its budgetary system. USAID/Paraguay will assist institutionalizing, within the Ministry, a new budget and accounting system which will be more realistic and transparent. In the Contraloria General, Mission-supported staff training will lead to new guidelines and capacity for government-wide program audits.

To assist in municipal development, USAID/Paraguay's efforts will be directed toward improving the staff capacity of the Municipal Development Institute and other entities to provide technical assistance to local government. The initial focus will be to enhance planning and financial systems by demonstrating improvements in selected municipalities.

Finally, selected assistance to the Electoral Commission will result in more transparent Presidential and Congressional elections in 1993, and thereafter.

c. Program Outputs

Program Output 1.1 is "Strengthened Legislature". The indicators are:

- o staff training program in place
- o Management Information System (MIS) developed and in place
- o a Legislative Research and Analysis Unit established

Program output 1.2 is "Improved Managerial and Financial Accountability in Government". This output reflects current and planned USAID/Paraguay assistance to selected government institutions to strengthen budgeting, accounting and/or auditing systems. The indicators to measure progress are:

- o a new Ministry of Health budgeting and accounting system in place
- o guidelines for government program auditing developed
- o improved municipal planning and financial systems in municipalities
- o transparent management of the 1993 elections

Program output 1.3 is "Strengthened Judicial Systems". This is the area where USAID/Paraguay began its first democratization efforts after the 1989 coup. Three sub-program outputs and their respective indicators show the Mission's program direction:

Sub-Program Output 1.3.1: Independent and accountable judiciary

- o timely budget allocations
- o a judicial career service system in place
- o an audit system in place

Sub-Program Output 1.3.2: Professional judiciary capacity improved

- o a judicial training program established
- o a judicial library established

Sub-Program Output 1.3.3: More efficient criminal court system

- o a public defenders program established
- o standardized sentencing procedures in place
- o a case processing system in place
- o forensic evidence routinely used

2. STRATEGIC OBJECTIVE NO. 2: *Improved Climate for Expanded and Diversified Trade and Investment*

a. Selection and Rationale

The Paraguayan authorities are committed to outward-looking economic growth, and several steps have been undertaken since 1989 to realize this objective, including: unification of the exchange rate; simplification and reduction of import duties; the decision to participate in regional economic integration; and a recent reduction in the taxation of nontraditional exports. Trade contacts are being intensified with nontraditional markets. In addition, three important trade-related actions have been taken since the demise of the Stroessner regime: Paraguay has applied for inclusion in the General

Agreement on Trade and Tariff (GATT); it successfully petitioned for the reinstatement of access for its exports to the United States under the Generalized System of Preferences and, in March 1991, the country signed the Asunción Treaty with Argentina, Brazil, and Uruguay establishing a Southern Cone Common Market (MERCOSUR) by end-1994. The treaty aims at a freer circulation of goods, services and factors of production among members, with the phased elimination of customs duties and nontariff barriers and the adoption of a common external tariff.

To attract foreign investment, plans are underway to sign bilateral investment treaties with several countries. In June 1991, the United States signed a "Framework Agreement on Trade and Investment" with MERCOSUR partners which serves as an important step in implementing the Enterprise for the Americas Initiative (EAI) aimed at increasing trade and investment and reducing debt. Although the United States-MERCOSUR Group Framework Agreement, in and of itself, does not bind the signatories to carry out specific trade liberalization commitments, this agreement established a commission to monitor trade and investment relations, identify opportunities for expanding trade and investment through liberalization and other appropriate means, and negotiate implementing agreements.

Over the past three years, Paraguay has made substantial progress in correcting macroeconomic imbalances and introducing structural reforms. Public finances have shifted from deficit to surplus, and initiatives are underway to improve efficiency in the public sector and to reform the tax system. The monetary authorities have tightened credit and have embarked on a comprehensive reform of the financial sector, including the freeing of interest rates. The country's commitment to an outward-looking growth strategy is underscored by the unification of the exchange rate and the adoption of steps to liberalize trade, encourage foreign investment and regional economic integration, and apply for GATT membership.

Despite these positive steps, serious problems continue to plague the economy. Debt service and arrears to private creditors have prompted Paraguay to seek assistance from the International Monetary Fund (IMF) for the first time in 31 years. The country has also begun discussions in negotiations with the International Bank for Reconstruction and Development (IBRD) for a Structural Adjustment Loan.

b. Implementation

USAID/Paraguay recognizes that the development of a sound investment climate is an immediate priority in order to attract new capital (from the IDB, IBRD and from private sources) and repatriate flight capital. The Mission believes it can contribute to the strengthening of the country's structures for the mobilization and allocation of financial resources. Crucial is the need to enhance the country's public financial entities and the commercial banking system. The Mission will provide technical assistance to the Superintendencia

de Bancos which will lead to the adoption of an internationally acceptable auditing system. Once in place, this agency of the Central Bank will initiate an audit program targeted at the commercial banking system, thus making a significant contribution to the country's early stages of IMF-assisted financial sector reform.

The country's macroeconomic planning capability also requires technical support. The compilation of Paraguay's macroeconomic statistics is complicated by the high proportion of trade and financial transactions conducted through irregular channels. Cognizant of the importance of the macroeconomic planning function, USAID/Paraguay is considering providing technical assistance to the Ministerio de Hacienda and other public and private entities involved in economic planning.

USAID/Paraguay intends to develop specific trade and investment-oriented activities with entities such as PRO-PARAGUAY to enable them to prepare policy analyses relating to trade promotion, disseminate information, and conduct training for public and private sector representatives.

New productive activities will need to be identified and expanded. In this regard, the Mission intends to continue support for the introduction of new technology and modern management techniques to Paraguayan business by sharing the costs with the International Executive Service Corps (IESC).

c. Program Outputs

Program Output 2.1 is designated as "Increased Macroeconomic Performance of Key Agencies". The indicators are:

- o an internationally accepted auditing system in place and regularized audits of the commercial banking system by the Superintendencia de Bancos
- o IDB and IBRD investment funds channelled through the commercial banking system
- o an improved macroeconomic planning and fiscal reporting capacity by the Ministerio de Hacienda and other selected public and private entities

Program Output 2.2 is designated as "Greater Private Sector Participation in the Promotion of Trade and Investment". Progress indicators are:

- o the number of private sector entities (e.g., cameras de comercio, trade associations and individual firms) participating in PRO-PARAGUAY activities
- o regularized financial contributions to specific activities by PRO-PARAGUAY membership

Program Output 2.3 is designated as "Rational Regulation of the Business Environment". Indicators of this output will be:

- o the number of judges trained to make informed decisions regarding copyrights and intellectual property rights
- o streamlined licensing procedures regarding imports, repatriation of capital, export permits, etc., including the establishment of a "one stop" investment center

Program Output 2.4 is designated as "Improved Competitiveness of Individual Private Firms". Indicators of successful achievement are:

- o a change in the output of assisted firms
- o a change in the value and volume of exports of assisted firms

3. STRATEGIC OBJECTIVE No. 3: *More Rational Use of Natural Resources and Biodiversity Maintained*

2. Selection and Rationale

The salient environmental issues in Paraguay are deforestation and natural resources conservation. Paraguay's "agricultural frontier" has traditionally been viewed as virtually limitless, but estimates now indicate that deforestation will probably be complete within 10 to 15 years, unless immediate action is taken.

The expansion of the frontier, with new lands being developed for farming and ranching, with little or no knowledge as to whether the soil is suitable for these purposes, provoked a spiraling process of natural resource degradation. This process has been exacerbated by the phenomenon of spontaneous settlement which has impeded land use planning. In cases where land has been allocated to poor campesino families, these areas have often been unsuitable for cultivation, and yields have declined drastically within a short period of time.

Natural resources degradation has been especially acute in the case of forested areas where the rate of deforestation for agricultural purposes is accelerating. A primary motive for much of the deforestation taking place in the country, especially in the country's Eastern Region, is Brazil's insatiable demand for timber. Although, the cutting of the forest and the transport of logs are subject to regulations dictated by the country's Forest Service, most of Paraguay's commercially valuable forest land lies in the northern part of the Eastern Region where lax patrolling of the border with Brazil eases smuggling. Commercially less valuable species are used partly for firewood, but the greater part is simply burned off in clearing the forests for agricultural and livestock purposes. The demand for wood by the country's charcoal-fueled steel plant, ACEPAR, is likely to put additional pressure on the forests in the near term.

Destruction of the forests is a major cause of soil erosion. Upwards of 40 percent of the land currently under cultivation faces high erosion risk. Other causes of soil productivity loss include the failure to use protective farming practices such as crop rotation and multiple cropping, and the lack of conservation practices and incentives.

The Paraguayan authorities have taken some steps to conserve the country's forest resources. Protected areas have been established, mostly under the designation of national parks such as the Caaguazu National Park and the Cerro Cora National Park, but little of the protected land area is in the Eastern Region where the greatest pressure exists. Most of the remaining forests are privately owned, and in order to conserve these areas, the GOP would have to purchase or expropriate the land in question. Another, and perhaps more serious, problem is that many of the protected areas have been invaded by landless campesinos who consider these areas public domain. Although existing laws and statutes clearly state that these areas are not public domain and that farms in excess of 20 hectares must have at least a 25 percent forest component, these regulations are rarely respected. While agricultural credit is available for cash crop production, no credit lines exist for soil conservation or rehabilitation. Furthermore, existing GOP agricultural extension programs do not include soil conservation and management techniques, nor do they include forest management and agroforestry components.

b. Implementation

The Mission is aware that simple, emotional appeals not to cut down the trees are unlikely to have any impact. Therefore it is important that the country's environment and natural resources management debate be carried out in an atmosphere of detailed technical knowledge. Within this context, USAID/Paraguay believes there is value in a nationwide, environmental awareness program targeted at decision-makers and their constituents.

To expand the capacity of agricultural extension programs to provide technical knowledge to the agricultural community in sustainable crop diversification, forest management and agroforestry, the Mission will provide support for the mobilization of private extension services using state-of-the-art techniques.

With regard to the need for a detailed technical knowledge base relating to the importance of Paraguay's biodiversity and its maintenance, USAID/Paraguay will support ongoing efforts to produce species inventories and programs to assist in the protection of representative ecosystems.

Finally, in the area of point source contamination of the environment, the Mission will lend support for sorely needed regulatory reform. In addition, USAID/Paraguay will be instrumental in carrying out an environmental feasibility study of key areas of concern within the country under the auspices of the United States Trade and Development Program.

**c. Program Outputs**

Program Output 3.1 is designated as "Environmental Awareness Program Implemented Nationwide". The indicators are:

- o an improved legislative, regulatory and budgetary framework for more rational environmental and natural resources management
- o an increased number of public and private agencies and schools involved in environmental education programs

Program Output 3.2 is designed as "Sustainable and Diversified Cropping Systems in Place". Progress indicators are:

- o private extension services operational
- o the number of targeted farm leaders receiving extension services

Program Output 3.3 is designated as "Increased Protected Land Area Supporting Maintenance of Natural Systems and Biodiversity". Indicators will be:

- o an updated and expanded species inventory
- o an increase in hectarage under protection

Program output 2.4 is designated as "Point Source Contamination of Air, Soil and Water Reduced". Indicators are:

- o regulatory reform with regard to air, soil and water contamination underway
- o an environmental feasibility study completed covering the Lake Ypacarai watershed

**4. OTHER ACTIVITIES**

Other targeted interventions in the social sector involve activities the Mission has historically supported, that may be coming to closure, and those that are ad hoc or periodic in nature. Due to the increasing problem of drug addiction and population growth, for example, a limited amount of A.I.D. resources will be allocated to activities in these areas.

Drug awareness and prevention activities are carried out with the National Anti-Drug Secretariat (SENAD). One branch of the Secretariat focusses on drug awareness and prevention in concert with all relevant institutions in the country such as the Ministry of Health and the NGOs. USAID/Paraguay will continue to support school teacher training in drug awareness, epidemiological studies, workshops for the media and NGOs, and increased public awareness of the problem.

A.I.D. central funding currently supports voluntary family planning activities that target provision of quality family planning services. These activities are carried out with the Paraguayan Center for Population Studies (CEPEP), an International Planned Parenthood Foundation affiliate and the Ministry of Health in coordination with the Pan American Health Organization and various United Nations Agencies.

USAID/Paraguay, in cooperation with A.I.D./Washington and the Harvard Institute of Institutional Development, will provide limited technical assistance to the National Council on Education Reform to help refine education sector priorities and prepare recommendations for the new government to take office in 1993.

Development training, principally participant training, will focus on increasing capacity for economic analysis, public management and education to support the achievement of the Mission's program objectives. In-country and third-country training will be features.

The high interest and support for disaster management assistance in Paraguay makes this a worthwhile investment on a periodic basis in coordination with A.I.D.'s Office of Foreign Disaster Assistance. Disaster preparedness will continue on an ad hoc basis until sufficient Paraguayan planning capacity and resources are in place to deal with disasters.

The indicators for these targeted social interventions are:

Drug Awareness and Prevention	o	Campaign targeting high risk groups conducted
Education Policy Reform	o	Strategy studies completed
Management of Voluntary Family Planning	o	Number of recipients increased
Development Training	o	Participants trained in economic analysis, public management and education
Disaster Preparedness	o	Plans and resources in place

## SECTION II. PROGRAM PERFORMANCE

From its inception in 1984 until 1991, the USAID/Paraguay "More Developed Country" (MDC) program was characterized by an eclectic portfolio of activities carried out through Paraguayan non-government organizations. USAID resources were invested in NGO institution-building, and the results have been impressive.

A major factor in strengthening indigenous NGO's has been the creation, with USAID assistance of the Kansas-Paraguay PARTNERS' "Information and Resources Center for Development", which serves as an information clearing-house, as a

training center for other NGOs and as a conduit for technical cooperation from the United States. USAID's institutional support grant made in 1990 will carry the Center to mid-1992, after which it is expected that a new generation of activities will be carried out with USAID assistance.

The USAID/Paraguay MDC program has contributed positively in support of LAC Bureau objectives.

Institutional strengthening grants made to the Salesian Carlos Pfannl Institute helped this premier agriculture vocational training institute introduce environmentally correct courses in sustainable agriculture. Some 360 future farm leaders have graduated since USAID began its assistance in 1986. On its own initiative, Carlos Pfannl has now entered into a joint program with the private University of the North to establish the country's first private degree program in agriculture technology.

*Objective I - Support the Achievement of Broadly-based, Sustainable Economic Growth*

The Paraguayan Foundation for Cooperation and Development has taken the lead in providing credit to small and micro-enterprises employing thousands. Since USAID funding stopped in 1990, this indigenous NGO has become sophisticated enough to negotiate credit lines on its own through the Paraguayan commercial banking system. In 1992, it expects to make loans totalling \$ 5 million. The foundation has also provided a legislative economic advisory service to keep legislators abreast of economic reform, privatization, trade and investment and other topical issues.

The Catholic University, with USAID assistance, established an Executive Master of Business Administration (MBA) program, which has already graduated 100 future business leaders, with 62 more enrolled in the current 1992 class. USAID direct assistance ended in FY 1990 but only after the faculty and volunteers formed the "Paraguay Foundation for Educational Development", to continue the MBA program on a self-financing basis.

USAID/Paraguay helped the U.S.-based Nature Conservancy create the Moises Bertoni Foundation, now regarded as Paraguay's premier NGO advocate for protecting the environment and natural resources. In 1992, the Foundation completed the purchase of the 57,000 hectare Mbaracayu Nature Reserve in northeast Paraguay. The tract of land, with its unique bio-diverse habitat, was purchased for \$2 million from the International Finance Corporation (IFC) through public and private contributions in the United States. A.I.D. donated \$500,000 of the purchase price. The last USAID institutional strengthening grant to the Foundation will terminate in 1992.

A USAID grant to the Paraguayan Center for Sociological Studies (CPES), in cooperation with the University of Wisconsin Land Tenure Center, funded a series of agrarian reform studies, which have helped to shape positively the government's views and policies toward the rural "campesino" economy.

**Objective II - Support the Evolution of Stable, Participatory Democratic Societies**

In 1990, USAID/Paraguay funded the purchase of 64 computers and technical assistance to the Paraguayan Electoral Commission to help the country prepare for the Presidential election in 1990, followed by municipal and Constituent Assembly elections in 1991. USAID has also funded international observer teams organized by the Organization of American States (OAS) for each election.

In 1990, USAID/Paraguay began a series of pilot-type activities in judicial reform. A Court Automation activity began in 1990 with USAID funding the initial computer and subsequently the GOP buying and installing an additional 11 computers in regional criminal courts. A grant was made to the Paraguayan Instituto de Ciencias Penales to carry out a series of judicial training courses, paving the way for establishment of a Judicial Training School. Although there has been high-level support for judicial training, and the creation of a judicial career system, progress has been slow.

Other envisioned activities including Court Administration and Finance, creation of a Judicial Library, a Public Defenders program, and Criminal and Civil Code revision have yet to materialize owing in great part to Paraguayan inertia, a lack of consensus, and competing activities which have occupied the leadership.

In 1992, USAID/Paraguay is funding a Judicial Sector Assessment through the Checchi Company and Florida International University. Coupled with a widening circle of involved judicial sector representatives, and expected positive changes in the new Paraguayan Constitution affecting the judicial sector, this assessment will define USAID involvement for the period FY 1993-1995.

**Objective III - Respond to Specific Challenges**

USAID/Paraguay has funded a very successful Narcotics Awareness and Prevention program since 1990. Grant funds have allowed the Ministry of Health, the Kansas-Paraguay Partner's Information and Resources Center for Development, and a wide range of NGO's to raise public consciousness about the dangers of drug abuse. An epidemiological study funded in 1991 indicates an alarming carefree attitude about the use of hard drugs such as cocaine and heroin among the country's youth. Recent seizures of cocaine by Paraguayan authorities confirm that the country is indeed a transitting conduit for Andean traffickers to ship their product to markets in Brazil, the United States and Europe.

A.I.D. has supported Voluntary Family Planning efforts of the government and private groups for many years. A.I.D. funding for technical assistance, commodities and special studies in population/family planning topped \$500,000 in 1991, a large amount in comparison to USAID/Paraguay's overall budget. Paraguay has the second highest maternal mortality rate in Latin America, the second highest population growth rate in South America, and it is believed that abortion is increasing. The GOP is alarmed about these indicators and is now cooperating with the Center for Population (CEPEP) and other NGO's to provide voluntary family planning within a maternal-child health context. Despite this attitudinal change on the part of the GOP, USAID/Paraguay will continue to insist that all A.I.D.-funded population assistance be managed through the A.I.D. Representative, that it be carried out within a family health context, and under an international donor framework.

### SECTION III. PORTFOLIO ANALYSIS - NEW AND TERMINATING INITIATIVES

In FY 1993-94, USAID/Paraguay will continue the process begun in FY 1992 of program consolidation by focusing resources on the achievement of Strategic Objectives. Thirteen activities will be terminated and five activity clusters will be started. USAID/Paraguay will continue to emphasize technical assistance and training in its activity portfolio, which will be coordinated closely with the Peace Corps, the InterAmerican Foundation, and with other donors such as the United Nations, World Bank, InterAmerican Development Bank, and Japan. USAID/Paraguay will undertake direct, bilateral grants when appropriate, as well as work with non-governmental organizations (NGO) to achieve Strategic Objectives.

#### A. New Initiatives

USAID/Paraguay will concentrate on five activity clusters in FY 1993-94. These activities are considered by the Embassy and USAID to be critical to enable the country's first civilian, elected government in 1993 to solidify the democratic transition, increase trade and investment, and carry out equitable socio-economic development. Many of these FY 1993-94 activities reflect the experience gained from "pilot-type" activities since the coup of 1989. Each shows promise of leading to expanded funding by other donors such as the World Bank and InterAmerican Development Bank.

<b>Activity/Project Title</b>	<b>Funding Source &amp; Amount (\$000's)</b>	<b>Fiscal Year Authorized/ Initiated</b>
<b>STRATEGIC OBJECTIVE NO. 1: <i>Strengthened Democratic Institutions, Systems and Practices (LAC Bureau Objective II)</i></b>		
<b>1. Democratic Institutions Development (DID)</b>	<b>LAC/DI &amp; ITT (LOP \$13,000)</b>	<b>FY 1993</b>
<b>Purpose:</b>	<b>Improve the capacity of executive &amp; legislative branches to solidify the democratic transition and manage public resources for development.</b>	
<b>2. Judicial Reform</b>	<b>LAC/DI (LOP \$1,500)</b>	<b>FY 1993</b>
<b>Purpose:</b>	<b>Establish an independent, equitable and accountable judicial system</b>	
<b>STRATEGIC OBJECTIVE No. 2 - <i>Improved Climate for Expanded and Diversified Trade and Investment (LAC Objective I)</i></b>		
<b>3. Economic Policy, Trade &amp; Investment</b>	<b>ITT/PSEE (LOP \$4,500)</b>	<b>FY 1993</b>
<b>Purpose:</b>	<b>Enhance capacity of selected public/private institutions for increased trade and investment</b>	
<b>STRATEGIC OBJECTIVE NO. 3 - <i>More Rational Use of Natural Resources and Biodiversity Maintained (LAC Objective III)</i></b>		
<b>4. Environmental Awareness for Sustainable Development</b>	<b>ITT/PSEE (LOP \$1,500)</b>	<b>FY 1993</b>
<b>Purpose:</b>	<b>Protect natural resources and create capacity for sustainable, environmentally sound agriculture</b>	
<b>Other - Targetted Social Interventions</b>		
<b>5. Drug Awareness &amp; Prevention</b>	<b>ITT/PSEE (LOP \$600)</b>	<b>FY 1993</b>
<b>Purpose:</b>	<b>Solidify public support for national drug prevention</b>	

**B. TERMINATING ACTIVITIES**

USAID/Paraguay will terminate the following activities during FY 1992-94:

<b>Title/Number</b>	<b>Scheduled PACD</b>	<b>Implementing Agency</b>
1. Health Management (598-0616.06)	December 31/91	University Research Corp.
2. Contraceptive Social Marketing (598-0616.06)	January 31/92	Center for Pop. Studies
3. Info Resource Center for Development (598-0616.06)	May 31/92	Kansas-Paraguay Partners
4. Info Mgt. Systems for Constituent Assembly (598-0591.06)	June 30/92	Catholic University
5. Judicial Reform (PD&S)	July 31/92	Checchi & Co
6. Conservation Institutional Development (598-0616.06)	September 30/92	Moises Bertoni Foundation
7. Judicial School (598-0642.06)	December 31/92	Instituto de Ciencias Penales
8. Demographic Data Initiative (598-0616.06)	March 31/93	Bureau of Census
9. USIS-AID AOJ Agreement (598-0591.06)	May 31/93	USIS/Paraguay
10. Housing and Municipal Development (598-0591.06)	June 30/93	RHUDO/Quito
11. Drug Abuse Prevention	September 30/93	Ministry of Health
12. Participant Training (598-0640.06)	September 30/93	USAID/Paraguay & LASPAU
13. Natural Resources Conservation Center (598-0616.06)	December 31/93	Carlos Pfanni Institute

**SECTION IV. RESOURCE REQUIREMENTS**

Program Funds

USAID/Paraguay proposes an increase in program funds from the LAC Bureau to \$4.2 million in FY 1993 and to \$20 million in FY 1994. The latter is a one-time "democracy dividend" needed to solidify Paraguay's democratic transition and position it for regional and hemispheric integration in trade and investment.

Project	Account	Request Level (ooo's)	
		FY 93	FY 94
Democratic Institutions Development (DID)	ESF	1,000	12,000 <u>1/</u>
Judicial Reform	ESF	500	1,000
Economic Policy, Trade & Investment	PSEE	500	4,000 <u>2/</u>
Environmental Awareness for Sustainable Agriculture	PSEE	500	1,000
Health Systems Management & Accountability	HPN	500	400
Elections Support	PSEE	200	-
Drug Abuse Prevention	PSEE	300	300
Enterprise Development (IESC)	PSEE	200	300
Development Training & Technical Services	EHR	300	800
Peace Corps Small Projects	ARDN/HPN	200	200

The \$1.0 million requested in FY 1993 and \$12.0 million in FY 1994 for Democratic Institutions Development (DID) is the logical extension of activities started in FY 1991-92 to strengthen basic building blocks of a democracy. Likewise, the \$5.0 million and \$1.0 million requested in FY 1993-94 for Judicial Reform is needed to continue "pilot" activities begun in FY 1990.

1/ Includes \$10.0 million for the Municipal Development Investment Fund, \$1.0 million for legislative strengthening, \$.5 million each for the Contraloria General and Superintendencia de Bancos

2/ Includes "Pro-Paraguay", Ministries of Finance, Industry & Commerce and Integration

The \$4.5 million requested in FY 1993-94 for Economic Policy, Trade & Investment will allow USAID/Paraguay and the Embassy to expand institutional strengthening of key entities charged with economic planning, integration into the Southern Cone Common Market (MERCOSUR), and expansion of trade and investment within Latin and North America. The \$1.5 million requested for Environmental Awareness for Sustainable Development reflects the continuation of a long-overdue environmental education activity, and its application to a "pilot" activity in privatized extension services for sustainable, diversified agriculture.

An additional \$.9 million is needed in FY 1993-94 to complete USAID's Commitment to the restructuring of the Ministry of Health, as well as the institutionalization of modern budget and accountability systems. This project is provoking positive changes in the GOP's budget review and allocation process.

Continuing the modest investment made by USAID/Paraguay begun in FY 1990, \$.6 million is needed as USAID's last funding input to Drug Abuse Prevention. This project is making good progress in raising public consciousness about the danger of the growing drug addiction problem in Paraguay.

Subject to the recommendations of an impact evaluation to be carried out in 1992, USAID requests \$.5 million in FY 1993-94 for support to the Enterprise Development project, implemented through the International Executive Service Corp (IESC). This activity is shifting gradually its focus to those firms and government entities with potential for involvement in regional economic integration.

After a three year hiatus, USAID/Paraguay reinitiated a Development Training activity in FY 1992. This project will focus on human resource training needs in economics, public management and education policy. \$1.3 million is requested in FY 1993-94.

USAID/Paraguay and the Peace Corps have cooperated in development for many years. Joint activities include rural health and sanitation, sustainable agriculture and forestry management. USAID requests \$.4 million in FY 1993-94.

#### Staffing and Operating Expense Requirements

Procurement - The AIDREP realizes that there is tremendous pressure on OE resources, worldwide. USAID/Paraguay has attempted to defray OE budget expenses whenever possible. Computer, furniture and vehicle procurement has been delayed, for example, but must be initiated in FY 1993-94. A two-year OE budget, reflecting overall procurement needs, in support of an expanding program is submitted as part of this Action Plan.

OE Funded Staff - To ensure sound management and oversight of the USG's economic assistance, the AIDREP requests an increase of one USDH FTE ceiling and the OE budget to support the assignment to post of an FO-2 Project Officer in FY 1993. USAID/Paraguay must also recruit two FSPSC professionals as understudies to senior FSN's who are eligible for retirement, and to share the management responsibilities of an expanding assistance program. Additionally, USAID/Paraguay intends to hire a USPSC secretary and one additional FSPSC Secretary/Administrative assistant in FY 1993-94.

Program Funded Staff - USAID will extend the services of two program-funded PSC's in FY 1993-94. The first is a USPSC Environmental Officer and the second a 3rd country expert in financial management/accountability, resident in the Office of the Contraloria General. A long-term technical advisor in health management, resident in the Ministry of Health, will be funded as part of a buy-in to the LAC Bureau's Health Sustainability project.

Non-federal Audit Requirements - USAID has begun to prepare for the new requirement to audit the financial management capacity of grantees who receive \$25,000 or more in A.I.D. grant funds. Two FSN staff were trained in a workshop conducted by the Controller, USAID/La Paz. Materials have been distributed to Paraguayan grantees and accredited audit firms. And a series of workshops and seminars is contemplated in 1992-93 to apprise grantees and audit firms of requirements.

SECTION V. A.I.D. REPRESENTATIVE ISSUES

1. "Democracy Dividend"

The Ambassador and AIDREP request a one-time, \$20 million "democracy dividend" allocation in FY 1994 to strengthen selected Paraguayan institutions, in order to solidify the democratic transition and position the country for integration into regional and hemispheric trade and investment.

In August 1993, Paraguay will inaugurate its first elected, civilian President in history. This event will be the culmination of the country's steady four year transition to democracy. Despite this momentous event, democratic systems and institutions will remain fragile and in need of United States support. The new Government of Paraguay will look to the United States for moral and economic support. The USG should be prepared, then, to demonstrate its commitment to Paraguay's new democratic government with more than rhetoric and substantially beyond its current, modest level of economic assistance.

The "democracy dividend" will be used to strengthen democratic institutions such as the legislature, the judiciary, and local government, all basic parts of a functioning democracy. The application of this one-time \$20 million allocation will take three years. It is an appropriate gesture of support for a staunch ally and the logical extension of experience gained by USAID and Paraguayan counterparts under activities initiated in FY 1991-93.

And in FY 1993, the Ambassador and AIDREP request an interim increase in LAC Bureau funding to \$4 million. This amount will allow USAID/Paraguay to continue to focus technical assistance and training on critical democratic institutions -- the legislature, judiciary, the Electoral Commission, the Contraloria General, the Superintendencia de Bancos, and the economic team -- in the run-up period before the new government takes office in August 1993.

## 2. Paraguay is Not a More Developed Country

For political reasons, the United States declared Paraguay a "More Developed Country" (MDC) in 1981. But Paraguay's social and democratic indicators belie the MDC designation. For example, Paraguay has the second highest birth rate in South America. Only 20.5 percent of the people have access to safe water. A mere 35 percent study beyond the 6th grade. Only 48 percent of eligible women have access to safe, voluntary family planning. Social services ministries such as health and education have been overlooked for a generation.

The nation's universities are woefully lacking in full-time, trained faculty. The judicial sector does not guarantee fair treatment. Functional illiteracy is estimated at 60 percent or higher. Mutually-reinforcing relations between labor and management do not exist. Agrarian reform has not occurred, and there is an alarming increase in outmigration to Brazil and Argentina by rural unemployed. Corruption remains endemic.

Due in part to the informal economy, the reported high income marks an actual vast disparity between a wealthy three to five percent and the vast majority of the peasant population. There is a very small middle class.

For these factual reasons, the AIDREP requests that the LAC Bureau consider re-designating Paraguay as a "developing country". On the basis of its social indicators, and as democratic and economic reforms can justify, LAC Bureau ESF and Development Assistance funds should be made available, beyond the present ITT and LAC/DI accounts, for an expanded but focussed USG economic assistance program.

## 3. Zero-based Review of Family Planning

Paraguay's social indicators are alarming. For example, it has the second highest maternal mortality rate in Latin America; and the second highest birth rate in South America. Only 48% of eligible Paraguayan women have access to modern contraceptive services. A.I.D. has been providing technical assistance and commodities for voluntary family planning for some twenty years. Hundreds of government and NGO staff have been trained and are providing services. In 1991, A.I.D. provided over \$500,000 for various voluntary services. Most of the funds were channeled to the Paraguayan Center for Population (CEPEP), through the U.S.-based affiliate of the International Planned Parenthood Foundation (IPPF).

Government policy has vacillated toward family planning. At present, the GOP appears to be relaxing its pro-natalist policy of the past. USAID/Paraguay continues to monitor and guide A.I.D./Washington-funded assistance. Other donors such as the UNFPA and PAHO are actively involved.

Owing to the apparent change in GOP policy toward voluntary family planning, as an integral part of family health services, and given the country's alarming maternal mortality rate, USAID/Paraguay and the Embassy request that R&D/POP and the LAC Bureau carry out a "zero-based" review of all A.I.D.-funded population assistance in Paraguay. The review should assess overall population assistance needs, determine resource requirements, and recommend an appropriate strategy and level of support for future A.I.D. assistance.

#### 4. Staffing and OE Budget

To provide sound program management and oversight the Ambassador has authorized the AIDREP to request an additional USDH position in FY 1994. The new position would be at the FO-2 level and will require the allocation of an LAC Bureau FTE. The Embassy/USAID understand the difficulty and sacrifice required to establish this position in Paraguay but believe the potential scope of the program and the need for the AIDREP to have a USDH "deputy" provide strong justification.

The FY 1994 OE burden to locate a second USDH in Paraguay is estimated at \$35,000.00

USAID/Paraguay is fortunate to have a very experienced cadre of senior foreign service national (FSN) employees. They make up the core of an 8 person USAID office. Irrespective of possible program expansion, USAID/Paraguay must add additional staff in FY 1993 to provide adequate program oversight, and under-study senior FSN staff who are eligible for civil service retirement.

In FY 1993, USAID/Paraguay needs to hire four new PSC employees: A USPSC secretary for the AIDREP, a program assistant, a project assistant and a local secretary/administrative assistant. OE burden is estimated at \$86,969.01 for FY 1993 and \$107,468.40 in FY 1994.

Although the Embassy has provided some additional office space, the present USAID offices are inadequate for the staff envisioned in place in FY 1993 and FY 1994. Furniture, computers and other office equipment must be procured in FY 1993 (in FY 1992 if OE funds are available) OE burden for these items is estimated at \$26,200.00 for FY 1993.

One of USAID/Paraguay's vehicles was purchased in 1984 and has built up mileage of 119,111 Kms. It must be replaced. FY 1993 OE burden will be \$24,000.

#### 5. MERCOSUR Support

USAID/Paraguay strongly supports the MERCOSUR support activity submitted as a regional activity by the AIDREP/Montevideo. In Paraguay, we believe that much needs to be done to forge the correct public/private partnership needed to position the country for active participation in MERCOSUR and to keep abreast of developments and "lessons learned" from the North American Free Trade

Arrangement (NAFTA), an integral part of President Bush's "Enterprise for the Americas Initiative". If the regional activity is not funded at \$2 million over three years, USAID/Paraguay must attempt to fund its MERCOSUR support activities from other sources.

At present, the Mission is reviewing a proposal from the Catholic University and INCAE to sponsor a series of seminars for public and private leadership in the various legal, policy and financial aspects of MERCOSUR membership.

#### 6. Labor/Management Relations

USAID/Paraguay is waiting for a proposal from the Regional AIFLD Representative in labor/management relations. This proposed activity is thought by the Embassy and USAID as crucial to establishing the kind of labor/management compact needed for development and regional integration. USAID endorses the AIFLD proposal and request that the LAC Bureau and AIFLD provide necessary funding from the regional AIFLD project.

#### SECTION VI. TROPICAL FORESTRY AND BIODIVERSITY ANALYSIS

Paraguay is classified as both tropical and sub-tropical, since it lies on the Tropic of Capricorn, having mean annual temperatures of 21° C in the north-central Chaco, and mean annual precipitation varying from 400 mm in the northwest to 1700 mm in the southeast.

Paraguay is divided by the Paraguay River into two distinct regions. To the west of this river is the Chaco, which includes 61% of the country's total land area. The remaining 39% is comprised of the Oriental - or Eastern - Region, which is located to the east of the river. Paraguay lies entirely within the Rio de la Plata watershed.

The Chaco is part of a huge plain - the Gran Chaco - that covers parts of Paraguay, Bolivia and Argentina. It is mostly flat and rises steadily from east to west, towards the Andes. The region is influenced by two major rivers, the Paraguay and the Pilcomayo. The subsoils are impermeable, and therefore those parts nearest the rivers are subject to flooding. As a result of these and climatic factors, the southeastern section is a wet-palm savannah known as the "wet" Chaco. To the northwest is the "dry" Chaco, with a thornbush forest. Due to the harshness of its environment, and the extremes of drought and moisture, only 2% of Paraguay's population 4.5 million lives in the Chaco.

The Eastern Region lies between the Paraguay and Paraná Rivers. It is a region of generally low relief, varying from relatively flat to rolling terrain. There are, however, hills and low mountains in distinct chains that define the two watersheds. Most of the region was once covered with vast, commercially valuable forests, classified as Subtropical-Humid-Semideciduous (CDC, 1990). The best virgin stands reached 35 or more meters in height, with a dense understory of vines and other plants. Lesser areas were natural grasslands and low, swampy areas with trees growing along the streams. In

this region lives 98% of Paraguay's population. Urbanization and the major economic activities of agriculture, livestock production and forestry have had a profound impact on the natural vegetative cover, and the once-extensive forests are rapidly diminishing.

The major ecosystems of Paraguay have been mapped and described by several authorities, with major differences in opinion among them (Klein, 1943-45; Tortorelli, 1966; Holdridge, 1969; Lopez et.al, 1987). More recently in 1990, the Conservation Data Center of Paraguay, developed a classification of the major ecoregions and the natural communities within each, based on existing information and field studies. The Chaco was tentatively divided into ecoregions, but field studies and definition of natural communities have not as yet been completed. Two important aspects of the Chaco are: 1) the wetlands of the "Lower Chaco" form part of a major intercontinental, migratory bird flyway and breeding ground, 2) the dry "Upper Chaco" provides habitat for the endangered Tagua, a species of wild pig.

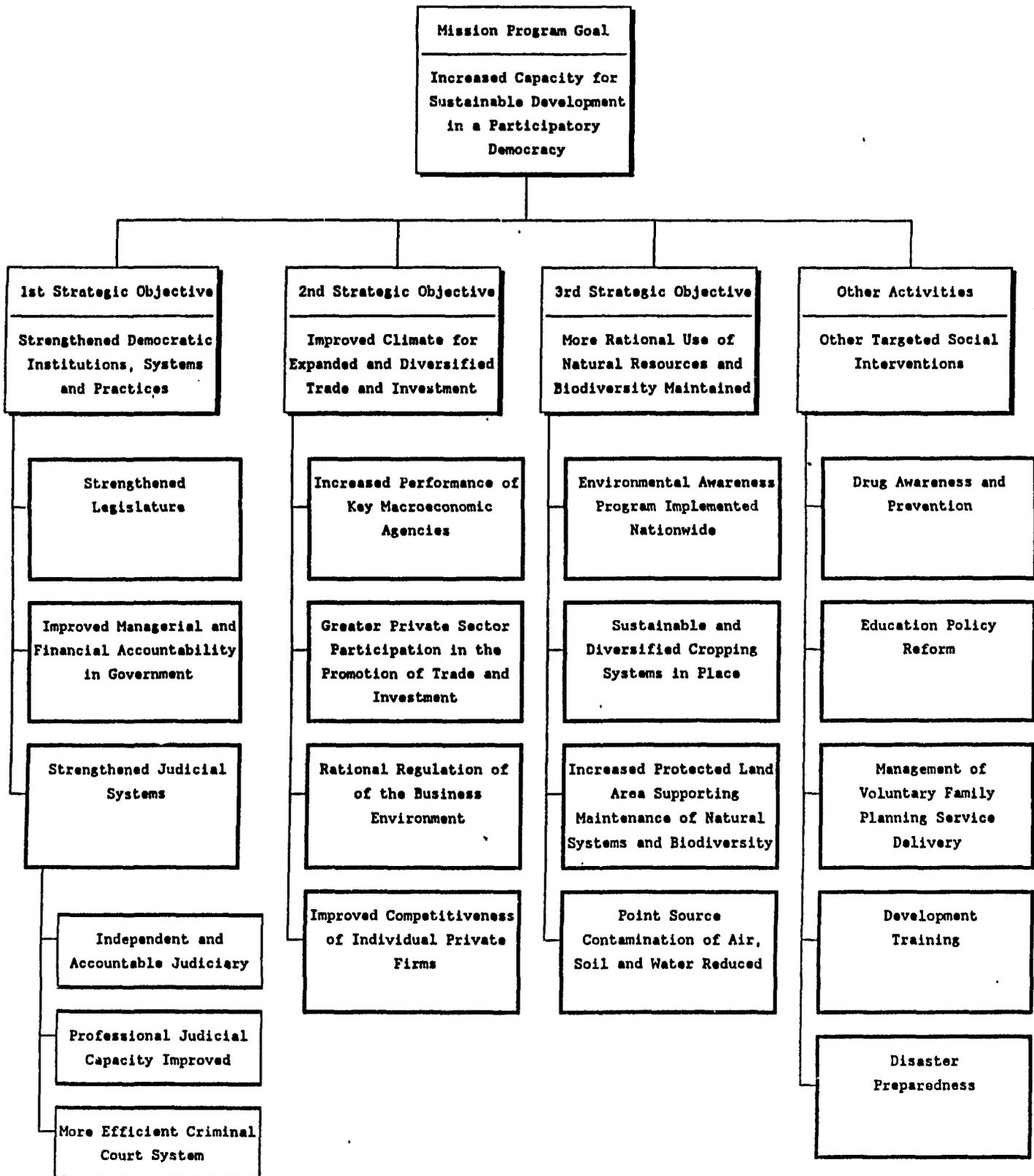
The Eastern Region is divided into six ecoregions, each defined by natural limits, watersheds, soil types, distribution of vegetation, climate, and topography. Within these ecoregions, 33 distinct natural communities were defined, and representative flora and fauna listed. From the species lists, 78 critically endangered species were identified: 12 mammals, 35 birds, 4 reptiles, and 27 plants. Based on this information, 23 priority areas were recommended for conservation, which if protected in some form, would provide representatives of every ecosystem of the Eastern Region, and therefore protect its bio-diversity and natural resources.

At present, the national system of protected areas does not effectively cover all representative ecosystems, with only 2.9% of the total area of the country presently under some form of protection. Protection of the 23 recommended conservation areas would increase this percentage by 10% (15.414 km<sup>2</sup>) (CDC, 1990).

Until recently, Paraguayans have not felt the necessity to protect their natural resources and environment because there have been large extensions of fertile land and seemingly unlimited forests favorable for agriculture, livestock and wood production, on which the economy is based. Therefore, few legal provisions have been made to protect these natural resources. In the last 30 years, a different pressure has been working on the natural resources of Paraguay. At an alarming rate, forests and other natural vegetation are being cleared to make room for agriculture, livestock grazing and wood products. Many cleared lands are located on poor, erodible soils that should be protected with some form of vegetation. Economic expansion, social mobility, modern communication technology and expectations of a better quality of life, have created intensive utilization of land, water and wildlife, which is rapidly decreasing and deteriorating these resources. For example, in 1945 there existed approximately 68,364 km<sup>2</sup> of forests in the Eastern Region and in 1985 there remained only 34,996 km<sup>2</sup>. This indicates a loss of more than 50% in 40 years - an approximate rate of deforestation of 834 km<sup>2</sup> per year in the Eastern Region alone (CDC, 1990).

Since the economy of Paraguay is based on primary production, the rational use, maintenance and conservation of its natural resources are of particular concern; fertile soil for agriculture, pasture land for beef production, forest for wood products and energy, waterways for transport and hydroelectric energy. Moreover, a strong national system of nature preserves could provide, not only an important natural resource bank, but also scenic areas which would contribute additional sources of revenue from eco-tourism, an activity until now little exploited in Paraguay but of great potential.

The Government of Paraguay's recent efforts to establish a strong system of protected areas, such as national parks and private reserves, together with Paraguay's environmental NGO's efforts to develop environmental education and sustainable agriculture programs, will play an important role in the shaping of the country's ecological health and economic development.



USAID/Paraguay  
Strategic Objective Number 1

**Strategic Objective # 1**

**Strengthened Democratic  
Institutions, Systems  
and Practices**

**Trend Indicator:**

- Public confidence in government institutions improved

**Program Output 1.1**

**Strengthened Legislature**

**Indicators:**

- Staff training program in place
- Management Information System developed and in place
- Legislative research and analysis unit established

**Program Output 1.2**

**Improved Managerial and  
Financial Accountability  
in Government**

**Indicators:**

- New Ministerio de Salud budgeting and accounting system in place
- Guidelines for government program auditing developed
- Improved municipal planning and financial systems in place in selected municipalities
- Transparent management of 1993 elections

**Program Output 1.3**

**Strengthened Judicial  
Systems**

**Indicator:**

- Increased perception of a more open, honest judicial system

**Sub-Program Output 1.3.1**

**Independent and  
Accountable Judiciary**

**Indicators:**

- Timely budget allocations
- Judicial career service system in place
- Audit system in place

**Sub-Program Output 1.3.2**

**Professional Judicial  
Capacity Improved**

**Indicators:**

- Judicial training program established
- Judicial library established

**Sub-Program Output 1.3.3**

**More Efficient Criminal  
Court System**

**Indicators:**

- Public defenders program established
- Standardized sentencing procedures in place
- Case processing system in place
- Forensic evidence routinely used

29

USAID/Paraguay  
Strategic Objective Number 2

Strategic Objective # 2

Improved Climate for  
Expanded and Diversified  
Trade and Investment

Trend Indicator:

- Reduction of trade barriers

Program Output 2.1

Increased Macroeconomic  
Performance of Key  
Agencies

Indicators:

- internationally accepted auditing system in place and regularized audits of commercial banking system by the Superintendencia de Bancos
- IDB and/or IBRD investment funds channelled through commercial banking system
- improved macroeconomic planning and fiscal reporting capacity by Ministerio de Hacienda and other selected public and private entities

Program Output 2.2

Greater Private Sector  
Participation in the  
Promotion of Trade and  
Investment

Indicators:

- number of private sector entities (e.g., cameras de comercio, UIP, FEPRINCO and firms) participating in PRO-PARAGUAY activities
- regularized financial contributions to specific activities by PRO-PARAGUAY membership

Program Output 2.3

Rational Regulation of  
the Business Environment

Indicators:

- number of judges trained to make informed decisions regarding copyrights and intellectual property rights
- streamlined licensing procedures regarding imports, repatriation of capital, export permits, etc. (i.e., a "one stop" investment center in place)

Program Output 2.4

Improved Competitiveness  
of Individual Private  
Firms

Indicators:

- change in the output of assisted firms
- change in the value and volume of exports of assisted firms

USAID/Paraguay  
Strategic Objective Number 3

Strategic Objective # 3

More Rational Use of  
Natural Resources and  
Biodiversity Maintained

Trend - Decreased rate of deforestation  
- Increased area under sustainable agriculture  
Indicators: - Increased number of protected areas

Program Output 3.1

Environmental Awareness  
Program Implemented  
Nationwide

Indicators:

- Improved legislative, regulatory and budgetary framework for more rational environmental and natural resources management
- Increased number of public and private agencies and schools involved in environmental education programs

Program Output 3.2

Sustainable and  
Diversified Cropping  
Systems in Place

Indicators:

- Private extension services operational
- Number of targeted farm leaders receiving extension services

Program Output 3.3

Increased Protected Land  
Area Supporting  
Maintenance of Natural  
Systems and Biodiversity

Indicators:

- Updated and expanded species inventory
- Increase in hectareage under protection

Program Output 3.4

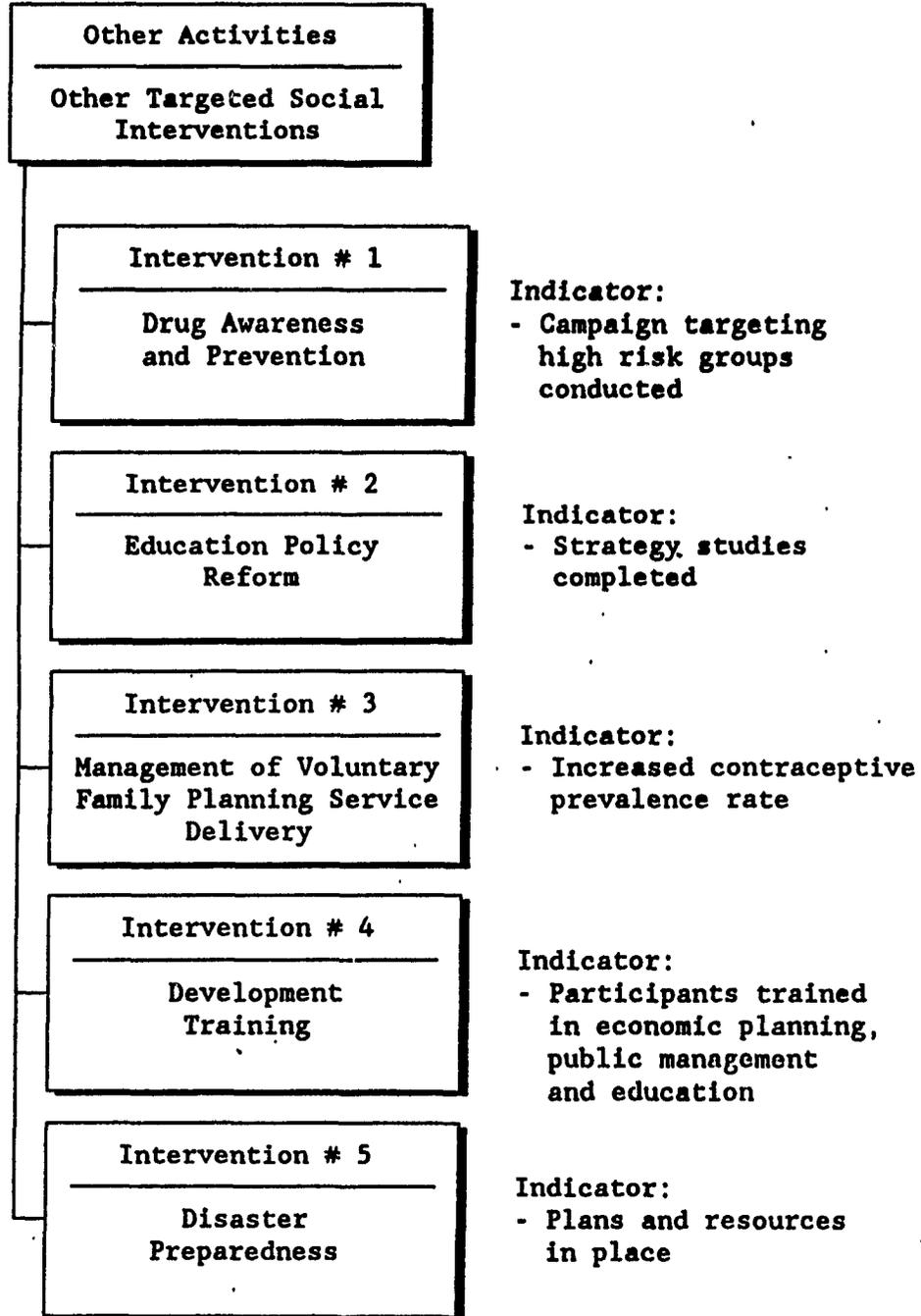
Point Source  
Contamination of Air,  
Soil and Water Reduced

Indicators:

- Regulatory reform with regard to air, soil and water contamination underway
- Environmental feasibility study completed covering the area of Asuncion Bay through the Lake Ypacarai watershed

121

USAID/Paraguay  
Other Activities



## SUMMARY PROGRAM FUNDING TABLE

Activity	Fund Account	Fiscal Year			Strategic Objective No.	Bureau Objective No.
		(\$000's)				
		92	93	94		
<b><u>LAC/DI &amp; AOJ</u></b>						
Judicial Reform	ESF	100	500	1,000 <u>1/</u>	One	II-A&B
Legislative Strengthening	PSEE	150	-	-	One	II-A&B
Municipal Development	PSEE	100	-	-	One	II-A&B
Financial Management Accountability	PSEE	150	-	-	One & Two	II-A
Elections Support	PSEE	200	200	-	One	II-A&B
Democratic Institutions Development	ESF/PSEE	-	1,000	12,000 <u>1/</u>	One	II-A&B
<b><u>ITT</u></b>						
Health Systems Mgt. & Accountability	HEALTH	600	500	400	One	II-A
Drug Abuse Prevention	HEALTH	-	300	300	Other	III-B
Economic Policy, Trade & Development	PSEE	300	500	4,000 <u>1/</u>	Two	I-A&B
Environmental Awareness for Sustain Devel.	PSEE/ ARDN	200	500	1,000	Three	I-D
Devel. Training & Tech. Services	EHR	200	300	800	One & Two	I-A & II-A
Educ. Policy Reform	EHR	100	-	-	Other	II-A
Pop. Census	POP	28	-	-	Other	II-A
Enterprise Devel.	PSEE	-	200	300	Two	I-B
Peace Corps Small Projects	PSEE	72	200	200	Three	I-D
Sub-Total		2,200	4,200	20,000		

1/ Part of \$20 million "democracy dividend"

23

Activity	Fund Account	Fiscal Year		
		(\$000's)		
		92	93	94
<hr/>				
<u>Other LAC Bureau Funded (estimated)</u>				
"Parks-in.Peril"	N/A	100	100	100
AIFLD	"	50	100	100
Biosphere	"	50	75	100
Sub-Total		200	275	300
<hr/>				
<u>Other A.I.D./W Funded (estimated)</u>				
Population/Family Planning	N/A	200	200	200
Farmer-to-Farmer	N/A	100	100	100
Disaster Preparedness	N/A	50	50	50
National Republican Institute (CEPRO)	N/A	50	75	100
Center for Int'l Private Enterprise (Fundacion Paraguaya)	N/A	50	50	50
National Democratic Institute (IDIAL)	N/A	50	50	50
Sub-Total		500	525	550
Total A.I.D. Funding		2,900	5,000	20,850

## USAID/PARAGUAY

ModPod/ACTION PLAN

FY 1993/1994

New Initiatives

The following program initiatives are proposed for authorization during the 1993-1994 Action Plan period:

I. DEMOCRATIC INSTITUTIONS DEVELOPMENT

<u>LAC Bureau Objective II</u>	Support the evolution of stable, participatory democratic societies.
<u>Sub-Objective A</u>	Strengthen civilian government institutions.
<u>Sub-Objective B</u>	Strengthen public participation in the democratic process.
<u>USAID/Paraguay's Strategic Objective #1</u>	Strengthened democratic institutions, systems and practices.

ACTIVITY TITLE	Democratic Institutions Development
PROJECT/PROGRAM NO.	598-0591.06
IMPLEMENTING AGENCIES	Paraguay/Kansas's Information Resource Center for Development (CIRD), Central Bank, Controller General, Municipal Development Institute
FUNDING LEVEL	FY'93 \$1.0 million - (LOP \$13.0 million)
FUNDING SOURCE	DA (PSEE, EHR)

A. Relationship to LAC Bureau Objective and Sub-objectives, Mission Strategic Objective and focus areas identified in proposed MDC Operational guidance.

The proposed activity cluster is closely related to the LAC Bureau objective and sub-objectives of supporting the evolution of stable, participatory democratic societies through strengthened civilian government institutions and the strengthening of public participation in the democratic process.

B. Relationship of activity to overall A.I.D. policy objectives

This activity falls within the A.I.D. objective of developing an increased capacity for sustainable development in a participatory democracy.

C. Relationship with other donor activities

This activity does not conflict nor does it overlap with other donor activities. It complements activities of the United Nations and other donors.

25

**D. Activity Description & Major Components**

The objective of this activity cluster is to provide technical assistance and training to selected basic democratic institutions including the legislature, the Controller General of the Nation, the Superintendent of Banking, and local government. The Ambassador and AIDREP have requested a substantial increase in FY 1994 funding for this activity, as a "democracy dividend" to solidify the democratic transition and position Paraguay for regional and hemispheric integration in trade and investment.

USAID-directed TA will focus on helping Paraguay train the professional and support staff of the legislative branch, as well as upgrade its management information system. In coordination with RHUDO/Quito, the activity will provide technical assistance and training for municipal officials in how to administer local government within a decentralization context. TA will be channeled through the Municipal Development Institute and NGO's. An important input to achievement of this objective will be continuation of ongoing efforts to strengthen financial management and accountability systems. USAID's contribution will be to provide long-term, resident technical assistance to the Controller General (Contraloría Financiera) and TA to the Central Bank's Superintendent of Banking.

In directing this activity cluster, USAID/Paraguay will rely heavily on buy-ins to centrally-funded projects and cooperative agreements with proven non-government organizations such as the Information Resource Center for Development (IRCD).

**E. Sustainability**

The availability of budget resources for development activities in Paraguay is not a problem, per se. Rather, basic democratic institutions such as those covered by this activity cluster lack the technical know-how to carry out their new and evolving mandates. USAID does not expect any major GOP funding problem in carrying out its assistance during the three year life of this activity. Likewise, the GOP institutions involved should have no major problems sustaining the implementation of their mandate after USAID assistance is completed. It should be noted that other donors such as the World Bank, IDB, the United Nations, Japan and Korea are involved or contemplate involvement in the strengthening of these institutions.

**F. Potential Issues**

In carrying out this activity USAID will focus technical assistance and training on a few selected democratic institutions. It is imperative that USAID coordinate closely with other donors such as the IDB, UNDP, and the World Bank.

The biggest issue will be the management burden incurred by USAID/Paraguay in managing this activity cluster. USAID's intention is to alleviate the burden by the use of buy-ins, to the degree possible. Additional staff must be added, however, in 1993.

## II. JUDICIAL REFORM

LAC Bureau Objective II Support the evolution of stable, participatory democratic society.

Sub-Objective A Strengthen civilian government institutions

USAID/Paraguay's Strategic Objective #1 Strengthen democratic institutions, systems and practices

ACTIVITY TITLE                      Judicial Reform

PROJECT/PROGRAM NO.                598-0642.06

IMPLEMENTING AGENCIES               Supreme Court and Public Ministry of Paraguay

FUNDING LEVEL                        FY 93 \$500,000 (LOP \$1.6 million)

FUNDING SOURCE                        ESF

A. Relationship to LAC Bureau Objective and Sub-Objective, Mission Strategic Objective and focus areas identified in proposed MDC operational guidance

The basic framework for A.I.D. programs in the so-called "more developed countries" includes support for the evolution of stable, participatory democratic societies. USAID/Paraguay is committed to assist Paraguay strengthen its democratic institutions, systems and practices. An integral objective is the necessity to carry out a radical reform of the judicial sector, to ensure its independence and capacity to provide fair and equal treatment to the Paraguayan citizenry.

This assistance will contribute to the achievement of both LAC Bureau and Mission objectives by focussing on judicial reform in the areas cited below.

B. Relationship of activity to overall A.I.D. policy objectives

The activity is closely related to A.I.D. objectives and policies that seek democratization in the region and encourage the strengthening of competent, civilian-run government institutions that will merit the confidence of the people.

C. Relationship with other donor activities

This activity cluster will complement ongoing United Nations programs on the criminal side of judicial reform.

D. Activity description and major components

The activity cluster will focus on the improvement of the managerial capacity and accountability in the Judiciary. USAID will provide technical assistance and training leading to reforms of administrative, judicial, and financial systems, enhancement of staff professional capacity, and a more efficient criminal court process.

The major components of this activity are:

- 1) Judicial training
- 2) Court administration improvement
- 3) Legal, regulatory, and judicial system reform
- 4) Information systems management
- 5) Public Ministry institution-building

Funds will be obligated by Grant Agreements with implementing agencies, and contracts with U.S. or third country technical experts.

E. Sustainability

This activity will support ongoing and planned efforts of the Paraguayan Supreme Court, Public Ministry and NGOs involved in the institutional reform of the judicial sector. USAID believes that the Government of Paraguay can provide adequate budget resources to sustain these activities.

F. Potential issues

The main issue is the organizational capacity of the Judiciary to prepare plans and carry out concrete assistance projects. USAID/Paraguay is already providing technical assistance aimed at strengthening the institutional planning capacity of the Judiciary to clarify its priorities, assess its own needs, and work out a program of reforms. Another important issue is the identification of Paraguayan non-governmental institutions with proven expertise, and commitment to judicial reform, to assist in project implementation. Finally, without the extension, for example, of the LAC Bureau cooperative agreement with Florida International University, it will be more difficult to identify and provide qualified Spanish-speaking technical experts.

278

III. ECONOMIC POLICY, TRADE, AND INVESTMENT ENHANCEMENT

LAC Bureau Objective I Support the Achievement of Broadly-based, Sustainable Economic Growth.

Sub-Objective A Encourage economic policies that promote investment, productive employment and outward-oriented growth and production diversification.

USAID/Paraguay's Strategic Objective #2 Improved Climate for Expanded and Diversified Trade and Investment.

ACTIVITY TITLE Economic Policy, Trade, and Investment

PROJECT/PROGRAM NO. 598-0616.06

IMPLEMENTING AGENCIES Information and Resource Center for Development (CIRD), "Pro-Paraguay", Ministry of Finance, Central Bank

FUNDING LEVEL FY'93 \$500,000. - (LOP \$4.8 million)

FUNDING SOURCE DA (PSEE)

A. Relationship to LAC Bureau Objective and Sub-objective, Mission Strategic Objective and focus areas identified in proposed MDC Operational guidance

The proposed activity is closely related to the LAC Bureau objective and sub-objective of supporting the achievement of broadly-based, sustainable economic growth through encouraging economic policies that promote investment, employment, outward-oriented growth and production diversification.

B. Relationship of activity to overall A.I.D. policy objectives

This activity falls within the overall A.I.D. policy objective of developing an increased capacity for sustainable development in a participatory democracy.

C. Relationship with other donor activities

This activity does not conflict with or duplicate activities funded by other donors.

D. Activity Description & Major Components

The activity cluster will support the outward-looking growth strategy that the GOP and the private sectors in Paraguay are pursuing. To accomplish the above, A.I.D. will focus technical assistance on: a) the Superintendencia de Bancos,

which will develop the capacity to carry out regular audits of the commercial banking system, to ensure the integrity of the system and its capacity to follow internationally accepted audit practices, and monitor cross-border financial transactions; b) economic reform through strengthening of the macroeconomic planning capability of the Ministry of Finance, the Economic Cabinet, and other public and private entities; c) trade and investment to increase capacity of PRO-PARAGUAY and MERCOSUR-related entities to prepare policy analyses relating to trade promotion, disseminate information, and conduct training courses for the public and private sectors; and d) continue funding for the local office of the International Executive Service Corps (IESC) to assist private companies and public sector entities introduce new technology and modern management practices.

E. Sustainability.

USAID/Paraguay will carry out the activities described above mainly through buy-ins to centrally-funded projects, and cooperative agreements with Paraguayan institutions.

It is USAID's intention to require at least 25 percent of total project cost contribution during the life of the three year activity. After USAID assistance is complete, it is believed that all grantee institutions will be able to sustain their mandate with normal GOP budget resources and with contributions of other donors, with one exception. It is doubtful that the IESC can sustain its program without USAID support.

F. Potential issues.

This activity cluster explores new ground for USAID/Paraguay. Implementation and oversight will require close coordination with the LAC Bureau and with development services contract entities, with which the Mission plans to "buy-in" for most technical services. Additional USAID local staff must be added for adequate management and oversight.

IV. ENVIRONMENTAL AWARENESS FOR SUSTAINABLE DEVELOPMENT

LAC Bureau Objective I

Support the Achievement of Broadly-based, Sustainable Economic Growth.

Sub-Objective D

Encourage preservation and sustainable use of the natural resource base.

USAID/Paraguay's Strategic Objective #3

More rational use of natural resources and bio-diversity maintained.

ACTIVITY TITLE                      Environmental Awareness for Sustainable Development

PROJECT/PROGRAM NO.                598-0780.06

IMPLEMENTING AGENCIES              Moises Bertoni Foundation (FMB)  
Salesian Missions (IAS)  
U.S. Peace Corps/Paraguay (PC)

FUNDING LEVEL                        FY'93 \$500,000 (LOP \$1.5 million)

FUNDING SOURCE                        DA (ARDN/PSEE)

A. Relationship to LAC Bureau Objective and Sub-objectives, Mission Strategic Objective and focus areas identified in proposed MDC Operational guidance.

This activity cluster is closely related to the LAC Bureau objective and Sub-Objective, of supporting the achievement of broadly-based, sustainable economic growth by encouraging the preservation and sustainable use of the natural resource base.

B. Relationship of activity to overall A.I.D. policy objectives

This activity falls within the overall A.I.D. policy objective of confronting environmental problems, and creating increased host-country environmental awareness and a framework for sustainable development. Likewise, the activity is a cornerstone of USAID efforts to achieve Strategic Objective #3, "More Rational Use of Natural Resources and Bio-diversity maintained.

C. Relationship with other donor activities

This activity does not conflict nor does it duplicate the activities of other donors. Rather, it is complementary to efforts underway by the UNDP, IDB, World Bank, Japan, South Africa and other donors.

- 41 -

D. Activity Description & Major Components

This activity is made up of 2 components: Environmental Education and Agricultural Extension Services for Sustainable Development. The former will be carried out by the Moises Bertoni Foundation and the U.S. Peace Corps/Paraguay. The Agricultural Extension component will be carried out by the Salesian Mission's Carlos Pfannl Agricultural College and Peace Corps/Paraguay.

The Moises Bertoni Foundation, the leading environmental NGO in Paraguay, is developing a National Environmental Education Program which will be implemented over a three year period to raise public awareness about the problems of the environment and the need to protect the country's natural resources. It will achieve this objective by: 1) developing educational materials for mass media communications (pamphlets, posters, television and radio announcements), for use in workshops, lectures and other environmental fora, 2) designing and carrying out a series of workshops for the training in environmental themes, of "disseminating agents", so as to stimulate in the people of Paraguay a permanent preoccupation for the country's environmental situation, and a commitment to take action.

The Salesian Carlos Pfannl Agricultural College (IAS) will establish, over a three year period, a working system for the transfer of intensive, environmentally sound production technologies for small producers within its area of influence, in the Department of Caaguazú. IAS will operate, on a pilot basis, the first private, agriculture extension service in the country. Once established, the extension service will help diversify agriculture production and improve production technologies currently promoted by the government extension network. Emphasis will be on the introduction of improved production techniques, more efficient crop rotation patterns, and better soil and water conservation practices. The new extension service will emphasize technologies developed through IAS's pioneering work in artificial irrigation systems, agro-forestry production, and other techniques resulting from adaptive research activities. USAID resources will be used to finance the cost of establishing the institutional capacity within IAS to pilot test the new extension service, and possibly for the establishment of a revolving fund to implement the recommended improved production practices among participating farmers in diversified, non-traditional agriculture.

During the FY '93-'95 period, USAID/Paraguay will also provide limited funding to strengthen existing Peace Corps/Paraguay environmental education and agricultural programs, including a series of three Training Workshops for Buffer Zone School Teachers, based on an Environmental Education Manual developed by Peace Corps/Paraguay. Workshops will be carried out for National Park Guards in Environmental awareness, interpretation, material development and buffer zone management. An Agricultural component will train small farmers in the use of sustainable agricultural methods.

CP

**E. Sustainability**

USAID's financial input will be limited to three years. It is expected that the Moises Bertoni Foundation and Carlos Pfannl Agricultural College can continue these activities with their own resources or with assistance from other donors. It is probable that Peace Corps/Paraguay cannot sustain all of its environmental activities without continued USAID support.

**F. Potential Issues**

This activity cluster is ambitious in its scope and will require close monitoring by USAID/Paraguay staff. Fortunately, the three implementing agencies, Moises Bertoni Foundation, Carlos Pfannl Agricultural College and U.S. Peace Corps/Paraguay have proven ability to carry out development activities with appropriate financial management and oversight. Regardless, USAID/Paraguay will need to augment present staff to guarantee proper management oversight.

**V. DRUG ABUSE PREVENTION**

**LAC Bureau Objective**

Addressing special challenges in areas of shared concern and responsibility for Latin American MDCs and the United States, such as fostering regional cooperation and integration, counter-narcotics, and epidemics.

**USAID/Paraguay's Strategic Objective #1**

Targetted social intervention toward drug awareness and prevention.

**ACTIVITY TITLE**

Drug Abuse Prevention

**PROJECT/PROGRAM NO.**

598-0616.06

**IMPLEMENTING AGENCIES**

Paraguay/Kansas's Information Resource Center for Development (CIRD) and A.I.D./W Narcotics Awareness and Education Project (NAE)

**FUNDING LEVEL**

FY'93 \$300,000 - (LOP \$600,000)

**FUNDING SOURCE**

DA (PSEE)

**A. Relationship to LAC Bureau Objective and Sub-objectives, Mission Strategic Objective and focus areas identified in proposed MDC Operational guidance.**

USAID/Paraguay's targetted intervention in Drug Abuse Prevention fits squarely within the LAC Bureau counter-narcotics objective.

-43-

**B. Relationship of Activity to overall A.I.D. policy objectives**

The Drug Abuse Prevention activity conforms with existing AID policy objectives. It builds on experience gained to date in working with the Ministry of Health and Paraguayan NGO's in raising public consciousness about the growing drug addiction problem.

**C. Relationship with other donor activities**

This activity does not conflict with other donor activities. It is complementary to assistance being provided by the United Nations and the input of the State Department's Bureau for International Narcotics Matters.

**D. Activity Description**

Paraguay does not have an irreversible drug addiction problem. But there are many troubling signs. The Embassy has proof that Paraguay is a transitting route for Andean cocaine destined for the United States and Europe. While domestic addiction and drug abuse is related primarily to marijuana and alcohol, there is an alarming predisposition to the use of hard, very addictive drugs like cocaine and heroin. An A.I.D. funded study revealed, for example, that 19.6 percent of youth aged 12 to 24 see no harm in experimenting with hard drugs. USAID/paraguay's objective is to raise public consciousness and put in place a National Drug Abuse Prevention Network, before the problem becomes intractable. The A.I.D. Narcotics Awareness and Education Project (NAE) through its prime contractor, Development Associates, Inc. will most likely continue to furnish program support and technical assistance services to "Project Marandú" 1/, to the extent that USAID/Paraguay buy-in resources will allow over a three-year period. These services will allow "Project Marandú" to move ahead in institutional strengthening, and with programmatic activities in drug awareness and education. Technical assistance will focus on assisting "Project Marandú" contribute to the development and implementation of a National Drug Abuse Prevention Network of public and private sector agencies. A series of working sessions with the MOH and key drug-abuse prevention NGOs has identified the basis for future institutional development and sustainability. The steps to be followed in the life of this second phase of USAID assistance will start with the definition of a Mission Statement and long-term objectives of "Project Marandú". Subsequently the project will consist of two main components: a) Institutional Strengthening and b) Programmatic Activities.

**1) Institutional Strengthening**

- Mobilize public and private sector agencies through a coalition-building process aimed at the creation and strengthening of a National Prevention Network.

-----  
1/ Marandu is a Guarani term meaning awareness.

-44-

- Develop and conduct training in prevention program planning, management and evaluation for NGOs.
- Develop and implement an operations research program and management-focussed evaluation system to assess the impact and cost effectiveness of the programs supported through project Marandú.
- Develop and implement a strategy for attaining financial sustainability through external and local funding sources.

2) Programmatic Activities

- Preparation of education materials for radio and for newspapers
- Production of four TV spots and four drug information/Education videos.
- Quarterly production and distribution of "MARANDU" - an informational and networking publication.
- Publish curriculum modules for elementary grades 4, 5 and 6 to be distributed and pilot tested in five schools in Asunción and five schools in the interior. Monitor the implementation and assess the impact of these modules.
- Train 250 elementary and secondary teachers in Asunción and the interior.
- Develop a teachers' guide for the 7th grade of junior high school.
- Develop co-curriculum programs for parent and students.
- Increase awareness of drug issues and drug-related problems among national legislators, judicial and municipal authorities (3 workshops).
- Train prevention agents" among NGOs

E. Sustainability

A major objective of the project is to help CIRDA establish its own identity and to solicit funds for public and private source for "Project Marandú". USAID believes that this is a realistic expectation.

F. Potential issues

USAID/Paraguay does not see any major potential problems. Nevertheless, there is a need to coordinate very closely with other elements of the Embassy, particularly INM-funded drug awareness activities. Likewise, USAID/Paraguay must devote adequate staff time to monitoring the activity, particularly in extracting lessons learned.

USAID/PARAGUAY BUDGETOPERATING EXPENSES - F.Y. 1993U.S. DIRECT HIRE PERSONNEL

<u>U-116/21502 - R&amp;R TRAVEL</u>	
2 persons x \$ 1,500	\$ 3,000.00
<u>U-117/21503 - MEDICAL TRAVEL (1 trip )</u>	\$ 1,500.00
TOTAL U-100 (U.S. DH PERSONNEL)	\$ 4,500.00
=====	

HOUSING

<u>U-401/23500 - RESIDENTIAL RENT</u>	
\$ 2,000 x 12 mos.	\$ 24,000.00
<u>U-402/23501 - RESIDENTIAL UTILITIES</u>	
\$ 500 x 12 mos.	\$ 6,000.00
<u>U-403/259 - MAINTENANCE AND RENOVATION</u>	\$ 1,500.00
<u>U-409/25200 - REPRESENTATION ALLOWANCE</u>	\$ 500.00
<u>U-408/25401 - OFFICIAL RESIDENCE ALLOWANCE</u>	\$ 2,000.00
TOTAL U-400 (HOUSING)	\$ 34,000.00
=====	

FOREIGN NATIONAL DIRECT HIRE

U-201/11400 - ADJUSTED BASIC SALARY

1. Program Assistant (11/11)	\$ 33,747.17	
2. Program Specialist (10/12)	\$ 29,925.32	
3. Secretary (7/15)	\$ 14,542.08	
4. Secretary (6/1)	\$ 10,169.00	

Total ABS \$ 88,383.57

Plus

1. Benefits Allowance		\$ 4,392.32
2. Step increases 5% of 88,383.57		\$ 2,210.00
3. Beverage Allowance		\$ 1,873.45

4. 13th Month Bonus

a. Program Assistant	\$ 2,812.26	
b. Program Specialist	\$ 2,493.78	
c. Secretary	\$ 1,211.84	
d. Secretary	\$ 847.42	\$ 7,365.30

5. Winter Bonus

a. Program Assistant	\$ 2,812.26	
b. Program Specialist	\$ 2,493.78	
c. Secretary	\$ 1,211.84	
d. Secretary	\$ 847.42	\$ 7,365.30

6. 10% Estimated Salary Increase \$ 11,159.00

TOTAL U-201 \$ 122,748.94

U-202/11500 - PREMIUM COMPENSATION \$ 2,000.00

U-204/12900 - INCENTIVE AWARDS, FSNS \$ 750.00

U-204/12903 - RETIREMENT, GOVNT CONTRIBUTION  
7% of ABS (90,593.57) \$ 6,341.55

U-204/12904 - HEALTH INSURANCE, GOVNT CONTRIBUTION \$ 2,000.00

TOTAL U-204 \$ 11,091.55

TOTAL U-200 (FSNs DH) \$ 133,840.49

=====

CONTRACT PERSONNEL

U-302/11300 - U:S: PSC - SALARY/BENEFITS

AID/REP SECRETARY

Salary

FS-7/1

\$ 21,238.00

U-304/11302 - FOREIGN NATIONAL PSC - SALARY/BENEFITS

ADJUSTED BASIC SALARY

1. Accounting Technician (8/3)	\$ 16,990.24	
2. Chauffeur (3/2)	\$ 7,689.74	
3. Financial Specialist (10/13)	\$ 30,444.25	
4. Program Assistant (8/1)	\$ 16,292.02	
5. Project Assistant (8/1)	<u>\$ 16,292.02</u>	\$ 87,708.27

PLUS:

1. Benefits Allowance		\$ 4,690.46
2. Step Increases: 5% of \$ 87,708.27 / 2		\$ 2,193.00
3. Beverage allowance		\$ 2,010.60
4. <u>13th month bonus</u>		
Program Assistant	\$ 1,415.85	
Chauffeur	\$ 640.81	
Financial Specialist	\$ 2,537.02	
Program Assistant	\$ 1,357.67	
Project Assistant	<u>\$ 1,357.67</u>	\$ 7,309.02
5. <u>Winter Bonus</u>		
Program Assistant	\$ 1,415.85	
Chauffeur	\$ 640.81	
Financial Specialist	\$ 2,537.02	
Program Assistant	\$ 1,357.67	
Project Assistant	<u>\$ 1,357.67</u>	\$ 7,309.02
6. 10% Estimated Salary Increase		\$ 11,122.00
7. Social Security (16.5% of \$ 60,127.22)		\$ 9,920.99
8. Premium Compensation		\$ 1,000.00
9. Site visits (10 trips at \$ 50.00)		\$ 500.00
10. Health Insurance		\$ 2,500.00
11. Incentive Awards		<u>\$ 900.00</u>

TOTAL U-304/11302 \$ 137,163.36

TOTAL U-300 (CONTRACT PERSONNEL) \$ 158,401.36

=====

45

OFFICE OPERATIONS

U-508/25904 - Furniture/Equipment/Vehicle Repairs & Maintenance

XEROX Machine	\$ 1,500.00	
PCs	\$ 2,000.00	
Typewriters, Calculators	\$ 150.00	
Furniture	\$ 100.00	
Vehicles	\$ 1,400.00	\$ 5,150.00

U-509/23000 - COMMUNICATIONS

Telephone fees (ANTELCO)

\$1,500 x 12 mos. \$ 18,000.00

One Additional line for Fax Equipment \$ 1,100.00

Commercial Courier (DHL)

To Buenos Aires: 4 mailings x 35 x 12 mos. \$ 1,680.00

To USA 1 mailing x 45 x 12 mos. \$ 540.00

To Bolivia 1 mailing x 45 x 12 mos \$ 540.00

USAID/La Paz Expenses (Telephone & Courier)

\$100 x 12 mos. \$ 1,200.00 \$ 23,060.00

U-513/21006:- SITE VISITS, DH PERSONNEL

Julio Basualdo/Oscar Carvalho, 10 trips at \$50 \$ 500.00

U-514/21002 - SITE VISITS, AID/W PERSONNEL (2 Trips) \$ 5,000.00

U-516/21004 - TRAINING ATTENDANCE

FSNs; 2 Regional Courses at \$2,500 EA \$ 5,000.00

U-517/21005 - CONFERENCE ATTENDANCE

AID Representative (AID/W) \$ 2,700.00

U-518/210 - OTHER OPERATIONAL TRAVEL

1. Regional Controller Staff (4 trips at \$1,200)	\$ 4,800.00	
2. AOJ Regional Officer (2 Trips)	\$ 1,300.00	
3. Other (2 Trips)	\$ 3,000.00	\$ 9,100.00

U-519/26001 - SUPPLIES AND MATERIALS

Office Supplies	\$ 200.00	
Spare parts, vehicles	\$ 2,000.00	
Gasoline, \$150 x 12	\$ 1,800.00	
Newspapers, \$50 x 12	\$ 600.00	
Uniform, AID Driver	\$ 300.00	
Others	\$ 100.00	\$ 5,000.00

U-599/25910 - MISCELLANEOUS CONTRACTUAL SERVICES

1. Secretarial Services	\$ 8,500.00	
2. Insurance, AID Vehicles	\$ 600.00	
3. Miscellaneous Services	\$ 200.00	\$ 9,300.00

TOTAL U-500 (OFFICE OPERATIONS) \$ 64,810.00

=====

44

NON-EXPENDABLE PROCUREMENTS

U-601/31201 - Vehicles

One Field vehicle \$ 18,000.00

U-604/31003 - Office Furniture

1. One Safe	\$ 2,500.00	
2. Four Sets of Furniture for new employees (Desks, chairs)	\$ 2,000.00	
3. Four File Cabinets	<u>\$ 3,000.00</u>	\$ 7,500.00

U-605/31005 - Office Equipment

\$ 2,000.00

Two Calculators

\$ 700.00

U--607/31905 - ADP Hardware Purchases

Four PCs Plus One Printer

\$ 13,000.00

U-608/31906 - ADP Software Purchases

\$ 1,000.00

U-698/22010 - Freight Costs, Code U-600

\$ 8,000.00

TOTAL U-600

\$ 50,200.00

GRAND TOTAL

\$ 445,751.85  
=====

USAID/PARAGUAY BUDGETOPERATING EXPENSES - F.Y. 1994U.S. DIRECT HIRE PERSONNEL

<u>U-111/21201 - POST ASSIGNMENT (TRAVEL)</u> Deputy AID/Representative & wife	\$ 4,000.00
<u>U112/22001 - POST ASSIGNMENT (FREIGHT)</u> Deputy AID/Representative	\$ 20,000.00
<u>U-113/21203 - HOME LEAVE &amp; RETURN TRAVEL</u> AID/Representative & wife	\$ 4,000.00
<u>U-114/22003 - HOME LEAVE FREIGHT</u> AID/Representative & wife	\$ 2,000.00
TOTAL U-100 (U.S. DH PERSONNEL)	\$ 30,000.00
=====	

HOUSING

<u>U-401/23500 - RESIDENTIAL RENT</u> \$ 2,000 x 12 mos.	\$ 24,000.00
<u>U-402/23501 - RESIDENTIAL UTILITIES</u> \$ 500 x 12 mos.	\$ 6,000.00
<u>U-404/12700 - QUARTERS ALLOWANCE</u>	\$ 9,300.00
<u>U-409/25200 - REPRESENTATION ALLOWANCE</u>	\$ 500.00
<u>U-408/25401 - OFFICIAL RESIDENCE ALLOWANCE</u>	\$ 2,000.00
TOTAL U-400 (HOUSING)	\$ 41,800.00
=====	

FOREIGN NATIONAL DIRECT HIRE

U-201/11400 - ADJUSTED BASIC SALARY

1. Program Assistant (11/11)	\$ 33,747.17	
2. Program Specialist (10/12)	\$ 29,925.32	
3. Secretary (7/15)	\$ 14,542.08	
4. Secretary (6/1)	\$ 10,169.00	

Total ABS \$ 88,383.57

Plus

1. Benefits Allowance		\$ 4,392.32
2. Step increases 5% of 88,383.57		\$ 4,420.00
3. Beverage Allowance		\$ 1,873.45
4. <u>13th Month Bonus</u>		
a. Program Assistant	\$ 2,812.26	
b. Program Specialist	\$ 2,493.78	
c. Secretary	\$ 1,211.84	
d. Secretary	\$ 847.42	\$ 7,365.30
5. <u>Winter Bonus</u>		
a. Program Assistant	\$ 2,812.26	
b. Program Specialist	\$ 2,493.78	
c. Secretary	\$ 1,211.84	
d. Secretary	\$ 847.42	\$ 7,365.30
6. 20% Estimated Salary Increase (Cumm. FYs 93/94)		\$ 22,759.99

TOTAL U-201 \$ 136,559.93

U-202/11500 - PREMIUM COMPENSATION \$ 2,000.00

U-204/12900 - INCENTIVE AWARDS, FSNs \$ 750.00

U-204/12903 - RETIREMENT, GOVNT CONTRIBUTION  
7% of ABS (90,593.57) \$ 6,341.55

U-204/12904 - HEALTH INSURANCE, GOVNT CONTRIBUTION \$ 2,000.00

TOTAL U-204 \$ 11,091.55

TOTAL U-200 (FSNs DH) \$ 147,651.48

=====

- 52 -

CONTRACT PERSONNEL

U-302/11300 - U.S. PSC - SALARY/BENEFITS

AID/REP SECRETARY

Salary

1. FS-7/1	\$ 21,238.00
2. 10% Estimated Salary increase	<u>\$ 2,138.00</u>
TOTAL U-302/11300	<u>\$ 23,376.00</u>

U-304/11302 - FOREIGN NATIONAL PSC - SALARY/BENEFITS

ADJUSTED BASIC SALARY

1. Accounting Technician (8/3)	\$ 16,990.24	
2. Chauffeur (3/2)	\$ 7,689.74	
3. Financial Specialist (10/13)	\$ 30,444.25	
4. Program Assistant (8/1)	\$ 16,292.02	
5. Project Assistant (8/1)	<u>\$ 16,292.02</u>	\$ 87,708.27

PLUS:

1. Benefits Allowance		\$ 4,690.46
2. Step Increases: 5% of \$ 87,708.27		\$ 4,385.41
3. Beverage allowance		\$ 2,010.60
4. <u>13th month bonus</u>		
Program Assistant	\$ 1,415.85	
Chauffeur	\$ 640.81	
Financial Specialist	\$ 2,537.02	
Program Assistant	\$ 1,357.67	
Project Assistant	<u>\$ 1,357.67</u>	\$ 7,309.02
5. <u>Winter Bonus</u>		
Program Assistant	\$ 1,415.85	
Chauffeur	\$ 640.81	
Financial Specialist	\$ 2,537.02	
Program Assistant	\$ 1,357.67	
Project Assistant	<u>\$ 1,357.67</u>	\$ 7,309.02
6. 20% Estimated Salary Increase (Cumm. FYs 93/94)		\$ 22,682.56
7. Social Security (16.5% of \$ 60,127.22)		\$ 9,920.99
8. Premium Compensation		\$ 1,000.00
9. Site visits (10 trips at \$ 50.00)		\$ 500.00
10. Health Insurance		\$ 2,500.00
11. Incentive Awards		<u>\$ 900.00</u>

TOTAL U-304/11302 \$ 150,916.33

TOTAL U-300 (CONTRACT PERSONNEL) \$ 174,292.33

=====

OFFICE OPERATIONS

U-508/25904 - Furniture/Equipment/Vehicle Repairs & Maintenance

XEROX Machine	\$ 2,000.00	
PCs	\$ 2,500.00	
Typewriters, Calculators	\$ 150.00	
Furniture	\$ 100.00	
Vehicles	\$ 1,400.00	\$ 6,150.00

U-509/23000 - COMMUNICATIONS

Telephone fees (ANTELCO)

\$1,500 x 12 mos. \$ 18,000.00

Commercial Courier (DHL)

To Buenos Aires: 4 mailings x 40 x 12 mos. \$ 1,920.00

To USA 1 mailing x 50 x 12 mos. \$ 600.00

To Bolivia 1 mailing x 50 x 12 mos \$ 600.00

USAID/La Paz Expenses (Telephone & Courier)

\$100 x 12 mos. \$ 1,200.00 \$ 22,320.00

U-513/21006 - SITE VISITS, DH PERSONNEL

Julio Basualdo/Oscar Carvalho, 10 trips at \$50 \$ 500.00

U-514/21002 - SITE VISITS, AID/W PERSONNEL (1 Trip) \$ 2,500.00

U-516/21004 - TRAINING ATTENDANCE

FSNs; 1 Regional Course \$ 2,500.00

U-517/21005 - CONFERENCE ATTENDANCE

AID Representative (AID/W) \$ 2,700.00

U-518/210 - OTHER OPERATIONAL TRAVEL

1. Regional Controller Staff		
(4 trips at \$1,200)	\$ 4,800.00	
2. AOJ Regional Officer (2 Trips)	\$ 1,300.00	
3. Other (1 Trip)	\$ 1,500.00	\$ 7,600.00

U-519/26001 - SUPPLIES AND MATERIALS

Office Supplies	\$ 200.00	
Spare parts, vehicles	\$ 2,000.00	
Gasoline, \$150 x 12	\$ 1,800.00	
Newspapers, \$50 x 12	\$ 600.00	
Uniform, AID Driver	\$ 300.00	
Others	\$ 100.00	\$ 5,000.00

U-599/25910 - MISCELLANEOUS CONTRACTUAL SERVICES

1. Secretarial Services	\$ 5,000.00	
2. Insurance, AID Vehicles	\$ 600.00	
3. Miscellaneous Services	\$ 200.00	\$ 5,800.00

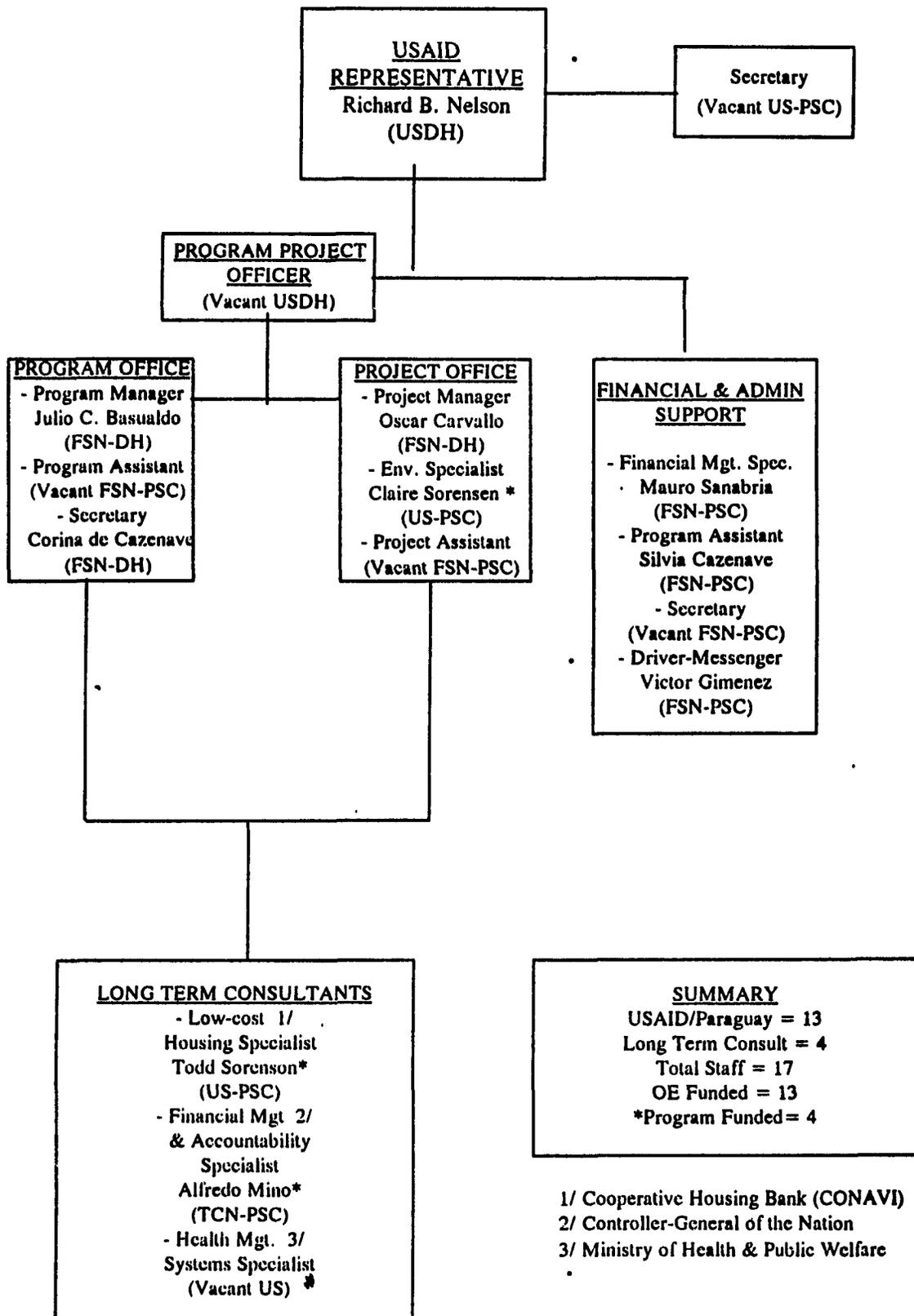
TOTAL U-500 (OFFICE OPERATIONS) \$ 55,070.00  
=====

54

NON-EXPENDABLE PROCUREMENTS

<u>U-604/31003 - Office Furniture</u>	\$ 4,000.00
<u>U-605/31005 - Office Equipment</u>	\$ 2,000.00
<u>U-698/22010 - Freight Code U-600</u>	\$ 1,000.00
TOTAL U-600 (NEP PROC.)	\$ 7,000.00
=====	
GRAND TOTAL	\$ 455,813.81
=====	

**ORGANIZATION CHART  
(PROPOSED)**



56

**PARAGUAY : ACTION PLAN FY 1993 - 1994**

**PD-ABE-029**

**1 OF 1 (24X)**

**PARAGUAY  
ACTION PLAN**

**1992**