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U.S. Agency for International Development
Guatemala - Central Amrican Programs Mission
(USAID/G-CAP)

ACTION PLAN 1996 - 1997

Bilateral

May 1995

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SUPPLEMENT TO GUATEMALA/G-CAP ACTION PLAN

The attached pages should be inserted in the Guatemala/G-CAP Action Plan. The Performance Highlights for both the bilateral and regional program were not included in the original Action Plan document. The attached pages 54 and 55 are revisions to the Food Security section of the bilateral program.

Attachments:

1. Performance Highlights - Guatemala Bilateral
2. Performance Highlights - G/CAP Regional
3. Food Security - Guatemala Bilateral

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USAID/Guatemala-CAP: Bilateral Guatemala Program Accomplishments

Improved Quality of Life for the Poor:

- The contraceptive prevalence rate increased from 27% in 1987 to an estimated 31% in 1995. Couple years of protection provided through USAID supported organizations more than doubled from 250,000 in 1986 to 600,000 in 1995.

- 70% immunization coverage in target areas of Child Survival Project.

- Treatment with ORT increased from 0.8% of diarrheal cases in 1987 to 30% in 1994 resulting in greater control of colera and a 20% in decreased child mortality during 1993-1994.

- 37 water systems have been constructed in extremely poor rural villages in six western highland departments contributing to the decrease in gastrointestinal diseases.

- 15,500 new electricity consumers connected in new communities and 6,000 connected in existing distribution network. 2,557 users (22% women) have begun using electricity for productive purposes. Women's income have increased because they can continue weaving at night in their own homes.

- PL 480 Title II programs serve over 280,000 mothers and children in mainly rural Guatemala.

- The Ministry of Education funded a scholarship program for girls awarding 6,000 scholarships in what is probably the only public program of its kind in the world.

- USAID supported trade policy reform and export diversification have led to an average 64% annual growth in non-traditional products since 1986 to reach $666 million in 1994. These exports support more than 163,000 direct and indirect jobs and that more than 130,000 new jobs have been created as a result, primarily among the poorest 25% of the population.

- Approximately 80,000 mainly indigenous people in the extremely poor and war-ravaged western highlands now derive their principal source of income from export vegetables.

- Cooperatives under the Small Farmer Coffee Improvement project have invested in systems for organic coffee production and research for integrated pest management which led to a 200 to 500% increase in asset value for 11 coffee processing mills.

- More than 40,000 people in critical biodiversity areas are using improved natural resources management techniques.

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- Over 840,000 acres of natural cover conserved to date by preventing conversion to agriculture in the Maya Biosphere Reserve (MBR). 44% (18,000 people) of the total MBR population has now adopted improved natural resources management techniques and over 20 new environmentally sound value-added processes provide employment to over 250 families in the MBR area.

Access/Decentralization/Empowerment:

- Key justice sector institutions are implementing oral trial proceedings, a public defenders program and other elements of the new criminal procedures code, thus contributing to greater transparency and efficiency in the criminal justice process.

- Ministry of Health operations decentralized to departmental levels integrating vertical programs in immunization, diarrheal disease and acute respiratory infections.

- All three of the USAID supported pilot classroom interventions (Girls' Education, Bilingual Education and Nueva Escuela Unitaria) are managed at the regional level. Hiring of teachers is now done with local input.

- 33.3% of students entering school in 1994 complete 6th grade, compared to 27.8% in 1991.

- Four business-oriented federations and 36 agricultural cooperatives supported with technical assistance and capitalized to ensure long-term viability in providing services to their members. 40% of the 38,386 (15,354) credit union members are women.

- USAID purchased 6,184 hectares, provided $6.2 million in credits and transferred 1,315 land titles to farmers.

- Private sector began training activities at the firm level in labor-management relations, participated in tri-partite (labor, management and government) training courses and signed a tri-partite agreement to cooperate on labor-management training activities.

- More than 941 participants (508 male and 433 female) have been trained locally and in the U.S., under the Guatemala Peace Scholarships Program exceeding the 40% target for women participants required by USAID/W.

- Of the more than 900 labor disputes handled by the Ministry of Labor's inspectors during 1994, nearly 15% were resolved through mediation, avoiding the need to pursue the case in the court system.

- 640 farmers previously receiving USAID-subsidized technical assistance now are able to pay for services.

Participation

- USAID/G-CAP moved forward with a new strategy to support local NGOs efforts in broad-based civic education.

- Leadership training of 33 judges and 136 delegates of the Supreme Electoral Tribunal, including a total of 49 women, increased access to a modern judicial system and encouraged increased involvement of the populace in the democratic process.

- As a Country Experimental Lab (CEL) testing obligation at the S.O. level in the health sector, USAID has engaged a broad range of customers, and development partners (contractors, NGOs, public sector implementators) in designing results packages.

- 150 health facilitators were trained in areas with lowest indicators/access to health care; they in turn trained 1,200 health workers who will deliver services in their own communities.

- USAID financed the participation of 83 Guatemalan medical professionals to the 9th International Congress of the Society for Advancement of Contraception (SAC) held in Guatemala in March 1995.

- As a result of USAID's policy dialogue efforts with the Ministry of Health and the Secretariat of Economic Planning, public finances directed towards the support to the MOH Reproductive Health Unit increased from zero in 1992 to $252,000 in 1995 and projected $860,000 in 1996.

- USAID/Guatemala-CAP implements its PL-480 Title II Program through four US PVOs: CARE, SHARE, FTC and CRS who in turn work through more than 100 local community groups and NGOs to reach the client population.

- Over the past 13 years, USAID's Special Development Fund (SDF) has financed approximately 565 community self-help project benefiting 80,000 to 100,000 rural poor. As much as 60-70% of the project cost is contributed by the communities (in labor, local building materials) and other donors including municipal governments and NGOs.

- Under the Community Natural Resource Management project, community organizations and municipalities are developing and implementing natural resource management programs in 85 rural communities in Guatemala.

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1 **USAID/Guatemala-CAP: Regional Central America Program Accomplishments**

Improved Quality of Life for the Poor:

- From 1987 to 1994 the CIF value of exports generated by 421 Central American businesses receiving technical assistance increased from $250,000 to over $36 million. Eighteen percent of the nearly 8,350 people trained from 500 companies engaged in non-traditional agricultural exports were women.

- The NRECA/CARES productive uses of electricity program supported numerous microenterprises throughout the region. The model is being replicated by many NGOs with their own resources.

- Markets have been identified for non-timber and secondary forest products to make natural forest management a financially attractive alternative in the region.

- The adoption by participating small farmers of new techniques in Integrated Pest Management (IPM) had a positive economic impact especially among melon, snow pea and coffee producers. IPM programs have reduced chemical contamination of the environment and reduced pesticide-related threats to human health throughout the region.

- More than 100,000 small to medium farmers have undertaken reforestation activities, and natural forest management techniques have been applied to up to 60,000 hectares of forest lands.

- More than 20 projects to improve municipal infrastructure all benefitting below-median income families, are in the final stages of analysis to be funded with combined CABEI resources and a USAID loan guaranty.

Access/Decentralization/Empowerment:

- A policy and program agenda developed by USAID-supported Central American Federation of Municipalities (FEMICA) on decentralization and local government strengthening efforts was implemented by all the key players in the region's municipal sectors in 1994.

- The devolution of revenues derived from land taxes to local governments was won in Guatemala (1994) and Nicaragua (1995) with similar proposals under discussion in the legislatures in Costa Rica and El Salvador. In Guatemala, local governments' share of the national budget was increased from 8 to 10% and, beginning in 1996, municipalities will also share a portion of the value added tax (1%).

- FEMICA helped municipal authorities and legislators in Nicaragua and Costa Rica to

formulate legislative proposals to provide for the direct election of mayors. A similar reform proposal providing for the direct election of mayors was enacted and implemented in Panama in 1994.

Participation:

- Representatives from labor unions in the region participated in a key analysis of labor legislation and enforcement capacity.

- To engender a far more participatory process for setting national agendas in those areas in which USAID/G-CAP's regional environmental project is active, USAID assisted in strengthening numerous local environmental NGOs.

- The policy handbook or "Green Book" prepared under RENARM was initially tested in Belize, Honduras, Guatemala, Costa Rica and El Salvador to introduce participants to policy analysis and participatory approaches in applying the book.

- Pilot activities addressing constraints to the decentralization of key services have contributed to reforms devolving administrative authority over water and education in Nicaragua (1994), giving municipalities a role in the naming of teachers in Guatemala (1995), and in six municipalities being given authority for management of a potable water distribution system in El Salvador (1995).

B. Food Security

Socio-economic conditions for the majority of Guatemalans are very precarious as reflected in the UNDP Human Development Index which places Guatemala in 113th position, one of the lowest in Latin America. The country has the highest level of chronic undernutrition and the second highest index of child mortality. Unemployment and underemployment affect more than 40% of the economically active population. The number of families that live in poverty has increased considerably in the last decade. Extreme poverty is encountered particularly in the rural areas with the highest concentration of indigenous populations, landless "campesinos" and subsistence farmers.

The problematical food-nutrition situation of most Guatemalans is complex and related to many development issues --employment, education, health, and agriculture, among others. The Guatemalan Constitution recognizes the integral nature of the problem and indicates that: "actions oriented to improve food security should consider all the individual factors which impact on it"; that is, an integrated approach is mandated.

The food-nutrition status of the most vulnerable sectors of the population has been seriously harmed by the economic decline in the decade of the 80s, and more by the crisis proportions of the fiscal situation in the last few years which has rendered the Government of Guatemala incapable of attending to these at-risk populations. Inflation has also hit the poor the hardest raising the cost as a basic food basket beyond the reach of nearly 55% of all Guatemalans. National food availability and the household food accessibility is very limited for most of the rural poor. Food utilization is inadequate especially among vulnerable groups such as children, pregnant and lactating women.

Grave food insecurity affects especially the poor, mainly indigenous people living in Guatemala's "poverty belt" stretching from the western highlands through the northern tier of departments bordering on Mexico. This is the same area which was the most affected by thirty years of armed conflict that left approximately 100,000 widows and 250,000 orphans. Socio-economic indicators for these areas of Guatemala are worse even than many African countries.

USAID/Guatemala's PL-480 Title II program carefully targets the geographic areas, and the populations which face the greatest food insecurity. Activities focus on improving nutrition, especially of children and mothers, and on alleviating the causes of hunger through increased agricultural productivity, market access, income generation, and community participation. The Mission has encouraged the PVO Cooperating Sponsors to take both a focussed and an integrated approach to improving food security for Guatemalans. Each addresses those factors -- availability, access, utilization-- where they have a proven comparative advantage, and sufficient resources to make a difference.

In an effort to maximize the impact of the PL-480 Title II assistance, the PVOs have dedicated the largest part of their resources to activities which improve food utilization (Maternal Child Health programs (MCH), and water and sanitation projects, for example), and less so to

activities which address issues of food access and availability. This emphasis fits well with the Mission's strategic objective of promoting "smaller, healthier families" as an essential building block to achieve broad-based sustainable development in Guatemala. Not only does our assistance strategy seek equity, but also a level of development high enough to alleviate poverty and hunger for nearly 8 million of Guatemala's more than 10 million people.

The Mission has gone a step further in integrating the Title II resources with other development assistance resources to assure that food security is being addressed within and across the framework of Mission strategic objectives.

Increased emphasis is being given to measuring the impact of the Title II programs and the Mission monitors expected results of food aid supported programs within its overall performance measurement system. One example of measured impact comes from a recent impact evaluation of the CARE/Guatemala MCH component. The evaluation focused on the nutritional impact of the MCH component on children under the age of three; the use of food as an incentive; and the impact of MCH on food security especially in terms of family income. Preliminary results have clearly demonstrated that there is a significant improvement in the nutritional status of those children who enter the program before 3 months of age and participate for more than 18 consecutive months. Another key finding of this study is that Title II commodities allow recipients to complement their diet with local food stuffs purchased with the money they would otherwise spend on the donated Title II food. The CARE impact study clearly demonstrates that when Title II commodities are available at the household level there is a measurable positive impact on family food security.

The Mission will continue to scrutinize the use of scarce food aid resources in order to achieve the highest level of impact on improving the lives of Guatemala's poor through improved food security. We believe that the strongest case can be made for continuing the current levels of food assistance to Guatemala both from the point of view of greatest need and demonstrated impact.

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USAID/G-CAP BILATERAL PROGRAM FOR FY 1996-1997

Agency Goals :
1) Building Democracy
2) Stabilizing Population Growth and Protecting Human Health
3) Protecting the Environment
4) Broad-Based Economic Growth

Bilateral Strategic Objectives:	Major Projects
Strengthening Democratic Institutions, Civil Society and the Rule of Law	520-0398 Democratic Institutions 520-0407 Justice Sector Reform 520-0412 Street Children Support
Smaller, Healthier Families	520-0339 Immunization and ORT for Child Survival 520-0357 Family Health Services 520-0399 Highlands Water/Sanitat Strategic Objective Smaller, Healthier Families PL-480 Title II
Environmentally Sound Natural Resource Management	520-0395 MAYAREMA Project 520-0404 Community Natural Resource Management
Increased Trade and Improved Labor Relations	520-0381 Small Farmer Coffee 520-0403 Trade/Labor Relations
Improved Quality, Efficiency, and Equity of Primary Education Services	520-0374 Basic Education Strengthening Project
Cross-Cutting Activities	520-0145 Special Development Fund 520-0413 Peace and productive Sectors

USAID GUATEMALA/CENTRAL AMERICAN PROGRAM
ACTION PLAN FOR FY 1996-97

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FY 1996 - 1997
Bilateral Action Plan

I. Strategy Overview

May 1995

GUATEMALA PROGRAM

I. STRATEGY OVERVIEW

A. Building Peace, Democracy and Sustained Economic Growth

Based upon the United States' overarching foreign policy objectives in Guatemala, USAID/G-CAP's bilateral program is aimed at supporting Guatemala's transition to peace in the near term, staying the course in building durable democratic institutions within a truly democratic culture, and achieving sustained economic growth for a broad base of Guatemalans over the longer term. Our strategy dictates a program focus on equity issues and sustainable solutions to overcoming the formidable constraints to development in Guatemala, including: the continuing armed conflict, military domination of civil society, a private sector with little concern for the general well-being of the nation, and a government facing a fiscal crisis so severe as to take it dangerously close to a becoming a "failed State".

The armed conflict of the last 34 years is moving in fits and starts toward resolution as the Government of Guatemala (GOG) and the Guatemalan National Revolutionary Unity (URNG) peace talks proceed under the sponsorship of the United Nations. While committed to supporting progress toward a final peace agreement, USAID/G-CAP recognizes the limitations of our resources, in the face of deeply rooted inequities which gave rise to the more than three decades of political violence. The bilateral program confronts the development challenges of strengthening democratic institutions and processes, promoting smaller healthier families, supporting environmentally sound management and sustainable use of Guatemala's natural resource base, and broadening participation in long-term economic growth. Developing Guatemala's human resources is a key factor in assuring increased productivity and higher incomes for the poorest Guatemalans. Democratic institutions have made gains but still must be greatly strengthened, citizen participation must be increased, and rule of law and respect for human rights must be established as broadly accepted norms if Guatemala is to enjoy a lasting peace. And without peace, a process of sustainable development is not possible.

USAID G-CAP intends to continue this basic strategic direction over the next twelve to fifteen months, though gradually shifting to a more decentralized approach working through non-governmental organizations (NGOs), moving closer to municipal levels and community-based solutions and relying less on partnerships with beleaguered national levels agencies. With these adjustments, our current strategy will take us through a transition period in which a number of decisive changes will occur in the social and political context within which the program operates. During this period, we expect the Peace talks will have concluded with the signing of a final accord. The Guatemalans will have elected a new President and a new Congress (January 1996). With a new government, there will be a new opportunity to address the fiscal crisis and strengthen the capacity of civil institutions. These months will also be critical for determining the role of the military in Guatemala's post-war society. In 1996, USAID/G-CAP will begin preparing a new Country Strategic Plan for the period FY 1997 through FY 2000 based on current US foreign policy objectives, a fresh analysis of Guatemala's development problems and opportunities, Agency Guidelines for Strategic Plans, and greater certainty about funding levels over the period. Based on changes in our *modus operandi* developed through the reengineering

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process, our programs over this period will also be undertaken with increased participation of our development partners and "customers", the rural poor of Guatemala.

B. The Guatemalan Context

1. Political Trends

Guatemala's transition from an authoritarian nation with a formal democratic system to a functioning, broad-based, participatory democracy is proving to be extremely difficult, at a time when the country is under increasing internal and international pressure to end a thirty-four year civil war and create a more just and equitable society for all citizens. The lengthy period of political uncertainty that started with President Serrano's May 1993 "auto-golpe" (self-coup) attempt finally ended in September 1994 with a complete turnover in the executive, judicial and legislative branches of government. The final stages of this political "purging" process paralleled the first successes in the peace talks to end the civil war. By late June 1994, the Human Rights Accord, the Accord on Historical Clarification, and the far-reaching Accord on the Resettlement of Uprooted Populations were signed by the URNG and the GOG. These important developments established a framework for major reforms in an atmosphere of national reconciliation. Nevertheless, high public expectations have been largely frustrated by the government's inadequate response to the commitments made during these historic events, and a continuing resistance by the URNG to move forward toward a final peace agreement.

The November 1995 presidential, congressional and municipal elections will provide a forum for national dialogue on the major issues that have emerged during the President De Leon's reform process and the peace talks. However, with the emergence of over a dozen potential candidates and contending parties, and a major constitutional debate over the possible candidacy of former de-facto president, retired General Efrain Rios Montt, this opportunity for much-needed civic education and consensus building could be superseded by "politics as usual". Political parties in Guatemala dominate the electoral process, even though it is estimated that total active membership in all parties does not represent more than 10% of eligible voters. High levels of voter absenteeism at the time of last year's anti-corruption referendum and interim Congressional elections attest to an extreme degree of citizen alienation from the formal political process. In this context, the political parties have a daunting task before them. Those unrepresented by political parties have an even more daunting task.

Following the signing of the Accord on the Resettlement of Uprooted Populations in June 1994, progress on the agenda for the peace talks slowed dramatically. After eight long months of little progress, in March 1995, the government and the URNG reached an agreement on the topic of the Rights and Status of Indigenous Peoples. It thus appears increasingly unlikely that the final accord (which depends on prior negotiated consensus on such issues as the role of the military and para-military forces, land and social/economic issues) will be reached during the De Leon presidency. The parties to the peace talks have failed to generate significant real interest in the discussion topics among the general populace. The one interesting political development has been the recently-announced intention of the URNG to "participate" in this

year's elections. While public reaction to this announcement was mixed, such participation would signify the first time in decades that Guatemalans would have the opportunity to choose among a broad spectrum of political tendencies. The exact nature and form of this participation remains obscure at this time, although the formation of a popular party (Partido de Poder Ciudadano) has just been announced by a former URNG leader, Danilo Rodriguez.

The political process in Guatemala is at a watershed. The country appears to have firmly chosen the democratic constitutional path and has withstood numerous challenges to that path over the past decade. Still, many Guatemalans perceive that the military is the only institution capable of addressing many of the nation's most urgent problems. However misguided this opinion may appear, as long as Guatemala's political institutions fail to provide a sufficiently representative forum for resolving national development issues, reliance on the military in public life will continue, to the detriment of civilian control and civilian institutions. The ability of existing or new political parties to generate confidence and interest in the political process, and a sense of their own accountability to Guatemala's fragmented and ethnically diverse polity, will largely determine the character of the country's political system as it approaches the 21st century.

The international community has played, and will continue to play, a critical role in highlighting the need to accelerate development of widespread political participation and accountability. The peace process provides an excellent opportunity to foster a climate of reconciliation and social change. In the context of Guatemala's tenuous, fragile democracy, the "accompanying" function of the international community is vital. This has been particularly evident at the time of the auto-golpe and in the case of MINUGUA, the UN Mission charged with monitoring and institution building to support the Human Rights Accord. Guatemala is not yet at a point where it can rely solely on internal pressure from its citizenry and adequate responses from its political institutions to develop more equitably. The international community must remain engaged over the medium term in support of those individuals and organizations which are true allies of sustained political reform in Guatemala, if those individuals and organizations are to prevail.

2. Macroeconomic Trends

After a very difficult start during the second half of 1993, the De Leon Carpio Government began 1994 on a relatively sound basis with the signing of the 1994 Shadow Program with the IMF, the restructuring of the Economic Modernization Loan (EML) with the IBRD, the signing of the Financial Sector Modernization Loan (FSML) with the IDB, and the design of the 1994-95 Poverty Alleviation Program for presentation to the Consultative Group in the second half of 1994. Under the 1994 Shadow Program, the GOG and IMF fixed the overall targets for 1994 at 4% for real GDP growth and 8% for inflation.

These macro and sectoral economic programs were implemented within a politically difficult environment. In 1994, the De Leon Carpio Government had to cope with the striking civil servants, the recalcitrant pre-August Congress, the unexpected decision of the Constitutional

Court which declared anticipated quarterly income tax payments and withholdings unconstitutional, social unrest due to an attempted upward adjustments in electricity and urban transport rates, the violence against foreigners which caused a State Department Travel Warning and a decline in tourism, and an unyielding powerful private sector (CACIF). Nevertheless, in that politically charged environment, various positive developments took place: The GOG freed the prices of petroleum products; the Junta Monetaria liberalized the foreign exchange market and lowered the legal reserve requirement imposed on commercial banks; the Bank of Guatemala lowered interest rates by approximately 5% and maintained the nominal Quetzal/US dollar exchange rate stable in 1994. The GOG also fulfilled the economic modernization conditionality for the disbursement of $24 million of the restructured EML and the financial sector modernization conditionality for disbursement of two tranches of $62 and 35 million of the FSML.

In addition, at the end of the second quarter of 1994, with the exception of the tax revenue targets, the GOG met all fiscal and monetary targets of the 1994 Shadow Program. However, the inability of the GOG to raise tax revenue to expected levels resulted in the GOG missing several fiscal/monetary targets during the second half of 1994. The GOG ended 1994 with a higher than expected budget deficit (1.5% of GDP instead of 0.5% of GDP as called for in the 1994 Shadow Program), higher than expected domestic borrowing and lower than expected deposits in the Central Bank. The economy ended 1994 with a real GDP growth rate slightly lower than expected (3.7% instead of 4.0%) and an inflation rate significantly higher than expected (12.0% instead of 8.0%). In addition, private investment growth was stagnant (a nominal 0.4% increase over the 1993 level) while public investment growth was declining (a nominal 4.6% decrease from the 1993 level).

The GOG's inability to collect enough taxes (total tax revenue reached only 6.7% of GDP in 1994 instead of 9.0% of GDP as called for under the 1994 Shadow Program) casts serious doubt on near-term disbursements of funds under the EML and FSML, and greatly reduces the likelihood of a regular Stand-By Arrangement in 1995. As of April 1995, the IMF had suspended discussion on the 1995 Shadow Program pending an analysis of this year's fiscal performance, in the midst of a bitter tax battle between the government and the private sector.

Low tax revenue is not a new problem. It can be traced a cultural aversion to taxes, to weak tax collection/administration institutions in Guatemala and a tax code heavily biased toward taxpayers. A long and complicated written constitution also provides a wide variety of bases for challenging tax code reforms, and enables long-lasting supervision of reforms while the "constitutional issues" are determined. The Ministry of Finance (MOF) estimates that tax evasion continues to be high (at 40%) for the value added tax and the income tax (est. 50%). According to MOF figures, tax evasion and the decision of the Constitutional Court caused approximate revenue losses of 12.5% of estimated 1994 total tax revenue.

On April 21, 1994 the GOG attempted to address the fiscal issue by submitting legislation to the Congress to change the income tax, the value added tax, the airport exit tax and the 1991 tax code and to introduce an Emergency Tax. The April 21 tax package met with great

resistance from the pre-August Congress and the organized private sector, CACIF. It was never enacted.

On September 23, the GOG tried again to raise tax collection by submitting a tax package somewhat different from that of April 21 to the newly elected Congress. With some modifications, and over the opposition of CACIF, the post-August "purged" Congress adopted law and rate changes to the income, value added, drink and tobacco, vehicle, exit and property taxes in December 1994. In addition, in a breakthrough legislative action, Congress introduced the crime of tax fraud into the country's Penal Code, and prescribed punitive actions against tax fraud. According to MOF figures, the December 1994 package should raise tax collection to approximately 8% of GDP in 1995 (higher than the 1994 level but still lower than the 1994 Shadow Program target of 10.0% of GDP for 1995).

The level of tax revenue collected in 1995 and onward will depend greatly upon the degree of efficiency in tax administration. GOG tax administration remains weak in spite of extensive efforts by the IDB and USAID to strengthen the ability of the GOG to collect tax. The IDB financed two separate projects in 1984-88 and 1989-93 and will finance a new project in 1994-97. After the USAID/G-CAP funded Fiscal Administration Project (FAP) finished in 1993, several UNDP funded consultants continued the FAP work on tax administration in 1994. In spite of these institution strengthening efforts, revenue collected through taxes has declined as a percentage of GDP during the last several years to a new law.

1995 will be a difficult year for Guatemala. The GOG will have to raise tax revenue to levels sufficiently high to sign a 1995 Shadow Program, in order to keep IBRD and IDB disbursements coming. In addition to conditionality on tax revenue and administration, the World Bank loan (EML) contains targets on budget execution (with special focus on education and health), on electricity rates, and on demonopolization and restructuring of parastatals to be met for the disbursement of the final tranche of US$48 million. For the disbursement of the final tranche of US$35 million under the IDB's FSML, besides general macroeconomic conditionality, the Congress will have to act on four proposed laws which are aimed at liberalizing interest rates, prohibiting the BOG from bailing out bankrupt commercial banks, creating an insurance scheme to protect small depositors (Q 5000 and less) and guaranteeing the independence of the Superintendency of Banks. Also, the BOG will have to implement the normative measures for sound asset classification, terms for loan renewals and insider lending. According to the IDB representative in Guatemala, the GOG is implementing most of the normative measures negotiated under the FSML.

After claiming a 75% rate of budget execution during the 180 Day Plan at the end of 1993, the GOG proceeded to define its 1994-95 Poverty Alleviation Program. In April 1994, the GOG completed preparation of its Poverty Alleviation Program and was ready to present it to the Consultative Group in June. However, due to the low level of fiscal performance and poor performance in implementing the 1994 Shadow Program, and to the slowdown in the Peace negotiations, the Consultative Group meeting for Poverty Alleviation was postponed several

times. The GOG is, with the support of the IBRD and UNDP, currently planning on a (non-pledging) CG for Peace and Reconstruction in June 1995.

3. Social Trends and Poverty

Guatemala continues to suffer from serious problems of poverty and inequality. A recent World Bank study shows that approximately 75% of Guatemala's people live in poverty and over 55% of the population lives in extreme poverty and isolation in rural areas. An estimated eight million Guatemalans are poor and the majority of those poor are female and/or indegenous. Many of Guatemala's social indicators are among the worst in the Western Hemisphere, and national averages mask even sharper inequalities between social groups and regions. For example, overall adult illiteracy is estimated at 52% but illiteracy rates among Mayan women in some areas easily approach 90%.

The Guatemalan population is growing at the rate of 3.1% per year with a total fertility rate of 5.2 (births in an average woman's lifetime) as a result of unmet demand for contraceptive methods. Both infant and maternal mortality rates are excessively high at 73.4 infant deaths per 1,000 live births and 24.8 maternal deaths per 10,000 live births. Limited food availability, poor nutritional composition of foods, and disease all result in high levels of food insecurity and malnutrition in the poorest rural areas. On a national level, 41% of Guatemalan children are malnourished and an even higher incidence of malnutrition is found among Mayan children living mainly in the Western Highlands and northern tier departments of Guatemala. These indicators reflect persistent under-investment in social services and basic rural infrastructure.

In addition to the problem of poverty, there is a high degree of inequality in land, income and consumption. The most recent agricultural census (1979) indicates that 2.5% of Guatemala's 5.3 million farms control 65% of agricultural land (with an average farm size of 200 hectares) while only 16% of the land is cultivated by 88% of the smallest farms (average size 1.5 hectares). The land issue takes on tremendous importance within the Socio-Economic Accord of the Peace Accords.

Such poverty and inequalities precipitated the armed conflict that has lasted for over 30 years and has cost approximately 100,000 lives and the displacement of hundreds of thousands more. In many respects, the problems of poverty and inequality are as severe today as they were at the start of the conflict. In terms of absolute number of poor, Guatemala's situation is worse because the population today is more than three times the population of 1960.

C. Managing for Results

USAID/G-CAP has managed its bilateral program within a rigorous results-oriented strategic objective framework for the last several years. The Mission has a well-developed performance measurement system in place that allows us to make strategic and program decisions based on impact results, to the extent such results are obtainable and measurable. Short-term results are

particularly problematic in democratic development, environmental protection and natural resources management.

Customer surveys and valuable input from our many development partners have shaped our strategic objective frameworks especially in the choice of performance indicators and setting realistic targets. USAID/G-CAP's reengineering efforts highlight customer focus as a major value. Under our Country Experimental Laboratory (CEL) operating in the health sector, intense teamwork involving all the stakeholders led to the design of a results package targeting Mayan "customers" in the rural highlands of Guatemala. Through the Mission's Democratic Indicators Monitoring System (DIMS), we have learned about, and verified our "customer" needs and perceptions in the area of democratic practices and beliefs on a national level.

Democracy: In the democracy area, USAID/G-CAP assistance is helping key justice sector institutions to implement oral trial proceedings, a public defenders program and other elements of the new criminal procedures code, thus contributing to greater transparency and efficiency in the criminal justice process. Leadership training under the Guatemala Peace Scholarship Program has proven to make a measurable contribution towards participants' commitment to democratic values (e.g. tolerance) indicators which are notoriously low for the majority of Guatemalans. With progress in the area of respect for human rights disappointingly slow, USAID/G-CAP moved forward with a new strategy to support local NGOs efforts in broad-based civic education.

Smaller, Healthier Families: Many Guatemalans have decided in favor of the use of family planning services despite the controversies surrounding the issue in Guatemala. The contraceptive prevalence rate has increased from 27% in 1987 to an estimated 31% in 1995. The couple years of protection provided through USAID support doubled from 250,000 in 1986 to 600,000 in 1995. Immunization coverage under the Child Survival project is on target nationally according to official statistics (nearly 70%); however, a series of rapid assessments show coverage to be very low in certain rural areas (23% to 61%). PL 480 Title II programs serve over 280,000 mothers and children in mainly rural Guatemala.

Natural Resources Management: Under our natural resources objective, the Maya Biosphere project has generated numeric data showing over 840,000 acres of natural cover has been conserved to date by preventing conversion to agriculture. More than 10,000 persons residing in 100 communities of the Maya Biosphere reserve have adopted more appropriate land use practices as a result of our programs. Under the Community Natural Resource Management project, community organizations and municipalities are developing and implementing natural resource management programs in 85 rural communities in Guatemala.

Trade and Labor Relations: Mission activities in support of increased trade and improved labor relations resulted in achievement of seven out of eight targets set for our Strategic Objective and Program Outcome indicators. Export earnings overall increased to a record high of US$1.7 billion, spurred by the increase in world coffee prices. Two-way trade between the U.S. and Guatemala reached US$2.54 billion. Non-traditional exports now support more than

163,000 direct and indirect jobs; with more than 130,000 new jobs created (primarily among the poorest 25% of the population) as a result of growth in the non-traditional export sector since 1991.

Basic Education: Because it takes a number of years for broad-based educational interventions to raise indicators, we did not anticipate measurable improvements in our Education Strategic Objective indicators at the national level by 1995. However, at the technical and formative levels, classroom interventions are registering indications of steady improvements in classroom equity, teachers' teaching and management skills, and selective learning gains in reading, mathematics, and acquiring a second language. As such, the results have so impressed the World Bank and IDB that they are designing an US$80 million loan to the GOG to expand our pilot classroom interventions to national levels. In addition, the Government of Japan has just made a large commitment to support Girls' Education, based wholly on the preliminary results of USAID's pilot program in this area.

D. Summit of the Americas Initiatives and CONCAUSA

The USAID/G-CAP program addresses a number of the specific initiatives under the Summit of the Americas Plan of Action, and in particular provides strong support for the CONCAUSA Declaration and Action Plan which was also signed at the Miami Summit. Annex A contains a matrix showing how the bilateral activities contribute to the Summit initiatives in the areas of democracy, human rights, combatting corruption, education, participation, free trade, microenterprise, energy, biodiversity and environment, health and integrating women to society.

E. Donor Coordination

As follow-up action to last year's Action Plan, LAC recommended that the Mission develop a strategy involving other donors to encourage the GOG to address the tax reform issue. Further, LAC suggested that the Mission coordinate closely with other donors, particularly the UN and IDB in support to the Guatemalan Peace Accords.

USAID G/CAP, as part of the country team, works closely with the World Bank, IDB and IMF on matters related to tax and fiscal reform. We are in fact, a major source of information and analysis on Guatemala's macroeconomic situation for other donors who lack the advantage of our in-country presence. Working with the Ambassador, and with Ambassadors from other key donor countries in Guatemala (Canada, Germany, Spain, Japan, Venezuela), the Mission has participated actively in a series of discussions on tax reform with the GOG, the Congress and the private sector. USAID/G-CAP also recently carried out a study which provides the GOG and the international donor community with a series of options for tax policy and administration reform in Guatemala. As a result, the Minister of Finance is considering the reforms which were identified in the report, and she may join other Guatemalan public leaders in a planned visit to observe El Salvador's more successful implementation of tax reforms.

The Mission's collaboration with the donor community on support to the Peace Accords has been intense. Mandated to coordinate the "friends" of Guatemala donor group, the UNDP looks mainly to USAID/G-CAP as the most technically expert of all the donors in the areas of democracy, health, environment, education, and income generation activities. USAID has the longest history of assistance to Guatemala as well as the most well-grounded experience in supporting the social and productive sectors, and fomenting democracy. USAID participantes actively in the Donor Group which supports the involvement of two representatives (UNDP and EU) on the Technical Commission established under the Peace Accord on Uprooted Population.

USAID G/CAP offered several examples of how a field mission leverages donor resources in response to the Administrator's request noted in the AA/G's Senior Staff Notes of March 9-10, 1995. We detailed examples in the health and education sectors, and macroeconomic reform. The Mission's on-going efforts in donor coordination are described fully under each of the Strategic Objectives.

FY 1996 - 1997
Bilateral Action Plan

II. PERFORMANCE AND FUTURE STRATEGIC DIRECTIONS

May 1995

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II. PERFORMANCE AND FUTURE STRATEGIC DIRECTIONS

SO 1. Strengthening Democratic Institutions, Civil Society and the Rule of Law

A. Strategic Objective Performance

This strategic objective provides the conceptual framework that guides our program efforts focused on strengthening the most basic tenets of a democratic society: the protection of individual human rights; equitable access to due process under the law when those rights have been violated; and responsible governance based on the foundation of free association and popular sovereignty. This objective also summarizes the highest priority foreign policy goal of the overall U.S. Mission in Guatemala, contained in the Embassy's "Mission Program Plan".

Policy: Much has happened on the political front over the past year that has had a direct bearing on Guatemala's continuing democratic transition and the USAID program designed to support it. Beginning in January 1994 with the "Consulta Popular", this national referendum on constitutional changes led to the purging of two key democratic institutions, the Congress and the Supreme Court, which had been charged with widespread corruption and inefficiency. Although only a low percentage of registered voters turned out, the mandate for change was clear as the reforms passed with a two thirds majority. The process that ensued was wrenching and protracted, as a discredited and lame duck Congress became virtually inoperative. In August of 1994, the extraordinary elections for a new Congress proceeded, with most notorious members elected out, the number of representatives reduced, and a more transparent congressional budget system established by law. A month later, the Supreme Court was replaced, with the new President and Magistrates selected by Congress from a roster of names produced by an independent, blue ribbon committee of representatives of the legal community.

The fact that such a radical change of leadership within all three branches of government was able to occur within 15 months without a soldier leaving the barracks is a true victory for supporters of the democratic process in Guatemala. This is all the more noteworthy given what we know of the very tenuous confidence Guatemalans have generally in a democratic system of government, as documented by the USAID financed Democratic Indicators Monitoring Survey (DIMS), published in 1994, which assesses the state of national values and attitudes necessary to sustain a democracy.

However, many serious problems continue to threaten Guatemala's ability to guarantee the full range of basic liberties associated with a stable and mature democratic order. De facto political disenfranchisement of the majority of this country's citizens who are poor, rural, Mayan speakers, continues to be the norm. Voter participation in 1994 reached an all time low with only 15% of registered voters participating in Congressional elections. The percentages were even lower in predominantly indigenous communities. Human rights abuses continue to occur at alarming rates, and impunity for the perpetrators of such crimes continues to be the rule rather than the exception. The justice system is unable, and in some cases unwilling, to effectively prosecute the most egregious of crimes and access is still beyond the reach of the

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majority of citizens who are denied service due to language barriers, geographic isolation, and the lack of education and/or financial resources.

One of the top priorities under our Policy Agenda for last year was to support the implementation of the new Criminal Procedures Code (CPP), which finally went into effect last July. This landmark piece of legislation offers transparency, equitable access, and improved efficiency to a justice system that heretofore had been closed, corrupt and inefficient.

A new, reform-minded Congress determined to restore this institution's credibility is also cause for hope. In spite of its highly controversial President, retired General Rios Montt, this body is moving forward to enact several pieces of major legislation that will have a direct impact on our assistance efforts in several sectors. Also, the Congress has recently passed a new organic law for itself, creating a more transparent system of budget management, restricting Congressional immunity and removing the decision of when to apply this protection from the Congress itself to the Supreme Court, and limiting the powers of the President of the Congress through decentralization of management functions.

The changes in Court leadership have thus far offered only mixed results. Like the Congress, this leadership also came in with an anti-corruption mandate and has taken aggressive steps toward cleaning up their internal budgeting processes to guard against the abusive practices that characterized the previous regime. However, this conservative court has yet to provide the leadership on the implementation of the progressive reforms embodied in the new CPP. Cultivating court leadership in the justice reform process will be a major component of this year's policy agenda.

In 1994, the Public Ministry was divided into two separate, independent agencies: an Prosecutor General's Office dealing with criminal cases and the Solicitor General's Office responsible for representing the state in civil and international affairs. Passage of the "Organic Law" for the newly established Prosecutor General's Office was also part of last year's Policy Agenda and a condition precedent to USAID assistance to this institution under our new Justice Reform program. The law passed in May 1994 and USAID assistance took effect in September, after the lifting of the Congressional hold that was made possible by a commitment of the new leadership to advance judicial reform and pursue judicial resolution of human rights cases. The lack of adequate GOG resources however continues to threaten this and other justice sector institutions' abilities to live up to their mandates and therefore will continue to be a priority topic in our policy dialogue in the year ahead.

Progress: Progress to date measured by program outputs for this strategic objective includes:

1) **Increased public and private sector leadership**: Leadership training and democratic skill building has been provided to a variety of priority groups that play a vital role in the democracy sector. For example, 33 Judges, including 8 women, have received international training in human rights and the law, with a special practicum in oral trial procedures, enabling them to provide peer training to their colleagues in the justice sector. Another 136 delegates of

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the Supreme Electoral Tribunal, including 41 women received international and local training in civic education and public outreach which has helped them become more proactive change agents working at the community level. The effects of this training are already being noted as the SET delegates have launched a concerted effort to engage the traditionally disenfranchised rural, indigenous population in the electoral process. Also, 6 newly elected Congressmen are graduates of USAID financed leadership development programs. Finally, a sample of the ESTNA and GPS graduates tested as part of the DIMS shows that we are indeed reaching emerging leaders through both training programs as the data suggests that participants are twice as likely to be involved in community based activities than the national average.

2) **Greater access to equitable criminal justice**: Implementation of the CPP is now getting fully underway, a newly organized Public Ministry with the Prosecutor General seeking to upgrade his agency's technical capacity to comply with the terms of the new code; training activities in oral trial procedure are underway for key justice sector personnel; a new unit staffed by qualified, civilian investigators has been created in the Public Ministry and will soon receive training from ICITAP; and a new Public Defenders Office has been formerly established in the Court, as has the Office of Translation Services (to facilitate the official use of major Mayan languages). Inadequate GOG resources to finance full implementation of the code and sustain donor initiatives continues to be a primary concern, as does the heretofore lukewarm commitment of the Court to carry out such implementation. Also, the fact that only a handful of oral trials have been held to date provides fodder for the code's detractors, who see this as an indication of its failure to produce results. We continue to press the Court to take a more active stance in implementing the CPP.

3) **Increased investigations of human rights abuses**: We continue to be frustrated by the lack of an aggressive posture on the part of the Office of the Human Rights Ombudsman in fulfilling this institution's mandate for the investigation and follow up of human rights cases. Of late, the Ombudsman has come back around to agreeing that indeed his institution has a critical role to play, but claims it cannot fill this function with current staff and resource levels. The long awaited computerized case tracking system financed through our agreement with the OHRO has finally come on line. The principal question now focuses squarely on the real issue, i.e. the political will, or lack thereof, of the OHRO to use it to aggressively pursue investigation of specific cases.

As we write this Action Plan, we are entering into negotiations with the OHRO to revamp our agreement with them that has been in a state of suspension for almost a year. Our aim is to focus remaining resources on the priority needs of the institution as they relate to its role in fulfilling the terms of the Peace Accords. The investigative function of the OHRO figures prominently in the Human Rights accord and, through the cajoling of the USG and other international donors, it appears that the OHRO has agreed to take on a more proactive role in investigations, beginning with the commitment to staff up this unit that was virtually gutted over a year ago. If done, this will allow for the retooling of USAID assistance to provide the technical assistance and training needed to bring this unit to a fully active status.

4) **Heightened public awareness and respect for human rights and civic responsibilities**: The institutional issues with the OHRO have had a negative impact on this program output as well. Education activities conducted by OHRO staff dropped to less than 50% of what they had been in previous years. In spite of repeated attempts to strengthen the education department with offers of technical assistance in strategic planning, materials design and training, the project remained in a state of abeyance throughout 1994, with a few exceptions for priority activities related to information dissemination on the Human Rights accords. We are hopeful that this situation will change soon, as part of the new interest on the part of the OHRO to revitalize its activities in line with its role in the fulfillment of the peace accords. Other donors have now followed USAID's lead in conditioning assistance to the OHRO on performance.

In the meantime, USAID has moved forward with a strategy to achieve this program output through support to local NGOs and advocacy groups. The first pilot activities are underway and a major new initiative for financing local NGO efforts in civic education was initiated in February 1995 with the arrival of the America's Development Foundation (ADF) staff.

5) **Strengthened legislative capacity**: Three long years after signing an agreement with the Congress to strengthen its technical capacity, we finally have an active project in place and real progress is being made. A technical unit was established by the new Congress in February 1995 and in March the Congress agreed on the key legislative initiatives that would receive technical assistance from the unit with the goal of passing these priority items before the end of this year. Several of these priority bills will have a direct impact on USAID objectives in this and other technical areas and are worth noting: a new law for Indigenous Communities that will provide the legal framework for dealing with a political and social issues pertaining to the Mayan population, a tax code that will address this country's major economic issue, and legislation on decentralization that will invest greater authority for decision making at the municipal level.

Sustainability: The implementation of the new Criminal Procedures Code in July of 1994 was the culmination of a modest, yet critical, investment of USAID resources which provided the international technical assistance necessary to the Supreme Court in drafting this landmark piece of legislation. Now that the legal framework has been established for the reform process, our emphasis has shifted to the institutional strengthening needs of the key justice sector institutions responsible for the implementation of the code. The Justice Sector Reform Project (JSRSP), which came into full operation in January, 1995, is designed to address the organizational and human resource development needs of these institutions as they relate to their new and expanded roles as defined by the code. It is this combination of an enlightened legal framework coupled with stronger institutions able to live up to their new mandates which will sustain judicial reform. Also, the leadership development programs described above are making a direct contribution to sustainability as graduates from USAID financed training activities engage in public policy reform at a local and national levels.

Participation: The DIMS is the principal vehicle through which we can assess customer concerns, needs and interests. The data from the first survey has been shared extensively with government entities, NGOs, opinion leaders and the general public. Indeed, the public forum

introducing DIMS survey data launched a national dialogue among a wide variety of actors who see it as a touchstone for assessing Guatemala's progress toward democratic development and a guide to what needs to be done to consolidate this fragile democracy. In addition to the consultative process with partners around the DIMS, and ongoing communication with counterparts in our projects, we are also developing more formal channels of communication with key groups of stakeholders through the creation of advisory groups in two program areas; justice reform and civil society. In justice reform, we are working with MINUGUA in the creation of a national forum for justice sector entities that will also include non-governmental actors advocating judicial reform. Through the JSRSP, we will also provide direct support to non-governmental groups engaged in public policy reform. Also, the new civic education project will create a formal advisory group composed of leaders from civil society organizations who will provide guidance in the selection of sub grants, assess technical assistance and training needs for local NGOs, propose themes for operational research, and provide assistance in project monitoring and evaluation.

Donors: Donor coordination with MINUGUA and other international donors interested in supporting the peace process and strengthening the government institutions tasked with implementing the accords has become a top priority for this Mission, and our democracy office in particular. No other donors currently have the experience or presence that USAID has had in the justice sector in Guatemala. More than simply sharing information, USAID and MINUGUA have joined forces to develop joint training plans in justice sector institutions, a common set of objectives and activities aimed at institutional strengthening of the OHRO, and a mutually reinforcing set of priorities for our policy agenda related to justice reform.

B. Future USAID Strategic Direction

Strategic Emphasis: USAID interventions in the Democracy area are aimed at addressing the key constraints to democratic consolidation and sustainability, by focusing both on the "supply side" through the strengthening of key government institutions, such as the OHRO, the Supreme Electoral Tribunal, justice sector institutions and the Congress; and at the same time shoring up the "demand side" of the equation by supporting a newly emerging civil society that is testing its new found freedoms in an incipient democratic society. The events of the past year have validated the need to continue to strike a balance of assistance aimed at reformers working at both ends of the spectrum, be they government officials intent on making their institutions more responsive, or private citizen groups eager to enter into the national debate on this country's political future. We also note that in the democracy sector, we need to maintain the freedom to respond to changing realities in the political environment as they occur. A year ago we would not have been able to predict the sweeping political changes that have occurred, their impact on this sector, nor the recalibration of our assistance that was required to respond to these new realities.

Peace: This flexible, responsive mode of programming has been and will be critical to our ability to support the new and expanded requirements of democratic institutions related to their respective roles in the implementation of the peace accords. We are entering into a complete

revamping of our assistance agreement with the OHRO in collaboration with the MINUGUA team in order to increase its relevance to the peace process, and we are in the process of planning to extend our civic education and justice reform projects to the ex-conflictive zones.

To date, the USG has made a commitment of $500,000 to MINUGUA in support of its mandate to verify compliance with the Global Human Rights Accord and strengthening national entities, both governmental and non-governmental, involved in the protection of human rights. USAID funding will support MINUGUA's international experts in criminal investigations and national crime policy, technical assistance to the Judicial School, and the development of judicial information systems as well as on-the-job training focussing on implementation of the new Criminal Procedures Code.

Summit of the Americas: As laid out in Annex A, USAID/G-CAP's democracy portfolio directly supports four Summit initiatives under the heading of "Preserving and Strengthening the Community of Democracies of the Americas". Key activities include support for systemic judicial reform, legislative strengthening, civic education, protecting the human rights of all Guatemalans but especially street children, leadership training, and promotion of civilian-military dialogue on public policy issues and peaceful conflict resolution.

Modifications to the SO Framework: Our revised policy agenda takes into account the legal reforms embodied in the peace accords and our updated Monitoring and Evaluation plan now includes our targets for impact up through 1998, along with the rationale that describes how these targets were selected.

New Activities: The only new democracy initiative in the near term is a voter education/motivation campaign that is currently under discussion with CAPEL. This sub-project is designed to partially address the abysmal voter turnout in the 94 elections with an eye toward increasing participation for the 95 presidential elections, especially in indigenous areas.

Guatemala's first oral criminal trial took place on October 26, 1994. The case was that of a 1st. Degree Murder prosecution of an off-duty police officer accused of having encountered a local vocational technical student in a small shop, pinned him against the wall, and executed him with a single shot to his head.

Under the criminal procedures that existed historically, which are conducted in writing and reviewed by a single judge behind closed doors, this police agent had a far greater chance to affect the outcome of the case - as well as a much greater possibility of contributing to the plague of impunity that infects Guatemalan criminal justice administration. But this defendant committed his crime at a time when criminal procedure is becoming far more open and transparent for all Guatemalans to see, while safeguarding his basic constitutional rights. Among those witnessing this first ever demonstration of swift and fair justice were the victim's parents and other relatives, who observed witness after witness take the stand to accuse the defendant of the crime for which he was charged. The three judges returned a verdict of guilty as charged, and imposed a sentence of 25 years - all within an 8-hour period. Justice was served, as was the protection of fundamental due process.

USAID is providing unflagging support in the form of technical assistance to the judges, prosecutors, and public defenders who are charged with criminal prosecution and defense, and the maintenance of fundamental due process guarantees - in order to make possible results such as that achieved in Guatemala's first oral trial - and to combat impunity. As a result, Guatemala can now boast perhaps the most far-reaching criminal procedures on the books anywhere in the hemisphere in terms of due process and protection of fundamental civil rights.

Strategic Objective Tree

Strategic Objective

S.O. # 1 - Strengthening Democratic Institutions, Civil Society and the Rule of Law

Performance Indicators

1) Due Process Under the Law
2) Individual Free Expression and Participation
3) Public Confidence in Key Democratic Institutions and Processes

Program Outputs

1.1 Increased public and private sector leadership	1.2 Greater Access to Equitable Criminal Justice	1.3 Increased Follow-up and Investigation of Human Rights Abuses	1.4 Heightened Public Awareness and Respect for Human Rights and Civic Responsibilities	1.5 Strengthened Legislative Capacity

Program Output Indicators

1) Percentage of target groups (GPS, ESTNA, Congress) scoring higher on DIMS than general population	1) Coverage oral trial proceedings 2) Prosecutors/ investigators using improved techniques 3) Coverage legal defenders program nationwide	1) Reliable and efficient tracking system for human rights violations in place and operational 2) Percentage of human rights cases reported that receive follow-up/ investigation	1) Education/public awareness activities nationwide, especially among indigenous populations 2) Changes in public knowledge and attitudes as measured by DIMS	1) Percentage of laws presented to plenary with professional technical assistance in key areas through the technical assistance unit

Projects

520-0393 Guatemalan Peace Scholarships 520-0398 Democratic Institutions	520-0407 Justicial Sector Reform Support 597-0002 Regional Administration of Justice	520-0398 Democratic Institutions 520-0412 Street Children Support	520-0393 Guatemalan Peace Scholarships 520-0398 Democratic Institutions 520-0412 Street Children Support	520-0398 Democratic Institutions

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TABLE 2.1: STRATEGIC OBJECTIVE PERFORMANCE

Guatemala				
USAID STRATEGIC OBJECTIVE NO. 1 Strengthening Democratic Institutions, Civil Society and the Rule of Law				
Indicator: Due process under the law				
Unit: Percentage of favorable ratings in DIMS on the following five items: 1. Defense of human rights by judges; 2. Treatment of public by judges and judicial employees 3. Judicial institution helps resolve the country's problems; 4. Courts favor rich and powerful; 5. Courts work rapidly		Year	Planned	Actual
Source: Democratic Indicators Monitoring System (DIMS) to be carried out every two years. No targets are planned for interim years.	Baseline	1995	---	1. 9.8% 2. 30.3% 3. 59.0% 4. 92.5% 5. 7.2% *
Comments: *Item 1 - the % refers to those indicating that judges greatly assist, Item 2 - the % refers to those indicating that they are dealt with well or very well. Item 3 - the % refers to those replying yes. Item 4 - the % refers to those replying No. Item 5 - the % refers to those saying yes.	Target	1997	1. 15% 2. 35% 3. 64% 4. 88% 5. 12% *	**
	Target	1998?	1. 17% 2. 37% 3. 67% 4. 86% 5. 14% **	

* *The 1995 DIMS will go into the field in April, 1995 and the final analysis will be complete in September, 1995. At that time the "Actual" numbers (95) can be filled in. At that time USAID will adjust the 1997 targets based on progress made in the previous period. This survey work is experimental in nature and there is little existing literature that would provide guidance on the rate of degree of change in democratic values to be expected in a country such as Guatemala. In the interim, a moderate 2% increase is predicted solely for the purpose of providing a temporary target for this exercise.*

Indicator: Individual free expression and participation				
Unit: Percentage of positive ratings in DIMS on the following items: 1. Democratic liberties Index; Component Indices-- A. Opposition to the Suppression of Democratic Liberties B. Extensive Participation C. Right to Dissent		Year	Planned	Actual
Source: DIMS to be carried out every two years. No targets are planned for interim years.	Baseline	1993		1. 62% A. 81% B. 66% C. 44% *
Comments: The Democratic Liberties Index is a compilation of ten different questions and is broken into the three component indices listed above. See the DIMS report for these questions. * Stability is predicted in this area for 1995. The planned numbers are stated as a range in order to take into account the 2% confidence interval (up or down).	Target	1995	1. 60-64% A. 79-83% B. 64-68% C. 42-46%	**
	Target	1997	1. 62-66% A. 81-85% B. 66-70% C. 44-48% **	

Indicator: Public confidence in key democratic institutions and processes				
Unit: Percentage of positive responses in DIMS on the System Support Index		Year	Planned	Actual
Source: DIMS to be carried out every two years. No targets are planned for interim years.	Baseline	1993	---	40%
Comments: Stability or only a very slight increase is predicted in this area. The System Support Index is composed of questions surrounding the following six items, which are a broad representation of the democratic order: - Courts - Elections Tribunal - Public Offices - Congress - Human Rights - Political parties	Target	1995	40-42%	**
	Target	1997	42-44%**	

*** The 1995 DIMS will go into the field in April, 1995 and the final analysis will be complete in September, 1995. At that time the "Actual" numbers (95) can be filled in. At that time USAID will adjust the 1997 targets based on progress made in the previous period. This survey work is experimental in nature and there is little existing literature that would provide guidance on the rate or degree of change in democratic values to be expected in a country such as Guatemala. In the interim, a moderate 2% increase is predicted solely for the purpose of providing a temporary target for this exercise.*

PROGRAM OUTPUT NO. 1.1 Increased public and private sector leadership				
Indicator: Percentage of target groups (GPS, ESTNA) scoring higher on DIMS than general population				
Unit: Percentage of positive ratings in DIMS on the following items: 1. Democratic liberties Index; Component indices-- A. Opposition to the Suppression of Democratic Liberties B. Extensive Participation C. Right to Dissent 2. System Support Index		Year	Planned	Actual
Source: DIMS to be carried out every two years. No targets are planned for interim years.	Baseline	1994	------	GPS 1. 77.3% A. 90.7% B. 79% C. 64.2% 2. 41.8% ESTNA 1. 94.3% A. 98% B. 85% C. 80.1% 2. 38% *
* The DIMS was carried out in 1994 for both GPS and ESTNA. The first 1994 score for both GPS and ESTNA reflect the "pre-training" or "pre-course" scores. These interviews were held before participants were exposed to the GPS and ESTNA programs. The second 1994 scores reflect the "post-training" or "post-course" scores for both GPS and ESTNA. These interviews were held immediately after both the GPS and ESTNA programs had been completed.		1994		GPS 1. 82.7% A. 96.7% B. 83.9% C. 69.6% 2. 42.6% ESTNA 1. 94.7% A. 95.6% B. 89% C. 80.2% 2. 42.4% *

*** The 1995 DIMS will go into the field in April, 1995 and the final analysis will be complete in September, 1995. At that time the "Actual" numbers (95) can be filled in. At that time USAID will adjust the 1997 targets based on progress made in the previous period. This survey work is experimental in nature and there is little existing literature that would provide guidance on the rate or degree of change in democratic values to be expected in a country such as Guatemala. In the interim, a moderate 2% increase is predicted solely for the purpose of providing a temporary target for this exercise.*

	Target	1995	GPS 1. 84% A. 98% B. 85% C. 68% 2. 44% ESTNA 1. 96% A. 97% B. 90% C. 82% 2. 44% **	
The scores for GPS and ESTNA are already considerably higher than the national norm and cannot be expected to increase significantly.		1997	GPS 1. 85% A. 98% B. 86% C. 67% 2. 46% ESTNA 1. 97% A. 98% B. 92% C. 83% 2. 46% **	---

*** The 1995 DIMS will go into the field in April, 1995 and the final analysis will be complete in September, 1995. At that time the "Actual" numbers (95) can be filled in. At that time USAID will adjust the 1997 targets based on progress made in the previous period. This survey work is experimental in nature and there is little existing literature that would provide guidance on the rate or degree of change in democratic values to be expected in a country such as Guatemala. In the interim, a moderate 2% increase is predicted solely for the purpose of providing a temporary target for this exercise.*

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PROGRAM OUTPUT NO. 1.2 Greater access to equitable criminal justice

Indicator: Coverage oral trial proceedings

Unit: Percentage		Year	Planned	Actual
Source: Court MIS	Baseline	1993	------	0
Comments: The project's goal is "50% coverage of oral trial proceedings nationwide" by 1997. USAID/G-CAP is currently developing a framework for analyzing whether the goal as stated is a valid measure of impact or project success and, if so, what is the functional meaning of "50% coverage of oral trial proceedings nationwide." A series of appropriate indicators to monitor the "50% coverage" will follow this analysis. Nonetheless, the JSRSP anticipates an incremental movement toward the 50% objective by the end of 1997, as shown here.		1994	0	
		1995	10%	
		1996	25%	
	Target	1997	50%	

Indicator: Prosecutors/investigators using improved techniques

Unit: Percentage		Year	Planned	Actual
Source: Public Ministry	Baseline	1993	---	0
Comments: The project's goal is "50% of prosecutors/investigators using improved techniques in implementation of new Criminal Procedures and Narcotics Legislation" by 1997. As with the other indicators, USAID/G-CAP is developing a framework for analyzing whether the goal as stated is a valid measure of impact or project success and, if so, what is the functional meaning of "50% of prosecutors/investigators using improved techniques." A series of appropriate indicators to monitor the "50%" goal will follow this analysis. Nonetheless, the JSRSP anticipates an incremental movement toward the 50% objective by the end of 1997, as shown here.		1994	0	0
		1995	10%	
		1996	25%	
	Target	1997	50%	

Indicator: Coverage legal defenders program nationwide

Unit: Percentage		Year	Planned	Actual
Source: Judicial Branch	Baseline	1993	---	0
Comments: The project's goal is "50% coverage of Public Defense program nationwide" by 1997. As with the other indicators, USAID/G-CAP is currently analyzing the appropriateness of the goal as stated, i.e. whether it is a valid measure of impact or project success and, if so, what is the functional meaning of "50% coverage." A series of appropriate indicators to monitor the "50%" target will follow this analysis. Nevertheless, the JSRSP anticipates an incremental movement toward this objective by the end of 1997, as shown here.		1994	0	
		1995	10%	
		1996	25%	
	Target	1997	50%	

PROGRAM OUTPUT NO. 1.3 Increased follow-up and investigation of human rights abuses

Indicator: Reliable and efficient tracking system for human rights violations in place and operational.

Unit: One tracking system established and functioning		Year	Planned	Actual
Source: Office of Human Rights Ombudsman (OHRO) tracking system	Baseline	1993	---	0
Comments: Establishment of the system was delayed due to institutional and political problems in the OHRO. The system was completely installed in 10/94 and operational by 01/95. All human rights complaints filed since 1987 have now been entered into the system. This has improved the ability of the OHRO to provide accurate and timely reports.	Target	1994	1	
		1995	1	1
While the reporting capability of the OHRO has been improved, the system is not being fully utilized as originally envisioned. In particular the system is not being used to track and follow-up on human rights abuses by the OHRO investigation teams, which was the original/primary purpose of USAID's investment in this system. The investigations unit of the OHRO has been without sufficient staff and a director for more than a year. However, recent changes within the OHRO now indicate that the unit will be staffed up over the next year and they will begin to use the system to track/follow-up human rights abuses in the course of 1995.				

PROGRAM OUTPUT NO. 1.3 Increased follow-up and investigation of human rights abuses

Indicator: Percentage of human rights cases reported that receive follow-up/investigation

Unit: Percentage		Year	Planned	Actual
Source: Office of the Human Rights Ombudsman (OHRO) tracking system	Baseline	1994	---	TBD
Comments: The computerized human rights abuse case tracking system was due to have been in place and operational in 1993. However, due to the change in Ombudsman, the loss of personnel, the temporary suspension of assistance due to the "auto-golpe", and technical problems with the system, this was greatly delayed. The system is now in place and all cases reported since 1987 have been entered in the system (01/95). However, the investigations unit that will manage the tracking system, is not adequately staffed and does not have a director. It is expected that new investigations staff will be hired and trained in the use of the system over the next year so that a baseline can be established, cases tracked and targets established in 1995.	Target	1995	TBD	
	Target	1996	TBD	
	Target	1997	TBD	

PROGRAM OUTPUT NO. 1.4 Heightened public awareness and respect for human rights and civic responsibilities				
Indicator: Education/public awareness activities nationwide.				
Unit: Number of outreach activities implemented.		Year	Planned	Actual
Source: OHRO reports/records.	Baseline	1993	N/A	172 human rights seminars
Comments: This indicator originally was designed to measure indigenous participation in these activities (as the most disenfranchised and most affected by human rights violations). It is expected that with the computer tracking system in place, the OHRO will be able to disaggregate statistics on indigenous participation in 1995, something they have been unable to do in the past. Problems in planning, reporting and quality of the educational program lead USAID to suspend assistance to these seminars in March of 1994. USAID is now working with the U.N. special verification mission (MINUGUA) and new personnel at the OHRO to re-design the agreement and bring it in line with current needs of the OHRO in light of its new obligations with the Global Human Rights Accord and the peace process. When the re-negotiation/re-design process is complete, it is expected that USAID will be able to lift the suspension. At that time it may be appropriate to modify this indicator accordingly.		1994	TBD	
	Target	1995	*TBD	
	Target	1996	*TBD	
	Target	1997	*TBD	
In the interim, we have designed a new project to support civic education activities through local NGOs which came on line in FY 95. As is the case with the OHRO, USAID's support is intended to strengthen the institutional ability of these organizations to design and deliver quality educational programs. Therefore, an increased number of such activities taking place over time provides a partial indicator of project success. The question of quality of such programs and the degree to which they will lead to the intended program output, will be evaluated through the second indicator, discussed below.				
* In late 1995, will also include targets of new NGO initiative, to be established once project is operational.				

PROGRAM OUTPUT NO. 1.4 Heightened public awareness and respect for human rights and civic responsibilities				
Indicator: Changes in knowledge and attitudes of selected civic education target groups.				
Unit: Percentage		Year	Planned	Actual
Source: Monitoring and evaluation system of civic education umbrella PVO. DIMS.	Baseline	1995	TBD	
Comments: Under the new NGO project which began in January 1995, an umbrella PVO was selected to administer TA, training and seed grants to local NGOs engaged in civic education activities. By the end of this fiscal year, the umbrella PVO will have designed and put in place an evaluation system to measure changes in knowledge, attitudes and behavior of participants in project-funded activities, compatible with the DIMS, in order to provide comparisons with national trends.	Target	1996	TBD	
	Target	1997	TBD	

PROGRAM OUTPUT NO. 1.5 Strengthened Legislative Capacity				
Indicator: Percentage of laws presented to plenary with professional technical assistance in key areas through the technical assistance unit.				
Unit: Percentage		Year	Planned	Actual
Source: Congress MIS	Baseline	1992	0	---
The agreement with the Congress was renewed in late 1994 after a new Congress was elected. Subsequently, (February 1995) an agreement with a local social science research firm was negotiated to establish a technical assistance unit and implement the project activities that would support the Congress in legislative development.		1993	10	---
		1994	15	
	Target	1995	20	
Due to a suspension of this agreement and serious political problems at the Guatemalan Congress, the 93 and 94 targets were not met. However, an ambitious legislative agenda over the next several months may allow the Congress to reach the established 1995 target.	Target	1996	25*	
	Target	1997	30*	
* The 1996 and 1997 targets will depend on a continuing technical assistance project at the Congress. At this point, the agreement is only through the end of this calendar year.				

SO 2. Smaller, Healthier Families

A. Strategic Objective Performance

The Missions's strategic objective for smaller, healthier families has remained consistent since last year's action plan. The strategic objective contributes directly to the Agency's goal of Stabilizing Population Growth and Protecting Human Health. It also contributes indirectly to the goals of protecting the environment and broad-based economic growth. The program seeks to reduce the rate of population growth in Guatemala by reducing the total fertility rate from 5.6 in 1985 to 5.0 in 1996 and 4.2 in 2010. The program also seeks to reduce the maternal, infant and child mortality rates. The two program outputs under our strategic objective are: Increased use of reproductive health services and increased use of selected high impact child survival interventions. The strategy takes advantage of the fact that improved reproductive health (mothers giving birth neither at very young or very old ages, nor very frequently) contributes directly to their own survival and that of their children.

Policy: USAID's policy dialogue agenda for this strategic objective is well articulated and well understood by the important stakeholders in the sector. It incorporates the following elements: promotion of a favorable environment for the access to family planning services, decentralization of authority in the public sector, improved sustainability of public and private sector service delivery, donor coordination, gender and ethnic equity, focus on rural indigenous populations, and integration of maternal and child health and reproductive health services. Considerable progress has been achieved on all of these fronts in the past year.

The International Conference on Population and Development (ICPD) held in Cairo had a very significant and paradoxically positive impact on the policy environment in Guatemala. In the months leading up to the ICPD, President de Leon took a strong stance against many of the central themes of the ICPD Action Plan, especially improved access to modern contraception. His personal conservative religious views and his reliance on support from the Catholic Church created a context in which the Church assumed an outspoken role attacking the ICPD as "anti-family" and unethical. He appointed an ultra-conservative delegation to the ICPD and even attempted (although unsuccessfully) to rally other Central American Presidents to oppose the ICPD. His position sparked an open public debate which, ironically, demonstrated that Guatemalans overwhelmingly favor government provision of family planning services. For the first time in Guatemalan history, grassroots and women's organizations spoke out for reproductive rights and the need to improve access to family planning services. The press showed unprecedented professionalism in reporting on the Conference and APROFAM demonstrated a new level of maturity in its behind the scenes approach to public education and orientation of journalists during the debate. After the Conference he dropped the issue as a "no win" issue. In March 1995, six months after the ICPD, the Society for the Advancement of Contraception (SAC) held its 9th International Congress in Guatemala, an unlikely location for such a highly visible scientific congress in favor of modern contraception. Hundreds of scientists from all over the world came to Guatemala to discuss the latest advances in contraceptive planning technology and family planning service delivery. Up to 300 Guatemalan

medical professionals and scientists attended, 83 sponsored by USAID. Although President de Leon prohibited public sector physicians from attending on government time, several attended on their own time. There was a noticeable absence of negative press about this large Congress taking place right here in Guatemala in comparison to the campaign that was launched just six months ago in relation to the Cairo Conference; a testimony that the public has turned the corner in relation to attitudes about family planning.

Another indicator of the improved policy environment for reproductive health is the amount of public finances directed toward family planning service delivery. The budget allocation to support the Ministry of Health's Reproductive Health Unit has increased from zero in 1992, to $520 in 1993, $165,000 in 1994, $525,000 in 1995 and a projected $860,000 in 1996. This represents counterpart contribution to USAID's project activities in the public sector and is directly attributable to USAID's policy dialogue efforts with the Ministry of Health and SEGEPLAN.

USAID's efforts to decentralize the Ministry's operations to the level of the departments (health areas) have had better than hoped for results. Based on the experience gained to date in decentralizing to the departmental level, the Ministry has decided to decentralize a step further to the district level and with USAID's support is conducting a pilot effort in districts. The decentralized service model will integrate vertical programs in immunization, diarrheal disease and acute respiratory infections.

Through years of USAID support, APROFAM, the IPPF affiliate, has become the pre-eminent source of family planning services in Guatemala. Their system of clinics throughout the country, however, has concentrated on delivery of high quality services to urban, ladino clients at subsidized costs. Over the past year USAID has worked with the Board of Directors and management of APROFAM to re-orient APROFAM to promote sustainability by increasing efficiency, reducing administrative costs and charging higher prices to the urban dwellers who can afford to pay and to reach out to rural, indigenous Guatemalans with subsidized services. APROFAM has now internalized this concept and developed an action plan to implement it over the next 3 to 5 years.

Progress: The principle tool for measuring progress toward the strategic objective "smaller, healthier families" is the Demographic and Health Survey (DHS). The Mission had hoped to have results of the DHS for this Action Plan. Long contracting delays in USAID/Washington, however, prevented the DHS from being conducted as planned. The DHS fieldwork is scheduled for May-August 1995, thus providing the long awaited results for next year's Action Plan.

In the absence of the DHS the Mission conducted a series of rapid assessments at the departmental and district level. To date 12 of these studies have been undertaken, concentrating on ORT and immunization coverage, and treatment of acute respiratory infections. The results are summarized in Table 1.

Table 1

Location	*Basic Child Survival Indicators*		
	Percentage Immunization Coverage (1)	Percentage ORT Use (2)	Percentage ARI Treatment (Pneumonia) (3)
Amatitlán	73	39	43
El Progreso	77	56	61
Zacapa	76	34	47
Chiquimula (4)	67	49	24
Chiquimula-Chortí (5)	61	37	17
Izabal	65	37	31
Sololá (6)	31	47	25
Santa Rosa	61	30	61
Jutiapa	68	37	56
Jalapa	59	34	43
Ixcán	23	14	24
Cobán	40	23	29

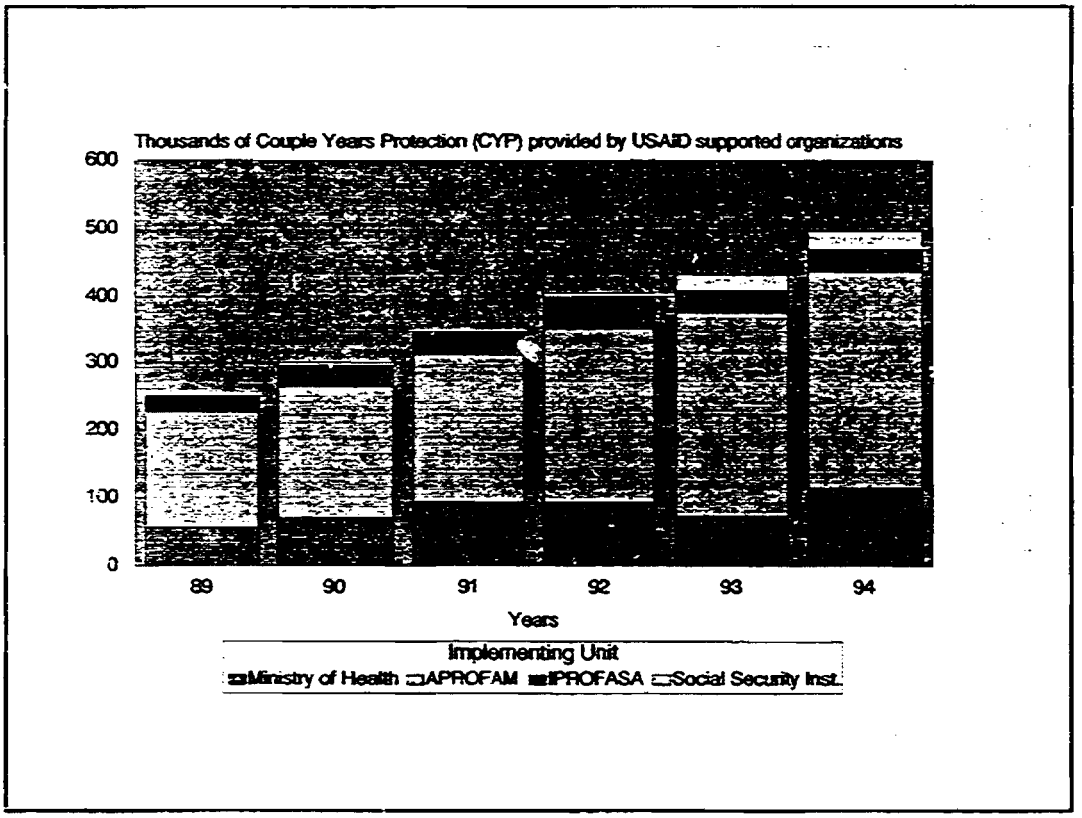
1. Percent of children 12-23 months old who received third dose of oral polio vaccine.
2. Percent of children less than 24 months old with diarrhea who were treated with ORT.
3. Percent of children under 5 years old with pneumonia who were properly treated with new ARI regimen.
4. Part of Chiquimula primarily ladino.
5. Part of Chiquimula primarily Chortí (indigenous).
6. Includes only the 2 municipalities of Santiago Atitlán and San Pedro La Laguna.

Immunization coverage under the Child Survival project has increased to 70% at the end of 1994 through intensified efforts by the MOH and the donor community.

The vast majority of family planning services provided in Guatemala is provided by public and private organizations supported by USAID. This allows us, even without the DHS, to

monitor the level of family planning service delivery. Statistics on services delivered by the four organizations (APROFAM, Ministry of Health, Guatemalan Social Security Institute, and IPROFASA-social marketing company) allow us to determine the number of couple years of protection (CYP) that are provided by USAID supported organizations. The data are presented in Table 2 and show a steady and significant increase in CYP every year since 1989. APROFAM continues to lead in service delivery and has showed increases based on its large system of clinics and growing community based distribution (CBD) program. The MOH, despite serious institutional weaknesses at the central level, far exceeded its planned CYPs for this reporting period. The fastest growing service provider is the most recent entry to the effort, the Guatemalan Social Security Institute which provides health care services to the 20% of Guatemalans who are employed in the formal sector. Because of the delays in starting the new Cooperative Agreement at the beginning of the Family Health Services Project, IPROFASA is somewhat behind schedule in CYPs, although they exceeded the planning level for this period. In addition, one PVO managing PL480 Title II assistance, has initiated a pilot activity providing family planning services and education to mothers participating in regular maternal and child health activities. Clearly, the demographic transition is underway in Guatemala and has been precipitated by USAID-sponsored programs.

Table 2



Poverty and Access: The strategic objective, Smaller, Healthier Families, is targeted directly at the poorest segment of the society--the rural indigenous population. Although many elements of the portfolio are national in scope, special attention is given to reaching segments of the society that because of their level of poverty, geographic remoteness, ethnicity or gender, have been marginalized and denied access to social services. In the past, reproductive health services have reached primarily ladino, urban Guatemalans. The national contraceptive prevalence rate (CPR) is estimated to be about 30%, but this average masks a wide disparity among the urban and rural communities. To a large degree because of USAID's programs, contraceptive prevalence among urban ladinos has reached a level estimated at 50%, but the level among rural indigenous remains between 3 and 5%. For this reason, in the past year USAID entered into an agreement with the Population Council to conduct intensive operations research into how to reach this segment of the population that comprises over half the population. In addition work is already underway to re-engineer APROFAM so that it can provide access to the rural, Mayan population.

Sustainability: All USAID sponsored programs made advances toward sustainability. APROFAM has developed a plan for cost recovery in urban areas that will help subsidize service to the rural, indigenous communities. IPROFASA, with USAID technical assistance has affiliated itself with a pharmaceutical producer and has launched a line of pharmaceuticals to subsidize the distribution of family planning products. IPROFASA also launched a new condom, "Scudo Oro", purchased with its own funds and sold for a profit. As mentioned above, the GOG has budgeted increasingly higher levels to support the MOH's Reproductive Health Unit. LAPROMED continues to produce high quality oral rehydration salts (ORS) which the MOH buys with budgeted resources. They are exploring other market opportunities in the NGO and private sector is essential for their sustainability.

Participation: To successfully design and deliver services as personal as family planning and child survival, a high level of input from the clients is required. The Population Council and the BASICS Project are conducting ethnographic and qualitative research into the attitudes of rural indigenous men and women, especially as they relate to sexuality, family size, the care of children. In addition, they are conducting focus group exercises to determine the best format and methodology for delivery of services to this group of people.

Participation has also been a key element in the Mission's current re-engineering efforts in the health sector. All of the Mission's partners in the sector have been participating actively in the exercise, redefining their role in promoting "smaller, healthier families" with a focus on results, empowerment of individuals, team work and geared toward women and children as "clients". As a PL480 Title II program manager, CARE has participated as a partner in the Mission's reengineering efforts in the health sector. Under re-engineering the mission is developing an Customer Service Plan. The Mission is compiling and analyzing data on clients to increase results especially in indigenous areas, through greater customer satisfaction.

Donors: USAID technical staff has provided considerable input to the design of the Interamerican Development Bank's $70 million Health Sector Reform Project. This project will

build on USAID's success in decentralizing health care to the departmental level and will redefine the institutional and operational structure of the sector, improve the allocation of resources within the sector and develop more effective health delivery systems emphasizing preventative care.

The World Bank is planning an Integrated Financial Management Project with the Ministry of Finance. Based on the progress that USAID has made in decentralizing management of health care, the Ministry of Health has been chosen to be the test ministry (along with the Ministry of Education) for the project. In addition, USAID's child survival project has provided technical assistance for the design of the World Bank project.

Donor coordination has been particularly productive in the area of child survival. The three key health sector donors, USAID, PAHO and UNICEF have never been able to speak with one voice to the MOH, especially in the areas of the expanded program of immunization (EPI) and the development of the national health information system. This lack of vision among the donors has been the most significant barrier to strengthening the EPI. EPI in Guatemala has an almost exclusive emphasis on expensive annual campaigns rather than strengthening the more cost-effective strategy of continuous, facility-based services. Hence, every year as campaign time approaches, the MOH makes desperate pleas for cash assistance to augment per diems and provide transportation for vaccination teams. Although USAID has not buckled to the pressure, other donors have traditionally jumped in at the last minute with the requested resources. Last year USAID led the other donors through a process which culminated in the signing of a letter to the MOH laying out a joint strategy for technical assistance to the EPI program and highlighting the need to move away from the campaign approach to facility-based services.

USAID also led the process toward the signing of a joint memorandum of understanding among USAID, PAHO, and UNICEF committing to a single, integrated management information system (MIS). USAID also provided the technical leadership in the donor community to improved, integrated child survival service delivery. The MOH's three key interventions (immunization, control of acute respiratory infections, and control of diarrheal diseases) have always been managed as vertical programs. USAID's thrust is toward integrated programming at the local level.

B. Future USAID Strategic Directions

Strategic Emphasis: As a country experimental laboratory (CEL) for re-engineering, USAID/G-CAP is refining its strategic approach in the health sector. The strategic objective continues to focus on "smaller, healthier families" through strengthened maternal-child health programs. However, instead of supporting three vertical national programs (EPI, ORT/ARI, family planning), the Mission is promoting the development and evaluation of integrated models of service delivery. This effort will focus on integration of training, supervision, management, logistics systems, and monitoring and evaluation systems.

The policy priorities for the next two years include integrated service delivery, promoting organizational culture change in the public and private (NGO) sectors to focus on results and client needs and expectations, implementation of the new reproductive health service delivery guidelines, increased support to grass roots and women organizations in the area of family planning advocacy (including support for the formation of a professional association of indigenous women physicians), continued increase of GOG budget support for family planning and selected child survival interventions, greater cost recovery and improved efficiency in both the public and private sectors, and private sector participation in service delivery in the ex-conflictive zones of the country.

Peace: The MCH SO will be one of the cornerstones of USAID/G-CAP's assistance to ex-conflictive and resettlement zones. The design and implementation of activities will focus on integrated service delivery by strengthening lower levels of the health sector, participation of the private sector (NGOs), and cost effectiveness and sustainability. The program will build on successful models of rural service delivery in Guatemala and will incorporate recent research findings from the Population Council's operations research program. The Mission will monitor the effectiveness of its efforts to improve targeting of activities in the ex-conflictive zones through a combination of rapid assessments (30 cluster samples), community-based monitoring systems and qualitative research on specific service delivery issues.

Summit of the Americas: The strategic objective directly supports the commitment demonstrated by the Guatemalan Government in signing the Action Plan that resulted from the Summit of the Americas. Specifically, USAID's commitment to smaller, healthier families will help enable Guatemala to promote equitable access to basic health services and reduce maternal and child mortality, strengthen the role of women in society and improve access to social services by indigenous people and their communities.

Modifications to the SO Framework: Through the refinement of the MCH strategy, USAID/G-CAP anticipates improved performance of the strategic objective. National averages on key indicators such as infant mortality and contraceptive prevalence mask poor performance in rural, indigenous areas. As part of re-engineering, the Mission and its partners in the health sector have fine-tuned the SO, and are developing a results framework. The SO is tentatively described as "improved maternal child health status, with emphasis on reducing disparities between ladino and Mayan ethnic groups". The SO has a ten year time frame and the key impact indicators include: mortality rates (maternal, infant, child, neonatal and perinatal), total fertility rate, and rates of chronic malnutrition in children under three years. Baseline and targets for each indicator will be established after the DHS for both the national level and Mayan areas. To improve implementation and management for results, the Mission has also defined a series of medium term performance targets (two to 5 years) including case fatality rates (diarrhea, ARI, measles, specific complications related to childbirth), birth spacing, contraceptive prevalence, low birth weight, and unwanted pregnancies. At the lowest level of the results framework, we are defining a series of results packages - each with an illustrative set of indicators (benchmarks for measuring results in the short term). These indicators focus on coverage, quality of care, improved access, strengthened management systems, etc.

Activity Changes: As a CEL, USAID/G-CAP will begin obligating to the strategic objective and move away from "projects" during 1995-96. Management units and implementation of technical assistance/services will be organized around results packages instead of "projects." Subobligations will include a series contracts and cooperative agreements with specific organizations. These agreements will focus on specific results over the short term (up to one year) and medium term (two to five years). A tentative list of results packages has been identified: service delivery (coverage, quality information/education and access), support systems (financial, administrative, logistics, and information systems as well as decentralization) and policy development.

Maria is a K'iche' speaking woman, 20 years of age, although she looks more like 35. She has already had four children and her third child, Pedrito, died before reaching his first birthday. Maria says she still doesn't understand what happened to Pedrito.

Maria and her family live in Paradise (El Paraíso) a little village not unlike the 20,000 other little villages in rural Guatemala. Paradise has no drinkable water, latrines or other public services. Every day Maria walks two hours to the river to fetch drinking water. Once a week she works six hard hours to do the laundry in the same river.

Maria confided in her neighbor friend that she doesn't want any more children, at least for a few years. And, she is worried about taking care of her children. Her friend suggests she and the children go to the Health Center, but it is three hours from her home on foot.

One night, in the quiet of their little wooden house in the mountains, Maria had a dream. She dreamt that she actually went to the Heath Center. She was nervous, but then the doctor started talking to her in her own language, K'iche'. He vaccinated the children and the nurse advised her on how to avoid diarrhea in the future. They counseled her on how to avoid or delay getting pregnant. She had never imagined that there were so many methods to choose from. She would think about that a little more and talk it over with her neighbor and maybe her husband. Then they gave her a "magic medicine" that they said would give her back her old energy.

Will Maria's dream ever come true? Yes, it will. USAID/G-CAP is an experimental laboratory for re-engineering the way that the Mission does business in the health sector. In so doing, USAID/G-CAP has incorporated all of its partners in the health and family planning sectors--the Government of Guatemala, the NGO community and the private sector. All the players are concentrating on Maria and her family.

MATERAL Objective Tree

Strategic Objective	**S.O. # 2 - Smaller, Healthier Families**		
Performance Indicator	**1) Total Fertility Rate (TFR)** **2) Infant Mortality Rate (IMR)** **3) Child Mortality Rate (CMR)** **4) Maternal Mortality Rate (MMR)**		
Program Outputs	2.1 Increased Use of Reproductive Health Services		2.2 Increased Use of Selected High Impact Child Survival Interventions
Program output Indicators	1) National contraceptive prevalence rate (CPR). 2) Contraceptive prevalence rate among Mayan couples (Mayan CPR).	1) Percentage of births with intervals of two years or greater.	1) Vaccination coverage of children under 12 months (DPT, polio and measles) 2) ORT coverage of children under five years 3) Prevalence of diarrheal disease in PAYSA communities.
Projects	520-0357 Family Health Services		520-0339 Immunization and ORT for Child Survival 520-0357 Family Health Services 520-0399 Highlands Water and Sanitation (PAYSA) Centrally-funded Child Survival Grants w/HOPE, IEF, CARE (Second). MCH Components of PL 480 Title II with CARE, SHARE and CRS (Secondary).

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TABLE 2.2: STRATEGIC OBJECTIVE PERFORMANCE

Guatemala

STRATEGIC OBJECTIVE NO. 2 Smaller, Healthier Families

Indicator: Total Fertility Rate (TFR)				
Unit: Average Number of Births/Woman/Lifetime		Year	Planned	Actual
Source: Demographic and Health Survey	Baseline	1985	------	5.60
Comments: DHS will be carried out in 1995 and again in 2000.		1995	5.10	***
		1999	4.80	
	Target	2010	4.20	

Indicator: Infant Mortality Rate (IMR)				
Unit: Deaths <1 Year Old/1,000 Live Births		Year	Planned	Actual
Source: Demographic and Health Survey	Baseline	1985	------	74.4
Comments: Targets may be revised based on DHS.		1995	67	***
		1999	63	
	Target	2010	50	

Indicator: Child Mortality Rate (CMR)				
Unit: Deaths of 1 to 4 years old/1000 live births		Year	Planned	Actual
Source: Demographic and Health Survey	Baseline	1995	------	***
Comments: This is a new performance indicator for which targets will be set based on the 1995 baseline established in the DHS. This indicator permits the Mission to monitor the impact of health interventions on a broader subset of the family (children under 5 years old).		1996	TBD	
		1997	TBD	
		1998	TBD	
	Target	1999	TBD	

*** Actual data will be available by September, 1995.

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Indicator: Maternal Mortality Rate (MMR)				
Unit: Deaths of women 15-49 years/100,000 live births		Year	Planned	Actual
Source: Demographic and Health Survey	Baseline	1995	------	***
Comments: This is a new performance indicator for which targets will be set based on the 1995 baseline established in the DHS.		1996	TBD	
		1997	TBD	
		1998	TBD	
	Target	1999	TBD	

PROGRAM OUTPUT No. 2.1 Increased Use of Reproductive Health Services				
Indicator: National Contraceptive Prevalence Rate (CPR)				
Unit: Percentage		Year	Planned	Actual
Source: Demographic Health Survey, special studies	Baseline	1987	------	27
Comments: The targets may be revised based on the DHS findings. Between DHS measurements, the Mission can produce an estimate of CPR through Couple Years of Protection (CYPs). The Mission's long-term target is to reach a CPR of 42.8% in 2010.		1995	31.0	***
		1996	31.8	
		1997	32.6	
	Target	2010	42.8	

Indicator: Contraceptive Prevalence Rate Among Mayan Couples (Mayan CPR)				
Unit: Percentage		Year	Planned	Actual
Source: Demographic Health Survey, special studies	Baseline	1987	------	5
Comments: The targets will be established based on DHS findings in September 1995. Between DHS measurements, the Mission will estimate Mayan CPR in selected areas through special studies.		1995	TBD	***
		2000	TBD	
	Target	2010	TBD	

*** Actual data will be available by September, 1995.

PROGRAM OUTPUT NO. 2.1 Increased Use of Reproductive Health Services and 2.2 Increased Use of Selected High Impact Child Survival Interventions				
Indicator: Percentage of births with intervals of two years or greater				
Unit: Percentage		Year	Planned	Actual
Source: Demographic and Health Survey	Baseline	1995	------	***
Comments: The baseline and targets will be established based on the DHS. This is a new indicator which is used to measure progress under both program outputs listed above.		1996	TBD	
		1997	TBD	
		1998	TBD	
		1999	TBD	
	Target	2000	TBD	

PROGRAM OUTPUT NO. 2.2 Increased Use of Selected High Impact Child Survival Interventions				
Indicator: Vaccination Coverage of Children under 12 months (DPT, Polio and Measles)				
Unit: Percentage		Year	Planned	Actual
Source: Demographic Health Surveys	Baseline	1985	----	5%
Comments: Between DHS measurements, the Mission will estimate coverage through small-scale, special studies. The last DHS measurement was 50% in 1987.		1987	----	50%
		1995	70%	***
		1996	75%	
	Target	1997	80%	

*** Actual data will be available by September, 1995.

Indicator: ORT Coverage of children under five years				
Unit: Percentage of diarrheal episodes treated w/ORT		Year	Planned	Actual
Source: Demographic Health Survey	Baseline	1989	---	38%
		1992	35%	N/A
Comments: Between DHS measurements, the Mission will estimate coverage through small-scale, special studies. - The 1992 figure was expected to be lower than that of 1989 due largely to the previous suspension of the Mission's ORT/Immunization project.		1995	55%	***
		1996	60%	
	Target	1997	60%	

Indicator: Prevalence of diarrheal disease in PAYSA communities				
Unit: Percentage of 14-day recall		Year	Planned	Actual
Source: Community Surveys	Baseline	1993	---	13.0%
Comments: Annual measurements will be drawn from a community-based monitoring system in project sites. The system is expected to be functioning by the end of this year.		1994	12.0%	N/A
		1995	10.75%	***
		1996	9.5%	***
	Target	1997	7.8%	***

*** Actual data will be available by September, 1995.

SO 3. Protecting the Environment: Environmentally Sound Natural Resource Management

A. Strategic Objective Performance:

USAID/G-CAP's bilateral Environment and Natural Resource (ENR) program continues to focus on the Strategic Objective through promoting environmentally sound natural resource management in critical areas of great biodiversity. The portfolio is evolving into a more coherent and comprehensive program based in part on prior bilateral initiatives as well as lessons learned under the Regional Natural Resource Management Project (RENARM). The bilateral ENR program will continue its major geographic focus in the Peten, the most important area in the country for protecting biodiversity (over 50% of bird species in Guatemala inhabit the Peten's Maya Biosphere Reserve (MBR)). The Peten also links the Selva Maya forest and park zones in southern Mexico and Belize, serving as a critical connection in the regional biodiversity corridor and forming North America's largest system of legally protected tropical forests. Depending on future resource levels and progress in the Peace process, activity areas may be developed in the former conflictive zones of northern Quiche and Huehuetenango and in the Sierra de las Minas/Rio Dulce corridor, the second most important area in terms of biodiversity in Guatemala. These areas would also form an important regional biodiversity link between southern Belize and adjacent parks and protected areas in Honduras.

The Mission has now focused its efforts principally on accomplishing one performance indicator at the strategic objective level: reduction of deforestation trends in selected areas. In the 1995-96 Action Plan, a second performance indicator was identified as maintenance of indicator species at viable population levels in selected sites. However, after careful analysis, this was dropped due to the complexity and long term nature of determining scientifically valid indicator species, and the related high costs of measuring change.

Progress: The selection of deforestation trends as an indicator for this strategic objective is based on many factors: more than two-thirds of Guatemalan territory are classified as best suited for forest management; the dramatic effect of deforestation on watersheds and on the availability and quality of water for both consumption and industrial uses; and the conservation of internationally important biodiversity which remains in selected areas of Guatemala.

Significant, positive change in deforestation compared to historic trends in the Peten has been documented (over 840,000 acres of natural cover have been conserved to date by preventing conversion to agriculture). The external MBR Project evaluation reviewed the trend data provided by two separate and independent studies and recommended increased focus on the core MBR area to improve effectiveness and more accurately measure the impact.

Under the Community Natural Resources Management (CNRM) Project, photographic baseline deforestation images from 1987 and 1991 for each of the project's micro-watersheds are being analyzed for comparison against similar data for 1993 and 1997. Data from CNRM will be included in separate indicator tables in the next Action Plan. CNRM activities will be

geographically concentrated in order to more clearly measure the impact of the program on project areas.

Three program outputs contribute to this Strategic Objective: more people employing more sustainable land use practices; improved policy and market incentives for sustainable resource management and conservation of biodiversity; and public and private institutions playing more effective and sustainable roles in support of natural resource management. **The Mission has met or surpassed its environmental program indicator targets for this period:**

1) **Percent of target population in MBR adopts more appropriate land use practices promoted through the program: 28% planned for 1994, 40% planned for 1995. Actual 1994, over 30%.**

The Mission's primary target population is the estimated population of the MBR, which stood at 25,000 in 1993. Over 30% of this population adopted improved land use practices as measured by participating NGOs. Additionally, an independent contractor tasked with project monitoring and evaluation estimated that 44% (18,000 people) of the total population in the broader MBR area of influence, has now adopted improved practices based on indirect transfer of technology and spontaneous replication. In addition to improving traditional land use practices, over 20 new value-added processes and sources of income have been demonstrated which are more environmentally sound and sustainable.

Under the CNRM Project, watershed management activities have been carried out through locally formed technical teams, composed of the implementing agency, the GOG extension services for agriculture and forestry, Peace Corps and community leaders, in 84 communities outside the Peten. This represents approximately 61% of the target population and 24% of the total population in those areas.

2) **Policy regime reflects increased consideration for conservation of biodiversity:**

A policy framework, developed with CONAP (National Protected Areas Council) and Project implementers, lays out an ambitious set of policy changes. If adopted and implemented fully, the new policies would provide the long term foundation for sustainable development in the Peten. Progress on policy change is independently assessed by the monitoring and evaluation subcontractor under the Project and includes such areas as, decentralization, enforcement, land tenure, and economic incentives for environmentally sound land uses. The following examples illustrate progress under this program output indicator.

The Mission has assisted CONAP to develop a new institutional strategy with focus on delegation of authority to local organizations, including communities and NGOs. One example of this new policy is the agreement by CONAP to decentralize forest management responsibility to three communities (Bethel, San Miguel and Pasadita) under the MBR Project's community forestry pilot initiative. This represents a major policy shift in what is turning out to be one of the most successful ways of preserving critical and rapidly diminishing biodiversity resources

in the Reserve's multiple use zone, set up to act as a buffer for core parks. The three areas, under sustainable management plans approved by CONAP, have already proven to be such an effective bulwark against illegal logging and massive deforestation from cattle ranching and slash and burn agriculture, that the Project intends to extend the model to include another 8 to 10 communities along the borders of other core areas. An additional dividend of this policy shift is that the communities themselves are actively patrolling and defending the forested areas under their responsibility.

CONAP has made significant progress in deterring illegal logging by impounding over one million board feet of contraband logs. The Council transferred the confiscated timber to municipalities and other local institutions in a transparent and democratic manner, further empowering localities to exercise their new found decentralized authority over local natural resources. ENR has coordinated with the Mission's Democratic Initiatives Office in tracking enforcement actions in the Peten to document and correct weaknesses in the system, thereby permitting the courts to play a more effective role in enforcement.

With the assistance of the RENARM forestry advisor, the Guatemalan Congress suspended consideration of a forestry law that would have constituted a step backwards and could have had detrimental effects on the MBR and natural resource management country-wide. Subsequent USAID assistance to the Congress significantly revised and improved the draft law. In the MBR buffer zone, USAID is assisting indigenous communities to legalize land tenure (over 170 families, primarily K'ekchi, have been assisted to date), creating incentives to adopt the long-term agro-forestry and soil improvement techniques promoted by USAID.

CNRM, through its implementing agency (CARE), is providing assistance to municipalities for participatory watershed management plans which conserve water resources for downstream users through creating economic incentives for improved land use practices upstream. The Small Farmer Coffee Improvement Project through ANACAFE, the project implementing agency, has initiated talks with the National Environmental Commission (CONAMA) to reduce the use of pesticides, reduce contamination resulting from the wet processing of coffee and increase the use of integrated pest management techniques.

3) **Selected institutions have increased income from non-USAID sources: planned for 1994, $700,000; actual 1994, $735,000; target for 1997, $1,000,000.**

The above indicator and numbers were developed only to measure CONAP resources under the MBR Project. However, very significant progress has been achieved by NGOs under CNRM and the MBR Project, where over $3,000,000 in additional funds for project implementation have been generated. Similarly, under the Small Farmer Coffee project, the GOG has contributed roughly $5 million to the Trust Fund to insure sustainable funding for the project's implementing unit within ANACAFE.

Poverty and Access: Growing populations, land insecurity, and extreme poverty cause people to over-exploit the natural resource base to satisfy immediate daily needs, sacrificing

sustainable, longer term economic opportunities. Responsible natural resource management is a requisite for sustainable economic growth and alleviation of poverty. In Guatemala, as the population increases and the numbers of landless poor continue to grow through refugee returns and internal displacement, people move increasingly into marginal areas, particularly, in the Peten. ENR bilateral efforts have increased incomes through fostering sustainable and economically attractive options to traditional slash and burn agriculture, increasing soil fertility, soil conservation, and by promoting perennial crops on highly erodible slopes. In addition, USAID has located and promoted new markets for forest products that are environmentally sustainable. In the case of the community Spanish Language school in the Peten, the Project provided a new livelihood for local inhabitants who had previously relied on income from illegal logging operations.

Sustainability: The CNRM project provides a model for sustainable technical assistance via private agricultural and soil conservation extension. Sustainability is achieved over a four year period where full funding is initially provided to cover the cost of direct extension to local farmers. Funding is reduced each year as farm income increases, so that by the fourth year, farmers are paying the full cost of extension services. As of this date, 640 farmers are paying 100% of the private technical assistance costs and the approach has proven so successful that it is being picked up by other projects in Guatemala.

Under the Small Farmer Coffee Project, a trust fund has been established with the Banco of Guatemala, with earnings used to provide continued support after the life of the project for the Small Farmer Implementation Unit within the National Coffee Association of Guatemala, ANANCAFE. The seven coffee mills established under the project have become extremely profitable; all loans are being paid back on a timely basis and, in some cases, well before the due date.

Under the MBR project, non-timber uses of natural forests have been developed to provide sustainable income flows to residents in the project area as alternatives to illegal and destructive logging practices and slash and burn agriculture. Local communities have also been empowered to manage their own forest resources through community forest concessions which allow for harvesting on a sustainable basis, thus providing income to local communities into the foreseeable future. The project is also developing export markets for secondary timber and has been providing technical assistance on sustainable natural forest management. Local NGOs have been established and strengthened to take over the work currently conducted by the international NGOs funded through the Project. The project also promotes and advises on ways for parks to develop sustainable sources of income, such as user fees and taxes, to fund their operating budgets, granting them a degree of independence from unpredictable national funding allocations.

Participation: The Mission has strived to promote participation by beneficiaries as an integral part of the design and implementation of its program. The two primary components of CNRM, community watershed management and private technical assistance, have achieved direct participation and input from the communities and farmers involved. The decentralization of authority over natural resources under the MBR Project to the community level has

institutionalized local participation in decision making through empowering primary resource users to manage and protect their forests. The institutional strengthening and support for local NGOs and women's groups through all projects in the bilateral ENR portfolio has insured a much more active and effective voice in national decision making as evidenced by the public pressure brought to bear on the proposed new forestry legislation and by the presence of 45 local environmental NGOs who attended the national environmental awareness conference sponsored by USAID.

Donors: USAID works closely with multinational and bilateral donors to redirect and leverage resources significantly larger than our own portfolio to promote sustainable development. USAID works with the World Bank to develop environmental action plans, and assisted in the design of a land registry and sustainable agricultural project totaling $30M. The $50 million IDB program for integrated development in the Peten has relied heavily on USAID technical and policy input. The MBR Project successfully recommended, among other things, non-governmental participation in the IDB program and elimination of a large and potentially destructive roads component. The other principle bilateral donor in the Peten, GTZ/KFW ($15M), works on a daily basis with USAID funded implementors. Environmental issues relating to refugee relocations are being addressed jointly by USAID, UNHCR, other donors, CONAP and other GOG authorities. Approaches espoused under the Roads and Coffee projects have been replicated by the Germans and the Canadians.

B. Future USAID Strategic Direction

Strategic Emphasis: It is anticipated that the Strategic Objectives and Program outputs will remain the same over the next 2 years. Both CNRM and Maya Biosphere will concentrate activities geographically to maximize impact and effective use of project resources. Under CNRM, additional funds will be requested in FY96.

Peace: The ENR SO --environmentally sound natural resource management-- is crucial for effective poverty alleviation in the ex-conflictive and resettlement zones, where the management of key watershed/forest areas (Cuchumatanes-Maxbal, Bisis Caba, Lachua-Chinaja and Yolnabaj) will determine the sustainability of future productivity and growth. Additionally, the resettlement zones are primarily marginal lands where the Mission's experience in agro-forestry and sustainable land use systems is essential for successful reintegration. In the Sierra Lacandon area, the MBR Project is supporting sustainable land use management with recently returned refugees. Activities in resettlement zones would build upon and replicate successful models from MBRP, CNRM and the Coffee project which focus on the participation of communities and the private sector. One recent assessment identified export crops with significant potential in the former conflictive areas including coffee and cardamom. Negotiations have begun with ANACAFE to determine the best approach for small farmer coffee production in the former conflictive areas.

Summit of the Americas: The Mission's environmental portfolio directly supports the summit initiative to guarantee sustainable development and conserve the natural environment for future generations. Our activities provide sustainable income streams while conserving biodiversity through land use planning, training, environmental education, and developing new environmentally sound products and value-added processes. Underpinning these efforts is our strong stance on promoting policy reform for conservation of biodiversity. The Mission's bilateral ENR program will complement and be complemented by the new regional environmental project, PROARCA, in addressing the specific USG commitments in the CONCAUSA Agreement on the environment.

Modifications to the SO Framework: The only change to the SO framework was the decision to delete the second performance indicator on maintenance of species populations at viable levels due to the high cost of developing and maintaining this as a useful and reliable indicator.

Changes in Activities: The MBR Project will be amended as planned in the last Action Plan with additional funding to continue and concentrate priority activities identified in the first three years of implementation, as recommended by the external evaluation. The extension is crucial to consolidate significant gains made by the project to date. If the Mission decides that CNRM should refocus its activities in the area of second highest biodiversity importance, the Sierra de Las Minas/Rio Dulce Corridor, then additional funds will be needed for this purpose. The same would be true to address the needs in the former conflictive areas to transfer lessons learned and proven ENR approaches to these areas.

Ramon García came to El Peten in 1989 seeking a way to provide for his family of five. He ended up in the hamlet of San Miguel in what is now the Maya Biosphere Reserve's Multiple Use Zone and with great difficulty and hardship his family survived on subsistence, slash and burn agriculture and about $ 70/month from collecting xate, a forest, understory palm. It was a very tenuous existence with no land security whatsoever.

Organizations supported by USAID provided technical assistance and training to the hamlet of San Miguel, so that it could become the first community in the MBR to sign a forest concession contract. The concession provides the community members with land security and forest management rights in return for assuming responsibility for maintaining the present forest estate of 5,000 hectares (12,000 acres). Ramon learned to make fine furniture using a rattan-like vine (bayal) which he harvests with care to assure sustainable production. Rather than burning an additional 10 acres of forest each year to plant corn, Ramon now earns over $250/month from furniture sales. He states proudly, "This is my own business and I'm happy because it's growing and I no longer have to suffer the long, hard, hot labor required to cut & burn the forest for milpa."

Ramon is one of over 8,000 beneficiaries of the Maya Biosphere Project to date.

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Strategic Objective	**S.O. # 3 - Environmentally Sound Natural Resource Management**		
Performance Indicator	**1) Reduction of Deforestat ion Trends In Selected Areas (Peten/MBR)**		
Program Outputs	3.1 People Employ More Sustainable Land Use Practices	3.2 Policy/Market Incentives for Sustainable Resource Management and Conservation of Biodiversity	3.3 Public and Private Institutions Playing More Effective and Sustainable Roles in Support of Natural Resource Management
Program output indicators	Percent of target population adopts more appropriate land use practices promoted through the program	Pol icy regime ref lects increased consideration for conservation of b iodivers ity	Selected inst itut ions have increased income from non-AID sources
Projects	520-0395 MAYA Biosphere Reserve Project 520-404 CNRM 598-0780 Environment Support 936-5554 Biodiversity Support	520-0395 MAYA Biosphere Reserve Project 598-0780 Environment Support 936-5554 Biodiversity Support	520-0395 MAYA Biosphere Reserve Project 520-404 CNRM 598-0780 Environment Support 936-5554 Biodiversity Support

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TABLE 2.3: STRATEGIC OBJECTIVE PERFORMANCE

Guatemala

USAID STRATEGIC OBJECTIVE NO. 3 Environmentally Sound Natural Resource Management

Indicator: Reduction of deforestation trends in selected areas (Petén/MBR)

Unit: Km^2 of natural forest cover conserved (compared to trend)		Year	Planned	Actual
Source: Analysis of satellite imagery from NASA and other sources. Maya Biosphere	Baseline	1991	0	---
Comments: Analysis is bi-annual comparisons. Longitudinal comparisons of trends are possible because satellite photos from the past 30 years provide baseline. Data from various sources are being reviewed for compatibility. (1993 data from SEGEPLAN VIII.)		1992	1,000	---
		1993 [1/]	1,700	3,400
		1994	2,400	-----
		1995	3,100	
		1996	4,000	
		1997	5,200	
	Target	1998	6,500	

Indicator: Reduction of deforestation trends in selected areas under CNRM

Unit: Km^2 of natural forest cover conserved or maintained		Year	Planned	Actual
Source: Baseline Data from aerial photographic analysis under CNRM.	Baseline	19	-----	
Comments: Initial comparison of data will be undertaken in 1995 and at the current PACD in 1997.		1995		
	Target	1997		

1/ Preliminary data.
2/ Analysis underway.

PROGRAM OUTPUT 3.1 People employing more sustainable land use practices				
Indicator: Percent of target population adopts more appropriate land use practices promoted through the program				
Unit: Net percent adoption		Year	% Planned	% Actual
Source: Yearly check-list inventories by implementers.	Baseline	1991	0	0
Comments: Target population for MBP is total population in the 2.1 million hectare MBR and buffer zone area: 25,000 people (1993).		1992	2	2
		1993	15	20
Target population for CNRM is total population in 186 communities: 120,000 people (199?)		1994	28	30*
		1995	40	
***CNRM data included**	Target	1996	58	

PROGRAM OUTPUT 3.2 Policy/market incentives for sustainable resource management and conservation of biodiversity				
Indicator: Policy regime reflects increased consideration for conservation of biodiversity				
Unit: "Yes" or "No" based on annual review of progress towards agenda.		Year	Planned	Actual
Source: Yearly inventory by Policy Advisor/MSI	Baseline	1992	See attached agenda	
Comments: A policy agenda was established under the Policy component of the Maya Biosphere Project.		1993	Yes	Yes
		1994	Yes	Yes
		1995	Yes	
		1996	Yes	
	Target	1997	Yes	

1 Preliminary data.
2 Analysis underway.

PROGRAM OUTPUT 3.3 Public and private institutions playing more effective and sustainable roles in support of natural resource management				
Indicator: Selected institutions have increased income from non-AID sources				
Unit: Absolute non-AID income (US$)		Year	Planned	Actual
Source: Yearly inventory of CONAP	Baseline	1990	--	79,800
Comments: An institution's ability to attract funds from other sources indicates not only financial sustainability, but also may be an indirect measure of effectiveness. Ability to raise funds, especially fee-for-service, is evidence that the institution is valued by clients and donors other than AID.		1991	--	460,300
		1992	500,000	638,600
		1993	600,000	721,900
		1994	700,000	735,500
Though not captured in the data here, under CNRM CARE contributed $1,000,000 to the implementation of the project from non-USAID sources in 1994.		1995	800,000	
		1996	900,000	
	Target	1997	1,000,000	

SO 4. Increased Trade and Improved Labor Relations

A. Strategic Objective Performance

Through activities to increase trade and improve labor relations, the Mission is striving to encourage sustainable economic growth with equity. To reach this objective, the Mission is pursuing activities that lead to increased resolution of labor disputes, more open trade policies and increased production and marketing of non-traditional exports. An important component of the Mission's strategic objective is monitoring the impact of specific project interventions on the standard of living and quality of life of the poor, to ensure that progress is made towards the ultimate goal of sustainable economic growth with equity.

Policy: With the signing of CONCAUSA and the declarations of the Summit of the Americas, Guatemala and the rest of Central America expressed their clear commitment to becoming part of a hemisphere-wide trade agreement (or the Free Trade Agreement of the Americas) by 2005. The signing of these agreements confirmed Guatemala's strong interest in lowering trade barriers, opening its markets, strengthening protection of intellectual property rights, providing equal treatment to investors, meeting international standards for environmental and labor protection and entering into regional and sub-regional free trade agreements.

Concretely demonstrating its commitment to reform, the Ministry of Economy completed legislative proposals for reforms in the copyright and patent laws that would bring it in line with world-class intellectual property rights standards. In addition, the Ministry approved a new Central American Convention for Trademarks that is also consistent with world-class standards. The trademark, copyright and patent reforms, as well as accession to the Paris and Berne conventions, are expected to be approved by the Guatemalan Congress in May. To assure passage, the Ministry worked together with the private sector in a rare joint effort to promote Congressional support for these reforms. Their efforts resulted in the Congress offering to sponsor the copyright legislation, ensuring speedier approval of this initiative.

Other positive policy reform activities included: 1) the drafting of a legislative initiative to improve the commercial dispute resolution process and bring national legislation in line with international conventions that Guatemala has signed; and 2) the creation of a public sector trade negotiation team with private sector counterparts to manage Guatemala's negotiations with the Northern Tier, Mexico, the U.S. and others.

Although total Guatemalan exports grew rapidly during 1994, elements of the tax reform package that was approved in late 1994 and administrative problems in the Ministry of Finance related to the refund of the value-added tax are already creating significant cash-flow problems for the smaller non-traditional exporters. The private sector, however, is working with the Government and the Congress to develop mechanisms that allow for payment of required taxes without inadvertently damaging Guatemala's export competitiveness.

Although Guatemala's continued progress on trade policy reform is heartening for the sustainability of USAID efforts to promote increased trade, the policy environment for improved labor relations and the more equitable sharing of the benefits of economic growth resulting from trade has not been as uniformly positive.

Certain progressive elements of the private and labor sectors are genuinely interested in improving labor-management relations and encouraging cooperation rather than conflict. With USAID support, the private sector began training activities at the firm level in labor-management relations, participated in tri-partite (labor, management and government) training courses and signed a tri-partite agreement to cooperate on labor-management training activities. These accomplishments are especially significant when the conflictive history of labor-management relations in Guatemala, which has until recently prohibited all three sides from even sitting together in the same room, is taken into account.

The labor sector also has taken steps to overcome internal divisions and organizational rivalries, joining forces to learn about new labor-management techniques and encouraging greater cooperation with the private sector.

The Ministry of Labor as well has made impressive strides in hiring more labor inspectors, providing better training, prosecuting corrupt labor inspectors, increased decentralization into the rural departments, facilitating the union registration process, increasing proactive labor inspections and forming a better relationship with the judicial system. In addition, the Ministry was active in promoting a regional review of current labor legislation and enforcement mechanisms as compared to international standards and NAFTA.

However, Guatemala remains under GSP review for workers rights based in part on the deaths of three workers in August during and after an organized farm occupation. The constant risk of the withdrawal of GSP benefits has reportedly limited new investment and expansion of existing businesses, as well as increasing tension between the labor and private sector.

As the Ministry of Labor strengthens its internal capacity to enforce the labor code and support improved labor-management relations and the private and labor sectors change their historical attitudes to become less wary of each other and more likely to look to each other as partners in economic growth, the Mission's activities in labor relations will become more sustainable.

Progress: During the past year, Mission activities continued to contribute to growth in both overall trade and in non-traditional exports. Export earnings overall increased to a high of $1.7 billion, surpassing the Mission target by 38%. This higher than predicted growth is due mainly to the increase in world coffee prices. Two-way trade between the U.S. and Guatemala continued to grow as well, though at a less accelerated rate, increasing by an estimated 2%, to reach more than $2.54 billion.

USAID efforts at trade policy reform and export diversification through non-traditional export development have led to an average of 64% annual growth in non-traditional products since 1986 to reach $666 million in 1994. It is estimated that these exports support more than 163,000 direct and indirect jobs, with more than 130,000 of these being new jobs created since 1987, primarily among the poorest 25% of the population. An increase in steady jobs has led to increased buying power. With the overwhelming preference being for U.S. goods, U.S. exports to Guatemala have increased by an average of 19% annually since 1989, to reach an estimated $1 billion in 1994.

Results for non-traditional agricultural exports reflect the overall growth in non-traditional products, increasing by 285% from $55 million in 1986 to $212 million in 1994. USAID activities have directly supported more than 82% of this growth through training, technical assistance and operational support to the Guild of Non-Traditional Product Exporters. Approximately 80,000 mainly indigenous people in the extremely poor and war-ravaged western highlands now derive their principal source of income from export vegetables, having switched from the traditional staples of corn and beans to more lucrative crops such as snow peas, broccoli and cauliflower.

Cooperatives under the Small Farmer Coffee Improvement project, as well as the implementing agency, ANACAFE, have invested in systems for organic coffee production and research for integrated pest management with non-GOG or USAID funds. There was a 200 to 500% increase in asset value gained from by 11 coffee processing mills supported under the Small Farmer Coffee project.

In labor relations, Mission activities have supported similar gains. Of the more than 900 labor disputes handled by the Ministry of Labor's inspectors during 1994, nearly 15% were resolved through mediation, avoiding the need to pursue the case in the court system. In addition, based on a USAID sponsored course in early 1995, the GOG requested additional technical assistance from the U.S. Department of Labor to learn how to apply the win-win bargaining technique, which is based on cooperation rather than conflict, in their negotiations with the public sector unions.

Sustainability: As a strategic objective focused on policy reform, sustainability of project efforts will be assured through the ratification and passage of the policy reforms in the areas of intellectual property rights, dispute resolution and overall trade liberalization, combined with a focus on the effective implementation and enforcement of these and other reforms.

Since the Mission anticipates phasing out of this strategic objective in 1998, all activities are carefully focused on ensuring sustainability of project efforts. For example, a key component of all activities with the Guild of Non-Traditional Product Exporters (GEXPRONT), one of the major implementing institutions, is focused on organizational sustainability. To that end, the Mission has worked with GEXPRONT to develop a self-sufficiency plan, restructure its staffing pattern, adjust its activities to meet the needs of its customers, and develop a plan that will allow GEXPRONT to provide a one to one match of USAID funds over the life of the project. For

its 1994/95 fiscal year, GEXPRONT established a goal of 49% self-sufficiency (determined by the percentage of total costs covered by non-USAID sources). More than two-thirds of the way through their fiscal year, GEXPRONT had exceeded this goal, reaching 54% self-sufficiency.

Similarly, the Mission is working with the Government of Guatemala to establish mechanisms to ensure continued implementation of policy reforms, such as the organization of a group of trained trade negotiators from the public and private sectors and restructuring the regulations governing labor inspectors to increase transparency and accountability.

Poverty and Access: To address persistent questions about the impact of non-traditional export growth on the poor, USAID and GEXPRONT are cooperating on a study to analyze the impact of the growth of four products (snowpeas, berries, seafood and apparel assembly) on the standard of living and social indicators in four Guatemalan towns. The results of these studies will provide the Mission with both quantitative and qualitative data on how non-traditional export growth has affected the rural and mainly indigenous poor.

Participation: As part of the development of GEXPRONT's self-sufficiency strategy, the Mission has supported a customer survey of GEXPRONT's 900 members to determine which services they would like to receive, the cost recovery potential of these services and in general how effective GEXPRONT has been in meeting the needs of its members. Based on the results of this survey, GEXPRONT is restructuring its organization and reorienting the services it provides, especially to new and smaller exporters, since the survey showed that larger exporters generally did not need or use GEXPRONT's services, although they maintained their membership.

In the labor relations area, the Mission has established a labor coordination commission, working with labor groups, the private sector and the Government, to develop labor relations activities and monitor their effectiveness. This commission meets monthly to evaluate labor relations activities and come up with joint approaches to improving their results.

Similarly, the Mission has worked with both public and private sector counterpart organizations to encourage greater ownership of the strategic objective framework and increased accountability for results. These discussions have led to minor modifications in the strategic objective framework and the establishment of interim results for which project counterparts are held accountable.

Donors: The Interamerican Development Bank's planned $50 million planned Investment Sector Loan Program has been stalled, but the Mission maintains close contact with the IDB on the proposed policy agenda to ensure complementarity in the event that the program is implemented. The Mission is also collaborating with the UNDP and with the IDB through the Multilateral Investment Fund to support additional activities with the Ministry of Labor.

B. Future USAID Strategic Direction:

Strategic Emphasis: Over the next two years, the Mission anticipates having continued positive impact on the growth of two-way trade and improvements in labor relations. Specifically, we expect that trade with the U.S. will have increased to $3.5 billion, total Guatemalan exports will have reached $1.4 billion and Guatemala will have maintained its eligibility for benefits under the Generalized System of Preferences (GSP).

To create more open trade policies, Guatemala will have brought its intellectual property rights legislation in line with world-class standards and improved its enforcement capacity through management and administrative reforms in the Industrial Property Registry and increased training in intellectual property rights. Commercial dispute resolution legislation will have been passed and functioning.

To increase the resolution of labor disputes, the percentage of cases resolved through mediation will have risen to 25%, and a labor-management institute will have been created to provide a forum for dialogue on key issues between the sectors. A labor inspector manual will have been drafted to guide the work of the labor inspectors. There will be an increased awareness of the labor code based on dissemination of the rights and responsibilities contained in the code through a media campaign in Spanish and Mayan languages.

Non-traditional exports will have grown to more than $807 million, the number of people directly or indirectly supported by the non-traditional export sector will have reached 315,000 and the number of new direct jobs created by this growth will have reached 22,000. Non-traditional agricultural exports will have increased to more than $179 million while light manufacturing exports will have increased to $115 million.

The Mission's policy priorities are a direct reflection of the anticipated impact of our strategic objective. Specifically, the Mission will focus on greater trade liberalization, improved protection of intellectual property rights, improved commercial dispute resolution procedures and enhancing the policy framework for investment.

Peace: To encourage economic growth in the formerly conflictive areas, the Mission will support the provision of credit and the development of productive activities (some of which may be linked to trade and the export market) and related policy reforms that facilitate the expansion of sustainable, ecologically sound productive activities. Specifically the Mission plans to establish village banking and microenterprise credit programs in two municipalities to encourage the returnees, the displaced and those who stayed in the area to diversify into non-land based productive activities, such as animal husbandry, handicraft production and other commercial activities.

To develop non-land based or sustainable land based alternatives for this area, which has scare amounts of arable soil, the Mission plans on financing pilot activities to demonstrate the effectiveness of new and innovative activities, such as the production of forest-based products

or ornamental plants, that could be used as a model for follow-on programs by other other or the private sector.

Summit of the Americas: Mission activities will support one of the general goals of the summit, which was the creation of a Free Trade Area of the Americas, through trade policy reform activities and institutional development.

Modifications to the SO Framework: Although strategy changes may be necessary over the next two years to ensure achievement of the Mission's strategic objective indicators, no changes are anticipated at this time.

New Activities: No modifications to existing activities are anticipated, nor are any new projects planned under this strategic objective.

A community of indigenous people called Pipiles in southern Guatemala has increased the tax base of their community and the income of coffee producers themselves by using improved techniques for the production and processing of a high quality product. This small indigenous community is located in Yupiltepeque, Jutiapa with communal land tenure.

In its earliest form after harvest, coffee is fragile and perishable leaving it vulnerable to price fluctuations, availability of processing and exploitation. Small producers are left to sell as best they can, to whomever will buy, decreasing prices as the product ripens. In many cases farmers must sell for a fraction of the coffee's value after processing. The intent of the Small Farmer Coffee Improvement project is to provide small farmers with a value added product of high quality.

Under the Project, small coffee producers, those with 10.5 hectares (26 acres or less) are provided technical assistance (TA) and based on the results of that TA, credit through a Trust Fund established with the GOG. The farmers of Yupiltepeque received training and, though turned down for credit for a wet coffee processing mill (Q200,000) by the development bank, were accepted for credit under the Project. In this forth year of operation they were able to turn down an offer from the development bank for over Q500,000. They estimate that their mill has a value to the community of over Q700,000. Given the communal nature of the community, everyone is involved at some level in the mill.

The visible change in the community are based on the taxes earned by the municipality from the added value of the product leaving the area. Cooperative members, as well as community leaders, note increased activities in the community which they attribute to the operations of the coffee mill. The mill legally belongs to the cooperative but it has become part of the life of the community.

Strategic Objective Tree

Strategic Objective	**S.O. # 4 - Increased Trade and Improved Labor Relations**		
Performance Indicator	**1) Increase in Export Earnings from $1,069 Million in 1991 to $1,498 Million in 1998** **2) Increase in Value of U.S. - Guatemala Trade from $1,842 Million in 1991 to $3,886 Million in 1998** **3) Adherence to Internationally-recognized Labor Relations Standards, Evidenced by Continued Eligibility of Guatemala for GSP Benefits**		
Program Outputs	4.1 Increased Resolution of Labor Disputes Prior to Entering Into the Court System	4.2 Open Trade Policy	4.3 Increased Production and Marketing of Non-traditional Exports
Program Output Indicators	1) Percentage of labor disputes attended by the labor inspectors that are resolved through mediation	1) GATT agreement compliance 2) Establishment of policies with those required for negotiation of a free trade agreement	1) Light manufacturing exports 2) Non-traditional agriculture exports
Projects	1) 520-0341 Private Enterprise Development 2) 520-0403 Trade/Labor Relations Development	1) 520-0341 Private Enterprise Development 2) 520-0403 Trade/Labor Relations Development	1) 520-0341 Private Enterprise Development 2) 520-0381 Small Farmer Coffee Project 3) 520-0403 Trade/Labor Relations Development

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TABLE 2.4: STRATEGIC OBJECTIVE PERFORMANCE

Guatemala

USAID STRATEGIC OBJECTIVE NO. 4 Increased Trade and Improved Labor Relations

Indicator: Increase in export earnings

Unit: Millions of U.S. dollars		Year	Planned	Actual
Source: Central Bank Dollar Repatriation Data	Baseline	1991	---	1,069
Comments: Assumes -3% annual growth rate for traditional products and a growth rate for non-traditional products of 15% annually until 1994 and 10% annually thereafter. The big jump in total export earnings in 1994 is mainly attributable to a more than doubling of coffee prices, from approximately $1.20 per kilo in 1993 to about $2.52 per kilo in 1994. If coffee prices had stayed the same, export earnings would have been $1.481 billion rather than $1.719 billion. Better sugar yields and a 100% increase in cardamom exports also contributed to the recovery of traditional exports, which grew by 50% in nominal value in 1994 over 1993 levels. We will not be revising targets at this time, since the unusually high coffee prices are not expected to be sustained.		1992	1,118	1,093
		1993	1,177	1,249
		1994	1,248	1,719
		1995	1,299	
		1996	1,357	
		1997	1,423	
	Target	1998	1,498	

Indicator: Increase in value of U.S. - Guatemala trade

Unit: Millions of U.S. dollars		Year	Planned	Actual
Source: U.S. Department of Commerce	Baseline	1991	----	1,842
Comments: Assumes 15% annual growth through 1993 and 10% annual growth thereafter. The 1994 figure is estimated.		1992	2,194	2,265
		1993	2,413	2,488
		1994	2,654	2,540
		1995	2,920	
		1996	3,212	
		1997	3,533	
	Target	1998	3,886	

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Indicator: Adherence to internationally-recognized labor relations standards, evidenced by continued eligibility of Guatemala for GSP benefits.				
Unit: Yes-No		Year	Planned	Actual
Source: U.S.T.R.	Baseline	1991	Yes	Yes
Comments: Guatemala is currently under review for alleged violations or concerns rights. A decision on whether to extend or terminate the review or suspend GSP benefits will be announced by July 1994. The main issues to be examined in the review are enforcement of the revised labor code, the labor court system and the union registration process.		1992	Yes	Yes
		1993	Yes	Yes
		1994	Yes	Yes
		1995	Yes	
		1996	Yes	
		1997	Yes	
	Target	1998	Yes	

PROGRAM OUTPUT NO. 4.1 Increased resolution of labor disputes prior to entering into the court system

Indicator: Percentage of labor disputes attended by the labor inspectors that are resolved through mediation				
Unit: Percentage		Year	Planned	Actual
Source: Ministry of Labor	Baseline	1991	------	N/A
Comments: The number of labor disputes is based on the number of cases reported to the labor inspectors and the number of violations the labor inspectors find in proactive inspections. Due to the inefficiency of the court system and the lack of punitive powers in the Ministry of Labor, the inspectors are focusing on finding ways to administratively resolve labor diputes or on using mediation to find a solution so that a lesser percentage of labor cases are referred to the court system.		1992	-----	N/A
		1993	-----	.35%
		1994	5%	14.6%
		1995	15%	
		1996	20%	
		1997	25%	
	Target	1998	30%	

PROGRAM OUTPUT NO. 4.2 Open trade policy

Indicator: GATT agreement compliance

Unit: Number of GATT Panel findings against Guatemala		Year	Planned	Actual
Source: United States Trade Representative	Baseline	1991	------	0
Comments: The assumption is that an open trade policy is maintained unless GATT panel rulings are against Guatemala. Negative GATT findings will be reflected in a change from zero to the number of actual findings in any given year.		1992	0	0
		1993	0	0
		1994	0	0
		1995	0	
		1996	0	
		1997	0	
	Target	1998	0	

Indicator: Establishment of policies consistent with those required for negotiation of a free trade agreement

Unit: Cumulative number of legislative reforms passed		Year	Planned	Actual
Source: Ministry of Economy / Entrepreneurial Chamber	Baseline	1991	------	0
Comments: This indicator will measure the extent to which Guatemala has passed legislation for dispute resolution, protection of intellectual property rights and safeguards/anti-dumping that is consistent with that required for negotiation of a free trade agreement. By 1998, Guatemala should have passed all three legislative reforms. Interim indicators have been established for the other years. One weakness of this indicator is that it does not show progress being made in the development of legislation or the likelihood that legislation will be passed shortly nor does it show whether the legislation has been implemented.		1992	------	0
		1993	0	0
		1994	1	1
		1995	2	
		1996	2	
		1997	3	
	Target	1998	3	

PROGRAM OUTPUT NO. 4.3 Increased production and marketing of non-traditional exports

Indicator: Light manufacturing exports

Unit: Millions of U.S. dollars		Year	Planned	Actual
Source: Central Bank Dollar Repatriation Data	Baseline	1991	---	67.6
Comments: Includes processed food, glass, metal and chemical products, and wood and wood manufactures. Growth is projected at 15% annually through 1994, and 10% annually thereafter.		1992	65.4	73.0
		1993	75.3	98.2
Based on the higher than expected rates of growth, the targets for 1995-1998 will be revised, in consultation with the Guild of Non-Traditional Product Exporters.		1994	86.5	123.8
		1995	95.1	
		1996	104.6	
		1997	115.1	
	Target	1998	126.6	

Indicator: Non-traditional agriculture exports

Unit: Millions of U.S. dollars		Year	Planned	Actual
Source: Central Bank Dollar Repatriation Data	Baseline	1991	---	97.2
Comments: Includes vegetables, fruits and preservatives, flowers and ornamental plants, and shrimp and related seafood. Growth is projected at 15% annually through 1994, and 10% thereafter. Based on the higher than expected rates of growth in 1994, the targets for 1995-1998 will be revised, in consultation with the Guild of Non-Traditional Product Exporters. To measure the impact of the growth of non-traditional agricultural exports on the standard of living of the poor, the Mission is currently conducting case studies covering berries, snow peas and seafood in targeted geographic areas.		1992	102.0	105.0
		1993	117.0	134.5
		1994	135.0	211.5
		1995	148.0	
		1996	163.0	
		1997	179.5	
	Target	1998	197.4	

SO. 5 Improved Quality, Efficiency, and Equity of Primary Education Services

A. Strategic Objective Performance

The Mission's strategic objective in education -- to improve the quality, efficiency, and equity of primary education services in Guatemala -- directly supports the Agency's goal of Broad-Based Economic Growth with Equity, and contributes significantly to the Agency goals of increased democratic participation, increased protection of the natural resource base, stabilization of population growth, and improved human health.

A strong primary education system is crucial to sustainable development. A current Guatemalan social marketing campaign promotes the slogan, "Education is the mother of development". Education does indeed engender development, in the sense that sustainability requires a literate human resource base.

Progress toward the objective is measured in decreased repetition of grades, increased rates of students completing primary school, and increased enrollment of girls and Mayan students. The Mission promotes the strategic objective through the implementation of a single flagship project, the Basic Education Strengthening (BEST) Project. The Mission streamlined the Project in 1993 from sixteen activities to an essential core of five. Three are high impact, high visibility classroom interventions designed to improve efficiency and equity in the classroom (Girls' Education, Bilingual Education, and a cooperative-learning system called "*Nueva Escuela Unitaria*" designed for use in one-room schools). The other two are national-level systemic interventions (a decentralized management information system and an improved system of achievement testing).

Policy: The Mission has continued the vigorous promotion of its policy dialogue agenda, both on its own and in concert with other donors. The GOG budget allocated to the education sector has continued to rise despite the serious financial crisis that Guatemala is experiencing. The budget of the Ministry of Education increased by 37% from 1993 to 1995. Despite problems of liquidity due to inability to collect taxes, the Government of Guatemala was able to allocate an education budget equal to 1.8% of the GNP in 1994. This was the target set in the Mission's policy dialogue agenda. The Mission doubts that the GOG will attain the Mission's target of 2% of the GNP for education for 1995 despite the increase in budget, primarily due to an expanding GNP. The gains in budget allocation, however, are eroded by the declining ability of the Ministry to execute the budget. Budget execution decreased from 85% in 1993 to 74% in 1994. We expect that this trend will be reversed when installation of the Project's computerized Management Information System (MIS) is complete. The Ministry met the 1994 target of assuming responsibility for 40% of the recurrent costs of the Project although as already stated the actual execution rate was lower. In 1995 the target is 70%. In 1996 the Ministry will take on all recurrent costs related to the Project.

The Mission has enjoyed notable policy successes in the decentralization of the Ministry of Education. All three of the classroom interventions (Girls' Education, Bilingual Education and

Nueva Escuela Unitaria) are managed at the regional level. The Management Information System (MIS), which the Project has installed in two regional education offices, enables regional officials to make decisions that were formerly made at the central level. Hiring of teachers is now done with local input. A national decree was issued to permit local communities to nominate teachers to fill vacant positions, taking into account teacher candidates' familiarity with the community and ability to speak local Mayan languages.

Much of the Mission's policy dialogue is based on the results of research being carried out under the Strategic Objective. The Mission has made presentations to key government officials and private-sector representatives on findings over a wide range of ongoing USAID-funded research, including studies of student achievement, teacher effectiveness, classroom participation and self-concept of girls and Mayan students, indicators of democratic behavior among rural students, and a socio-linguistic mapping study of Mayan language distribution. These presentations have brought the impact of USAID interventions to the attention of the Minister of Education and other decision makers, and have helped ensure decision-makers' support for the Strategic Objective.

An example of the effective use of USAID-funded research to promote policy change was the Mission's presentation to the GOG of data on the value of high relative enrollment and retention of girls in school. In response to this initiative, the Ministry established and funded a decentralized scholarship program for girls. This undertaking is probably the only public program of its kind in the world. The Minister recently increased the number of scholarships from 5,400 to 6,000 and doubled the size of the scholarship for each recipient.

The upcoming presidential elections in Guatemala will provide rich opportunities for USAID to engage political leaders in dialogue on the Mission's vision for basic education in Guatemala. Few topics touch the hearts and minds of Guatemalan voters as deeply as basic education. The next president will be well advised to accord high priority to basic education; and USAID is positioned to offer the next administration concrete recommendations and tested implementation models for increasing educational coverage, equity, and effectiveness.

Progress: Certain educational interventions can cause measurable change over the course of a single school year. (In 1992-93, mathematics and Spanish second-language scores rise dramatically in pilot schools through the use of school radio.) It takes at least three years, however, for any broad-based educational intervention to raise indicators significantly. If one were able, for example, to magically double the effectiveness of Guatemala's teachers in a single year, corresponding increases in sixth-grade graduates (an important indicator of teacher effectiveness) would not begin to appear for six years.

The Project's five activities are all major interventions, grounded in international precedent and research, and intended to produce profound, lasting change. Baseline data for most Program indicators date from 1991 and 1992. Three indicators (achievement scores for the three classroom interventions) have a 1994 baseline because achievement test development and field pre-testing was completed in 1993 and the tests were first administered in schools in 1994.

The Strategic Objective did not anticipate improvements in indicators at the national level by 1995. There has been a slight (not statistically significant) increase in students repeating first through third grade, reflecting the continuing national-level inefficiency of the educational system. A more encouraging trend is the increasing rate at which students are completing sixth grade: from 27.8% in 1991 to 33.3% in 1994. Internal measures of progress consist largely of formative-evaluation systems each activity maintains for technical purposes. At these technical and formative levels the USAID-funded classroom interventions are registering indications of steady improvements in classroom equity, teachers' teaching and management skills, and selective learning gains in reading, mathematics, and second-language acquisition.

The achievements of USAID's BEST Project three classroom interventions are so impressive that the World Bank and IDB are currently designing an $80 million dollar loan to the GOG to expand all three interventions to national levels. Through continuity between BEST and the pending WB/IDB initiative, the BEST Project's pilot interventions will have a national impact and provide institutional permanence.

The *Nueva Escuela Unitaria* ("NEU") model has been consolidated in 100 pilot schools in two regions. NEU is an exceptionally effective community-based active-learning model, with strong potential for national replication. NEU teachers in the pilot schools collaborated in writing and validating student "self-learning" guides based on local conditions and needs. Fourteen "Teacher Circles" (a key institutional aspect of the NEU system) are operational and have begun to spread the NEU system by teaching it to other teachers. All NEU schools have elected student governments that encourage democratic practices and attitudes and involve parents and communities in the schools' activities. Parents in NEU communities often take an active interest in the schools and initiate school improvements. Guatemala's Social Investment Fund (*FIS*) is financing an NGO replication of NEU in Alta Verapaz. The 100 original BEST Project NEU teachers trained the 400 *FIS* Project teachers in the NEU methodology. In addition, FIS will apply the NEU methodology in schools in Zacapa and Chiquimula.

◂ Table 3 ▸

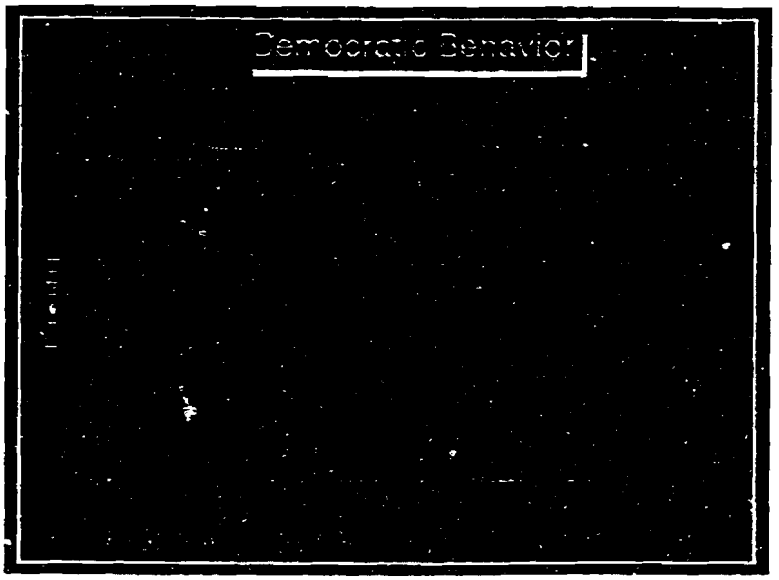


Table 3 is from a USAID supported study conducted by Improving Educational Quality (IEQ) Project. The study was designed to detect democratic behavior in the classroom. Three kinds of cooperative interchanges were measured and compared in a sample of children in *Nueva Escuela Unitaria* (NEU) and control (EU) classrooms: affirming exchanges among children with regard to schoolwork (Positive feedback); help offered by one child to another in performing an academic task (Directs Others); and sharing and turn-taking actions (Takes Turns). As shown in the table, the specified behaviors were observed much more frequently among Project than among control children.

A key Project pilot effort was initiated in November 1994 to develop a single unified curriculum by incorporating elements of the Girls' Education Program and *Nueva Escuela Unitaria's* active/cooperative learning systems into the Bilingual Education Program (PRONEBI). An integrated model will be developed and pilot tested in 25 PRONEBI schools in Alta and Baja Verapaz this year. This undertaking is of interest both to USAID and to WB representatives, who see broad applicability and exceptional potential curricular strength in the incorporation of a gender-equity focus and active/cooperative learning systems into the already massive and institutionalized Bilingual Education Program for the Mayan population.

Over the past year, the Ministry has begun the process of establishing Bilingual Education Divisions in the Ministry of Education regional offices in six of Guatemala's eight regions. Government decrees permanently establishing the Management Information System and the Testing Center are also imminent. The Ministry of Education has met targets to appoint 400 bilingual teachers in 1995, and has filled 27 new positions in the Bilingual Education central office and eight positions in the MIS Unit. The Ministry has increased the MIS budget to assure equipment maintenance and provision of expendable supplies. Regional data generated by the MIS appeared beginning in 1994 as a regional-level annual statistical report printed and disseminated by the MOE at each of the two MIS pilot regional centers.

Poverty and Access: The strategic objective is inherently about alleviating poverty through increased access to higher-quality basic education. The Objective focuses on access for the

poorest and most marginalized segments of Guatemalan society: the rural poor, especially indigenous people and girls.

Sustainability: In the most basic sense, an educated population is a requirement for sustainable development. A literate human resource base is a building block for reaching all of the Mission's other strategic objectives: practice of democratic principals and the rule of law; increased trade and improved labor relations; smaller, healthier families; and better management of natural resources. Improved basic education promotes sustainability of society and development.

At the project level, the project activities' sustainability is enhanced by the following: increasing financial support from the Ministry of Education for recurrent costs of project related activities; high-level support in the Ministry of Education for project interventions; decentralization of all classroom interventions to the regional level, local decision making based on information generated by the project's decentralized and computerized management information system; and the World Bank and IDB plans for an $80 million project to replicate the BEST Project interventions nation-wide. More fundamentally, the project interventions are guaranteed sustainability by their very nature of involving communities--teachers, parents and students--in the management of basic education in the communities.

Participation: Each of the three classroom interventions is designed specifically to increase student participation in the classroom.

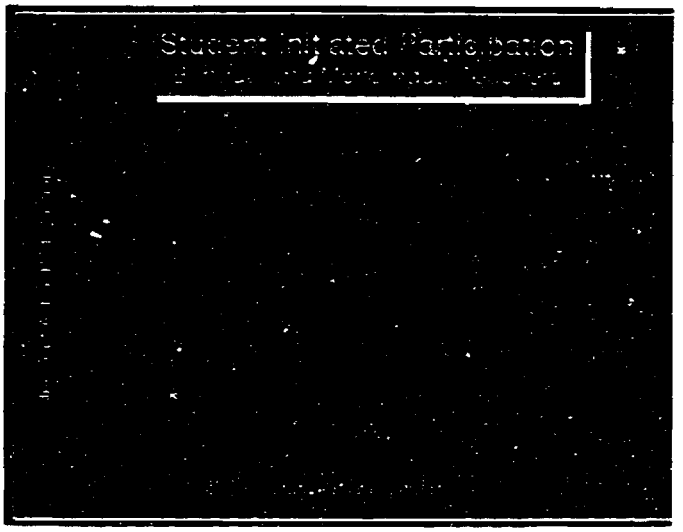
Nueva Escuela Unitaria (NEU) increases student participation through strongly participative learning systems, and also through student government. In NEU schools, elected class officers make real decisions in the management of the school. Students not only learn academically; they also learn and apply practical democratic principles. NEU encourages teachers, parents, and students to work together actively in the management of the school.

The Girls' Education Program has gathered baseline data on numbers and types of classroom interaction between teachers and female students. Specific techniques are being developed for teachers to use to increase girls' active classroom participation.

The National Bilingual Education Program (PRONEBI) teaches Mayan children reading readiness, basic reading, and numeracy almost exclusively in mother tongue during the pre-primary year and first grade, and phases in bilingual-bicultural use of mother tongue and Spanish-as-a-second-language during succeeding years. In addition to the well-established cultural soundness and pedagogical effectiveness of the "maintenance" bilingual-education model, PRONEBI encourages Mayan students to stay in school. Because PRONEBI teachers share their students' language and ethnicity, they also provide students with role models. Perhaps more than any other social intervention, the Bilingual Education Program holds the potential of bringing the Mayan population into full participation in Guatemalan society.

◄ Table 4 ►

Table 4 is from a study of classroom interactions between teachers and students. Unsurprisingly, the study showed that PRONEBI's cadre of bilingual teachers share almost equal communication with their Mayan-ethnic students and their ladino students. Whereas Spanish-speaking monolingual teachers greatly favor ladino students.



Donors: USAID's intensive efforts over the past year to engage other donors in the education sector have netted big results this year. The World Bank and IDB are basing their $80 million Third Education Sector Loan almost exclusively on a massive and very close replication of the three BEST Project classroom interventions, and on consolidating USAID work in MIS and achievement testing. This is one of the best examples of leveraging funds from IFI's experience in Guatemala.

The World Bank is also collaborating closely with BEST Project activities under their current loan. World Bank funds are being used to train hundreds of new PRONEBI teachers and to print PRONEBI textbooks and girls' education materials.

Prior to this year, the five multilateral and bilateral donors active in the education sector used differing and sometimes conflicting policies and practices in their relations with the Ministry of Education. Some donors, for example, paid recurrent costs and per diems. This sort of thing sometimes tempted the Ministry to play one donor against another, or to decide for arbitrary reasons on collaboration with one donor in preference to another.

This year USAID led a strong initiative to standardize donor policies and practices. As a result, all donors now speak to the Government with a single voice, and promote a unified policy agenda -- USAID's policy dialogue agenda. Based on this new alliance, donors are developing a pilot project to test further decentralization of decision-making to departmental levels. The pilot project will decentralize educational services in the department of Quiché.

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USAID leadership in girls' education has been noted by the Government of Japan. The Mission hosted a JICA representative in November as part of the Common Agenda program between the US and Japan. This visit focused primarily on the ground-breaking activities developed under the BEST Project in girls' education. Since then the Japanese Embassies in Washington and Guatemala have shown an apparently insatiable appetite for information about USAID's work in girls' education. As a result, Japan is apparently serious about providing a large grant in girl's education to the Ministry of Education. Also, at our suggestion, the Japanese have approved a $100,000 grant to FUNDAZUCAR for vehicles and equipment that will greatly enhance FUNDAZUCAR's ability to carry out their cooperative agreement with USAID in girls' education.

B. Future USAID Strategy Directions

Strategic Emphasis: The focus of the strategic objective will remain fixed over the next two years. Consolidation of the three classroom interventions will continue. There will be an intense effort to integrate elements of each intervention into a hybrid model that will be tested in 25 schools in Alta Verapaz. We will continue to work with the donor community to launch the new decentralization pilot project in Quiché. This new decentralization beyond regional to departmental levels will form a large part of our policy dialogue agenda. There have been not substantive modifications to the Program Outputs.

USAID's policy dialogue agenda will continue to encourage increased budget allocation and execution for basic education, particularly in rural, indigenous areas. We will increase activities to promote decentralization of decision making and financial management beyond the regional level to the departmental level through the multi-donor pilot project in El Quiche. The World Bank's Education Project will work in tandem with another World Bank project aimed at promoting integrated financial management in collaboration with the Ministry of Finance. We will work with the World Bank to field test integrated financial management initiatives in both the education and health sectors.

Peace: The BEST Project's classroom interventions are ideally suited to provide assistance to refugees and displaced families in the formerly conflictive zones. The Ministry of Education has already taken a positive first step to empower these communities by granting 57 civil-service teacher appointments to informal "education promoters." The BEST Project can train these new teachers in Bilingual Education, *Nueva Escuela Unitaria*, and Girls' Education methodologies, and equip them with appropriate textbooks and materials.

Summit of the Americas: The strategic objective directly supports the commitment of the Guatemalan Government in signing the Action Plan that resulted from the Summit of the Americas. Specifically, BEST Project activities strengthen Guatemala's ability "to improve access to quality education . . . and to eradicate extreme poverty and illiteracy." In addition, the Bilingual Education and NEU activities will help "focus energies on improving the exercise of democratic rights and the access to social services by indigenous people and their communities." The Girls' Education Activity will help "strengthen the role of women in all

aspects of political, social and economic life, to reduce poverty and social inequalities and to enhance democracy and sustainable development."

Modifications to the SO Framework: None

New Activities: No new activities are projected under the Strategic Objective.

Participatory Learning Style Teaches Democracy Too

Rural schoolteacher María Barrientos had just been assigned to take the place of her cousin Edgar in the one-teacher, one-room school in Chaquiroquijá. María, a veteran Ministry of Education teacher, had heard good things about the NEU schools but had no experience with teaching in the system.

Once at her new school house, a local mother was waiting to greet María, but the children themselves were very clearly in charge of their schoolday. They were already hard at work, studying together in groups of three or four at small rectangular tables instead of the traditional rows of desks all facing forward. Several children stopped what they were doing to show María through the room -- the neat shelves of "self-study modules," the small reference library, the "learning corners" with projects and displays made of local materials.

"Who's in charge?" María asked, nonplussed.

"We all are, Señora," Angelina said. "We practice democracia. We form small groups; we teach each other; and we use the self-study guides. You're here to help us when we need it."

Now, a year later, María still speaks of that first day with amazement. She is part of a growing group of teachers who are promoting the NEU system. "The system relies heavily on self-study modules, --children advance at their own pace," she says. "The NEU schools belong to everyone -- children, teachers, parents, --the whole community. And the students are learning so much more!"

USAID/GUATEMALA Objective Tree

Strategic Objective	**S.O. # 5 - Improve the Quality, Efficiency, and Equity of Primary Education Services**		
Performance Indicators	**1) Decrease Repetition Rates in First Through Third Grades** **2) Increase Completion Rates in Third and Sixth Grade** **3) Increase Number and Percentage of Girls Enrolled in Third Grade** **4) Increase Number and Percentage of Mayan Students (5-12 years old) Enrolled in Bilingual Pre-primary and Primary Programs**		
Program Outputs	5.1 Improved Classroom Environment	5.2 Improved Efficiency in the Allocation and Use of Resources	5.3 Increased Equity of Educational Policies and Practices
Program output indicators	1) Percentage of teachers effectively and efficiently applying NEU, Bilingual Education, and Girl's Education methodologies in target schools 2) Increase average student achievement scores in language and mathematics in third grade in selected target areas	1) Increase percentage of teachers appropriately assigned 2) Reduce time to complete teacher appointments from 8 to 3 months 3) Reduce repetition rates in grades 1 to 3 in target areas	1) Increase participation of Girls and Mayan students in target areas 2) Increase enrollment of girls in grades 3 and above in target areas 3) Increase enrollment of Mayan students in target areas
Projects	520-0374 Basic Education Strengthening 936-5836 Improving Education Quality	520-0374 Basic Education Strengthening 936-5836 Improving Education Quality	520-0374 Basic Education Strengthening 936-5836 Improving Education Quality

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TABLE 2.5: STRATEGIC OBJECTIVE PERFORMANCE

Guatemala

USAID STRATEGIC OBJECTIVE NO. 5 Improve the Quality, Efficiency, and Equity of Primary Education Services

Indicator: Decrease repetition rates in first through third grades

Unit: Percentage		Year	Planned	Actual
Source: Ministry of Education	Baseline	1991	---	20.5
Comments: The institutional contract to provide technical assistance to the BEST project was awarded in July, 1990, and implementation planning began in late 1990. Project implementation began in early 1991. Interventions with an impact on national-level indicators reached the classroom level in the following years: Bilingual Education Services (1989); Management Information Services (1991); New One-Room School Program (*Nueva Escuela Unitaria*) (1993); Girls' Education Program (1993); and Academic Achievement Tests (1992).		1992	20.2	21.8
		1993	19.8	22.4
		1994	19.6	21.6
		1995	19.3	
		1996	18.9	
		1997	18.6	
		1998	18.3	
	Target	1999	18.0	

Indicator: Increase completion rates in third grade

Unit: Percentage		Year	Planned	Actual
Source: Ministry of Education	Baseline	1991	---	47.4
Comments: Both third and sixth grade completion rates were selected because most school dropout occurs prior to the third grade level. In general, students who reach fourth grade tend to complete sixth grade. A measure of the effectiveness of interventions such as Bilingual Education Services, the New One-Room School program, and Girls' Education actions is the extent to which completion is increased at both the third and sixth grade levels.		1992	48.7	50.1
		1993	50.0	51.6
		1994	51.3	55.4
		1995	52.7	
		1996	54.0	
		1997	55.3	
		1998	56.3	
	Target	1999	58.0	

Indicator: Increase completion rate in sixth grade				
Unit: Percentage		Year	Planned	Actual
Source: Ministry of Education	Baseline	1991		27.8
Comments: See comments in previous section for discussion of completion rates.		1992	28.5	28.0
		1993	29.3	30.3
		1994	29.9	33.3
		1995	30.7	
		1996	31.4	
		1997	32.1	
		1998	32.8	
	Target	1999	33.5	

Indicator: Increase average student achievement scores in third grade **(Bilingual Education)**						
			Lang.		Math.	
Unit: Percentage		Year	Pl.	Act.	Pl.	Act.
Source: Ministry of Education	Baseline	1994		48		45
Comments: Student academic achievement tests were developed and pilot-tested during the 1991 school year and were applied on a national sample during the 1992 school year. A subsequent evaluation determined that the tests and the application process were flawed to such an extent that the tests could not be applied in 1993 and the results from 1992 could not be used. Test data from existing tests validated by the National Program of Bilingual Education (PRONEBI) are used here as baseline data. New tests are being applied during the 1994 school year.		1995	50		47	
		1996	52		49	
	Tar get	1997	54		51	

Indicator: Increase average student achievement scores in third grade (**Girls' Education**)

			Lang.		Mat	
Unit: Percentage		Year	Pl.	Act.	Pl.	Act.
Source: Ministry of Education	Baseline	1994		50		44
		1995	51		46	
		1996	52		48	
	Target	1997	53		50	

Indicator: Increase average student achievement scores in third grade (**Nueva Escuela Unitaria**)

			Lang.		Mat	
Unit: Percentage		Year	Pl.	Act.	Pl.	Act
Source: Ministry of Education	Baseline	1994		55		41
		1995	57		43	
		1996	59		45	
	Target	1997	61		47	

Indicator: Increase number and percentage of girls enrolled in third grade

Unit: Number-Percentage		Year	Planned	Actual
Source: Ministry of Education	Baseline	1991		45.1
Comments: The indicator percentage of girls enrolled is designed to measure reductions in the gender gap between boys' and girls' school attendance. NOTE: This indicator measures enrollment nationawide and does not reflect the variations in girls' enrollment between urban and rural areas and between Mayan and non-Mayan populations.		1992	45.6	44.8
		1993	46.1	44.8
		1994	46.6	45.0
		1995	47.1	
		1996	47.6	
		1997	48.0	
		1998	48.5	
	Target	1999	49.0	

Indicator: Increase number of students (5-12 years old) enrolled in bilingual pre-primary and primary programs				
Unit: Number-Percentage		Year	Planned	Actual
Source: Ministry of Education	Baseline	1992		159,259
Comments: This indicator measures the number and percentage of students enrolled in USAID-supported bilingual education programs as compared to the total number of students (Mayan and non-Mayan) enrolled in the entire public-school system). NOTE: An agreement has not yet been reached among Guatemala's key actors on the definition of "Mayan." Therefore, it is not currently possible to accurately identify the number of Mayan students enrolled in bilingual education programs as "Mayan." * The planned target of 20 percent for this indicator will only be achieved if the current program is expanded to 600 additional schools. If expansion does not take place, the planned percentage for 1997 will be 11%.		1993	175,589	
		1994	191,919	
		1995	208,249	
		1996	224,579	
		1997	240,909	
		1998	257,239	
	Target	1999	289,900	

PROGRAM OUTPUT NO. 5.1 Improved Classroom Environment

Indicator: Percentage of Teachers effectively applying *Nueva Escuela Unitaria* (NEU), Bilingual Education, and Girls' Education methodologies in target schools

			NEU		BE		GE	
Unit: Percentage		Year	Plan	Act	Plan	Act	Plan	Act
Source: Ministry of Education	Base	1994		69		45		36
Comments: The BEST project is developing and applying qualitative measures for assessing the effectiveness of teachers in treatment schools in applying these methodologies as compared to a control group of teachers in schools not using the methodologies. Research is being conducted during the 1994 school year, and data will be available in December, 1994.		1995	72.4		56.7		49.0	
		1996	75.7		68.3		62.0	
	Target	1997	79.0		80.0		75.0	

PROGRAM OUTPUT NO. 5.2 Improved Efficiency in the Allocation and Use of Resources				
Indicator: Increase percentage of teachers appropriately assigned				
Unit: Percentage		Year	Planned	Actual
Source: Ministry of Education	Baseline	1993	---	81.6
Comments: Appropriate assignment includes: 1) assignment to the teacher's mother-tongue area; 2) assignment to the teachers' county of origin; and 3) assignment of a maximum of 40 students per teacher. The Management Information Systems activity began collecting these data during the 1993 school year. Data for this indicator will be reported in November, 1994.		1994	82.5	82.0
		1995	83.3	
		1996	84.2	
	Target	1997	85.0	

PROGRAM OUTPUT NO. 5.3 Increased Equity of Educational Policies and Practices				
Indicator: Increase participation of girls in target areas				
Unit: Percentage/Number		Year	Planned	Actual
Source: Ministry of Education	Baseline	1994	---	68%
Comments: This indicator measures increases in student-teacher classroom interaction through the use of student-teacher interaction protocols. Qualitative research is being conducted during the 1994 school year, and data findings will be available in December, 1994.		1995	75%	
		1996	81%	
	Target	1997	88%	

Indicator: Increase participation of Mayan students in target areas				
Unit: Percentage/Number		Year	Planned	Actual
Source: Ministry of Education	Baseline	1994	---	90%
Comments: This indicator measures increases in community interaction by Mayan students in project target areas. Qualitative research is being conducted during the 1994 school year, and data findings will be available in December, 1994.		1995	93%	
		1996	97%	
	Target	1997	100%	

FY 1996 - 1997
Bilateral Action Plan

III. FY 1996-97 PROGRAM PLANS AND RESOURCES

May 1995

III. FY 1996-97 PROGRAM PLANS AND RESOURCES

A. Program/Activity Overview

Table 3 lists the activities which will be carried out during the Action Plan period to support our five Strategic Objectives. Table 4 shows the life of project timeline for each project in the bilateral portfolio. The Mission does not plan any new bilateral projects during the next two years; therefore, no New Activity Descriptions are included here.

B. Resource Requirements

1. Bilateral Program

The Development Assistance planning level for the Bilateral Program in FY 1996 represents an increase of approximately $7 million above the Mission's FY 1995 DA budget. However, in FY 1995 the Mission does expect to access more than $3 million from the ESF/Peace Fund for Guatemala. The amount programmed for FY 1996 will allow the Mission to dedicate approximately $4 million in unrestricted/economic growth directive to increase its immediate-term support to the peace process through the Peace Fund and Small Farmer Coffee Project. In addition, at a $23.6 million DA level in FY 1996, the Mission will be able to finance the mortgages of on-going projects so that these mechanisms can be as responsive as possible in addressing social sector, democracy and environmental issues in resettlement and formerly conflictive areas.

Given the USG's foreign policy priorities in Guatemala, it is absolutely essential that our current FY 1996 planning level of unrestricted/democracy funding ($1.6 million) be maintained or increased. At that level, the mortgage for the Democratic Institutions Project, which has a PACD of August 1997, can be fully funded and the Guatemalan Peace Scholarships Program can be extended through the end of FY 1996. However, additional democracy directive would provide added flexibility in financing Special Development Fund activities and keep open the option to expand activities related to justice sector reform and the peace process. While significant child survival/population directives are required over the next couple of years to finance the start-up of the Mission's re-engineered Integrated Health Sector Strategic Objective/Program, if additional unrestricted/democracy funding could be made available at the expense of directive funding, the population earmark is the area that could best absorb a cut from current planning levels. Likewise, almost all unrestricted/economic growth directives will be programmed in support of the peace process.

Each of the various funding scenarios for FY 1997 would allow the Mission to continue to address its strategic objectives as outlined in this Action Plan, including phasing-out the Trade and Labor Relations S.O. Any reduction of our budget below the 75% level would probably also require the Mission to phase-out its Primary Education Strategic Objective. Again, maintaining a minimum unrestricted/democracy funding level in FY 1997 is essential to USAID's efforts to support the USG's highest foreign policy priorities in Guatemala. It is

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expected that the Judicial Sector Reform Support Project will be extended in FY 1997 (the PACD is December 1997), and that the Democratic Institutions Project will either be extended or a follow-on project will be designed (PACD is September 1997). At the higher funding levels cited in Table 3, the Mission will be able to carry-out more ambitious interventions in these areas, and further extend the Guatemala Peace Scholarships Project. At these levels, the Mission has also programmed a small amount of supplemental funding for specific peace-related activities. However, it is assumed that by this time the Mission's support to the peace process will be fully incorporated into its regular project portfolio. Based on the same argument cited in the above paragraph, Table 3 reflects the maximum cuts allowed under each scenario in the population account, according to the guidance we received from LAC. No NADs for FY 1997 new starts are included in this Action Plan.

2. Regional Program

Primarily due to the of restricted/democracy funding levels in future years, but also because of the success of the LOGROS Project and shifting Mission priorities, the More Effective and Democratic Local Governance S.O. will be phased-out by FY 1997. Activities financed under the LOGROS Project will focus on environmental initiatives carried out through local governments. Therefore, the Project will specifically support the Mission's Regional Natural Resources Strategic Objective, and will in the future be funded primarily from environmental directives. While planning levels for FY 1996 include $1.8 million in unrestricted/ democracy funding, the Mission does not expect to receive this full amount and would therefore plan to cover some portion (approximately $500,000) of the estimated FY 1996 LOGROS obligation with environmental directive. If the all or most of the projected unrestricted/democracy money was received, the Mission could either choose to continue the Local Governance S.O. or forward fund LOGROS' on-going policy initiatives and other costs not directly related to environmental issues. While the Mission has some flexibility relative to the unrestricted/democracy funding level due to LOGROS' concentration on the environment, no such flexibility exists relative to unrestricted/economic growth levels. Therefore, much of the Mission's support to CONCAUSA depends on the funding levels cited for the new Regional Trade Policy and Economic Integration Project through the Action Plan period.

It is also worth highlighting that the initial (FY 1995) obligation to the Regional HIV/AIDS Project will be less than $2 million and that the crucial and expensive Social Marketing Component of the Project will require a significant first tranche of financing in FY 1996. In order for the Mission to implement this Project as it was designed, based on input from the LAC and Global Bureaus, annual funding must be maintained at the current planning figures. Any reduction below the $4 million to $5 million range would require the redesign of the Project and minimize its impact on controlling the spread of the epidemic in Central America.

As stated above, the Mission has already assumed some degree of funding cuts from its planning levels in FY 1997, especially in the unrestricted/democracy directive. Therefore, the funding scenarios below the 100% level primarily impact the LOGROS Project and the extent to which the Mission can continue to support the development of local governments and environmental

initiatives carried out by them. It is expected that, within the projected FY 1997 obligation to LOGROS, $200,000-$500,000 will be unrestricted democracy funding and the remainder from environmental directive.

C. Performance Measurement

USAID/G-CAP is committed to a strategic planning and program development process that sets standards for success which are both meaningful and measurable. The Mission's performance measurement system is design to offer an unambiguous basis for assessing our achievements under each strategic objective and for the programs as a whole. We have defined key indicators and data sources for all our SOs and their supporting lower level program outputs. Firm targets have been established for 22 of the 26 highest level SO performance indicators which are distributed over our 8 SOs in the combined bilateral and regional programs. Where we have been unable to define targets, a full explanation is given in the respective SO narrative.

The Mission is using performance information to make both program and program management decisions. A good example is the Mission's decision to take a complete new approach to address the critical problem of the unsustainable use of the region's natural resources and increasing environmental degradation in Central America. The decision was based largely on a penetrating mid-term evaluation of the flagship RENARM Project which documented too well the lack of performance under this SO. As we reformulated the ENR regional objective, the exercise of carefully articulating the results expected and the development of precise indicators forced the Mission to make difficult choices among alternative strategies to achieving the expected impact. The end product was a Mission readiness to accept full responsibility for producing the results expected under the revised regional ENR SO.

The Mission has actively sought the participation of its customers and partners in developing our objectives and indicators. Though the tools we used were not labeled "customer surveys", the Mission has in fact used surveys and other participatory methods to draw our development partners, including beneficiaries, into the process of defining our program focus. The Demographic Health Survey (DHS) and the Democratic Indicators Monitoring System (DIMS) are two such examples.

TABLE 3
BILATERAL PROGRAM (520)
SUMMARY PROGRAM FUNDING TABLE
Dollar Program ($1,000)

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TABLE 3
BILATERAL PROGRAM (520)
SUMMARY GLOBAL SUPPORT
Dollar Program ($1,000)

GLOBAL SUPPORT	FY 96 Transfer/Buy in/Amount	FY 96 G Resources Amount	FY 96 Total Amount	FY 97 Transfer/Buy in/Amount	FY 97 G Resources Amount	FY 97 Total Amount
S.O. 1 Smaller, Healthier Families						
936-3023 DHS	0	100	100	0	0	0
936-3030 INOPAL 3	0	50	50	0	50	50
936-3038 FPLM/CDC	0	50	50	0	60	60
936-3051 CSM III	0	100	100	0	50	50
936-3054 POP Fellows	0	90	90	0	90	90
936-3055 FPMD	0	50	50	0	50	50
936-3057 Cent. Cont. Procurement	0	800	800	0	1,000	1,000
936-3068 AVSC	0	60	60	0	60	60
936-3069 JHPIEGO	0	150	150	0	0	0
936-3072 PRIME	0	150	150	0	250	250
936-3078 POLICY	0	150	150	0	150	150
936-3024 POPTECH	0	0	0	0	90	90
936-5970 TAACS FP	0	200	200	0	200	200
936-5995 MOTHERCARE	0	300	300	0	200	200
936-5977 TAACS-HIV	0	0	0	0	100	100
936-5999 ENV. HEALTH	0	50	50	0	0	0
936-6006 BASICS	0	400	400	0	250	250
Sub-total	0	2,700	2,700	0	2,600	2,600
S.O. 2 Consolidation of Democratic Institutions and Processes						
520-0383 SPAF	40	0	40	0	0	0
936- Global	0	300	300	0	300	300
Sub-total	40	300	340	0	300	300
S.O. 3 Improved Management of the Natural Resource Base						
936- Global	0	500	500	0	500	500
Sub-total	0	500	500	0	500	500
S.O. 4 Increased Trade and Improved Labor Relations						
936- Global	0	300	300	0	300	300
Sub-total	0	300	300	0	300	300
S.O. 5 Improved Primary Education Services						
936-5836 Improving Educational Quality Project	200	0	200	200	0	200
936-5848 Girls' and Women's Education Project	0	300	300	0	300	300
Sub-total	200	300	500	200	300	500
PROGRAM TOTAL	240	4,100	4,340	200	4,000	4,200

Notes:

1. FY 1996 'requests' include the following planning levels for Global Bureau country attributions provided by LAC: POP $1,900,000 CS $800,000, Basic Ed $300,0000, ENR $500,000, Democracy $300,000 and Ec Growth $300,000. The detailed breakdown of how these funds will be used has yet to be determined (except in the cases of POP/CS and Basic Education). The table also assumed a like amount in FY 1997.
2. Except as noted, the Mission assumes that Global Support will be in addition to its planning levels. If this is not the case, the Mission will have to determine which of the activities it would finance from its OYB.

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TABLE 3
REGIONAL PROGRAM (596)
SUMMARY PROGRAM FUNDING TABLE
Dollar Program (\$1,000)

REGIONAL PROGRAM (596)
SUMMARY GLOBAL SUPPORT
Dollar Program ($1,000)

GLOBAL SUPPORT		FY 96 Transfer/Buy in/Amount	FY 96 G. Resources Amount	FY 96 Total Amount	FY 97 Transfer/Buy in/Amount	FY 97 G. Resources Amount	FY 97 Total Amount
S.O. 1 Increased CA Participation in the Hemispheric Economy							
936–	Global	0	0	0	0	0	0
	Sub–total	0	0	0		0	0
S.O. 2 Effective Regional Stewardship of Key Natural Resources							
936–5839	Env. Educ. and Comm. (GreenCOM)	0	50	50	0	50	50
936–5559	Env. Pollution Prevention Pro. (EP3)	0	50	50	0	50	50
598–0365	Project in Dev. and the Env. (PRIDE)	0	50	50	0	50	50
936–5994	Environmental Health Project (EHP)	0	50	50	0	50	50
936–	Global	0	300	300	0	300	300
	Sub–total	0	500	500	0	500	500
S.O. 3 Policy Framework Established in CA Supportive of More Effective and Democratic Local Governance							
–	Municipal Dev. & Manage. Pro. (MDM)	100	0	100	0	25	25
	Housing & Urban Programs	0	250	250	0	250	250
936–	Global	0	700	700	0	700	700
	Sub–total	100	950	1,050		975	975
Other/Target of Opportunity							
	HIV/AIDS	0	0	0	0	0	0
936–	Global	0	750	750	0	750	750
	Sub–total	0	750	750		750	750
PROGRAM TOTAL		100	2,200	2,300		2,225	2,225

Notes:

. FY 1996 'requests' include the following planning levels for Global Bureau country attributions provided by LAC: AIDS $750,000, Environment $300,000 and Democracy $700,000. The detailed breakdown of how these funds will be used has yet to be determined. The table also assumed a like amount in FY 1997.

. Except as noted, the Mission assumes that Global Support will be in addition to its planning levels. If this is not the case, the Mission will have to determine which of the activities it would finance from its OYB.

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Status of Portfolio Timeline

Table 4: USAID/G-CAP(520) BILATERAL PORTFOLIO - PROJECT TIMELINE TABLE BY PACD

Strategic Objective Project Number\Title		PACD	FY94 1	FY94 2	FY94 3	FY94 4	FY95 1	FY95 2	FY95 3	FY95 4	FY96 1	FY96 2	FY96 3	FY96 4	FY97 1	FY97 2	FY97 3	FY97 4	FY98 1	FY98 2	FY98 3	FY98 4	FY99 1	FY99 2	FY99 3	FY99 4
Strengthening Democratic Institutions, Civil Society and the Rule of Law																										
0-0383	Special Project Assistance	30-Sep-99																								
-0393	Guatemalan Peace Scholarships	31-Aug-96																								
0-0398	Democratic Institutions	30-Aug-97																								
0-0407	Judicial Sector Reform	31-Dec-97																								
0-0412	Street Children Support	31-Dec-97																								
Smaller, Healthier Families																										
0-0339	Immunization & Oral Rehydration	31-Dec-96																								
0-0357	Family Health Services	31-Aug-96																								
0-0399	Highlands Water	31-Dec-96																								
0-0408	CARE Water and Sanitation	31-Oct-93																								
ategic jective	Smaller Healthier Families	30-Jun-2005																								
Environmentally Sound Natural Resource Management																										
0-0274	Highlands Agricultural Develop.	30-Dec-93																								
0-0395	Maya Biosphere Reserve	30-Aug-99																								
0-0404	Community Natural Resource	31-Dec-97																								

Table 4: USAID/G-CAP(520) BILATERAL PORTFOLIO – PROJECT TIMELINE TABLE BY PACD (continued)

Strategic Objective Project Number\Title		PACD	FY94 1	FY94 2	FY94 3	FY94 4	FY95 1	FY95 2	FY95 3	FY95 4	FY96 1	FY96 2	FY96 3	FY96 4	FY97 1	FY97 2	FY97 3	FY97 4	FY98 1	FY98 2	FY98 3	FY98 4	FY99 1	FY99 2	FY99 3	FY99 4
Increased Trade and Improved Labor Relations																										
0-0341	Private Enterprise Development	31-Jul-95																								
0-0381	Small Farmer Coffee	21-Jul-97																								
0-0403	Trade & Labor Relations	31-Aug-98																								
Improved Quality, Efficiency, and Equity of Primary Education Services																										
0-0374	Basic Education Strengthening	31-Dec-97																								
Cross-Cutting Activities																										
0-0145	Special Development Fund	On-going																								
0-0286	Cooperative Strengthening	31-Aug-94																								
0-0332	Farm to Market Access Roads	19-Mar-96																								
0-0343	Pilot Commercial Land Markets	30-Aug-94																								
0-0353	Rural Electrification	25-Aug-96																								
0-0371	Fiscal Administration	31-Mar-94																								
0-0384	Development Training	30-Sep-95																								
0-0413	Peace Fund	30-Sep-98																								
tal Projects (number at end of FY 4th. Quarter)						17				19				14				10				5				3

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Status of Portfolio Timeline

Table 4: USAID/G-CAP (596) REGIONAL PORTFOLIO - PROJECT TIMELINE TABLE BY PACD

	Strategic Objective Project Number\Title	PACD	FY94 1	FY94 2	FY94 3	FY94 4	FY95 1	FY95 2	FY95 3	FY95 4	FY96 1	FY96 2	FY96 3	FY96 4	FY97 1	FY97 2	FY97 3	FY97 4	FY98 1	FY98 2	FY98 3	FY98 4	FY99 1	FY99 2	FY99 3	FY99 4
Increased Central American Participation in the Hemispheric Economy																										
96-0123	Export Agribusiness Development and Promotion	31-Mar-95																								
96-0147	Economic Policy Research	31-Aug-95																								
96-0165	Export Industry Technology Support	30-Jun-95																								
96-0176	C.A. Development Coordination Commission	30-Sep-95																								
96-0177	Partnership for Democracy and Development	24-Jun-97																								
0178	Trade Policy and Economic Integration	30-Sep-2000																								
Effective Regional Stewardship of Key Natural Resources																										
96-0150	RENARM	31-Jan-96																								
6-0180	PROARCA	31-12-2000																								
Policy Framework Established in C.A. Supportive of More Effective and Democratic Local Governance																										
6-0167	LOGROS	30-Sep-99																								
In Support of All Three Strategic Objectives																										
6-0162	Regional Development Support	30-Sep-96																								
Other Projects																										
0146	C.A. Rural Electrificat. Support	31-Mar-95																								
6-0169	INCAP Institut. Strengthening	31-Dec-96																								
0179	HIV/AIDS	30-Dec-2000																								
tal Projects (number at end of FY 4th. Quarter)						10				9				7				4				4				4

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IV. FY 1996-97 PROGRAM MANAGEMENT REQUIREMENTS

May 1995

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IV. FY 1996-97 PROGRAM MANAGEMENT REQUIREMENTS

A. Workforce and OE Needs

Since 1990, USAID has reduced its total staff in Guatemala from 347 to 193 at present. This reduction of over 44% of the staff was reflected across the board in all employee categories. At the same time the staff was being reduced, the responsibilities and staff of the Regional Office of Central American Programs (ROCAP) were merged with the Guatemala Program to create USAID/G-CAP. The merger reduced USAID's operating costs and created efficiencies, but it also greatly increased workload and responsibilities for a staff about half the size managing both a regional and a bilateral program agenda.

In April 1995, the Mission's last OE funded USPSC position was eliminated. The Mission continues to comply with Bureau established PSC ceilings. Looking forward to FY 1996-1997, the remaining project funded USPSCs will hold steady at 4 essential positions down from 10 in FY 1995. With the changeover in the regional environmental project from individually contracted USPSCs to an institutional contractor, 5 USPSCs and one TCN are concluding their contracts this summer.

With a total workforce of 160 in FY 1997, the Mission will have the minimum amount of staff required to meet implementation goals under currently projected program funding levels, and maintain the high levels of accountability required in a reengineered organization. If program budget levels were cut 25% from FY 1997 planning levels, the Mission would phase out its education activities in the bilateral program, and move towards close out of regional activities in support of local governance. As a result, an estimated 6 FSN positions could eliminated and one TCN. However, the net effect on our OE budget would be negligible since these positions are not OE intensive.

Further erosion in OE funding levels from the current $4.126 million would have a severely negative affect on the combined bilateral and regional programs. Even now, holding at the FY 1995 OE level threatens to wipe out NXP procurement of equipment required particularly for implementing and monitoring projects. In FY 1996 and 1997, the Mission is forced to completely eliminate its Non Expendable Property (NXP) replacement program which ensures that essential property is purchased to provide Mission staff with a safe and efficient working environment and maximize productivity. The Mission will have to take this drastic step to meet the austere operating expense limitations implied in the guidance.

Only automation equipment that facilitates the introduction and operation of the Agency Wide Corporate Information Systems (AWACS, Acquisition and Assistance, and Budget and Operations) is being procured in FY 1995 under U600 with money provided directly from IRM specifically for that purpose.

Analyzing various alternative OE funding and staffing scenarios, the Mission concludes that there is almost no leeway for a decrease in OE funding. With a 3% decrease from FY 95

levels, after eliminating NXP procurement, the Mission would next have to cut personnel costs in all categories: USDH, FN Direct Hire, and Contract Personnel; since expected increases in housing and office operating costs (including utilities) are beyond the control or the Mission leaving the Mission no other recourse than to cut personnel costs. Some U100 expenditures can be avoided in FY 1996-1997 as the cycle of USDH assignments hits a low and only a small number of USDH transfer in those years.

It should be noted that RHUDO operating costs are not included in the Operating Expense Budget levels since they are not paid from the OE account. In the staffing chart, USDH levels do not include 2 RHUDO positions which fall under the G/ENV/UP ceiling. However, five RHUDO staff positions (3 FSN, 1 USPSC, 1 TCN) are included in the Mission staffing tables.

Table 5 summarizes OE funding and staffing requirements through FY 1997. Table 5A provides alternative OE and staffing scenarios based on different budget assumptions regarding OE levels, no OE replacement of trust funds, maximum staffing level of 160 persons, and impact of a 25% in program funds. For the purposes of Table 5A, the Mission has assumed no reduction in trust fund levels thus relying on trust funds to carry at least the same burden in FY 1997 as they do in FY 1996.

TABLE 5
USAID/GUATEMALA (520 & 596)
OE FUNDING REQUIREMENTS
($000)

OE/TRUST FUND LEVELS (By Major Function Code)	FY 95	FY 96	FY 97
U100 U.S. Direct Hire	351.0	383.0	333.1
U200 F.N. Direct Hire	341.0	356.1	313.1
U300 Contract Personnel	1,766.0	1,791.4	1,657.7
U400 Housing	394.0	381.5	389.7
U500 Office Operations	1,005.0	1,088.0	1,109.6
U600 NXP Procurement	269.0	0.0	0.0
Total Mission Funded OE/TF Costs	* 4,126.0	** 4,000.0	** 3,803.2
Of which TF funded	1,700.0	2,300.0	2,200.0

* Must not exceed Approved Annual Plan

** Should not exceed estimated actual FY 95 level

Mission Staffing Requirements	FY 95					FY 96					FY 97				
	USDH	USPSC	TCNPSC	FSN	Other	USDH	USPSC	TCNPSC	FSN	Other	USDH	USPSC	TCNPSC	FSN	Other
Total Authorized Positions	22	11	4	153	3	22	4	2	133	3	22	4	1	130	3
Of which Project funded	0	10	4	28	3	0	4	2	23	3	0	4	1	20	3

USDH = May not exceed authorized USDH position ceiling

USPSC = Must agree with Bureau established PSC ceilings for FY 95. Any increases requested for FY 96/97 must be justified within the context of planned program activity

TCNPSC = Including FSNPSCs and FSNDHs OE. Trust and Pgm. will be determined at a later date for FY 96 and FY 97

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TABLE 5A

USAID/G-CAP
ALTERNATIVE PROGRAM LEVELS
OE FUNDING

	FY 1995 APPROVED LEVEL	FY 1996 MINUS 3% of FY 95	FY 1996 LOSS OE/TF	FY 1997 160 STAFF OE/TF	FY 1997 MINUS 25 PERCENT
OE BUDGET ($000)					
OE	$2,426	$2,353	$2,426	$1,603	$1,603
TRUST FUNDS	$1,700	$1,649	$1,700	$2,200	$2,200
TOTAL	$4,126	$4,002	$4,126	$3,803	$3,803
STAFF (UNITS)					
USDH	22	21	22	22	22
USPSCS/TCNS	15	6	15	5	4
FSNS	153	151	153	130	124
PASA/TAACS	3	2	3	3	3
TOTAL	193	180	193	160	153

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FY 1996 - 1997
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V. MISSION-INITIATED ISSUES

May 1995

V. MISSION-INITIATED ISSUES

1. Over the last three years, the Mission's Development Assistance budget has been made up of approximately 90%-95% earmarks/directives. This budgetary inflexibility, coupled with the elimination of ESF financing for the USAID/Guatemala Program, has made it nearly impossible to finance any new trade and democracy activities. Until now, this situation has been dealt with through the forward funding of projects in these areas, especially with FY 1992 and FY 1993 ESF. While the Mission's Trade Strategic Objective is fully financed between now and its scheduled phase-out at the end of FY 1998, even the flexibility to undertake limited PD&S initiatives related to economic growth (e.g., in response to the dire fiscal situation) has been largely non-existent. More importantly, the Mission's continued support to the USG's top priority in Guatemala, supporting the development of a democratic society, depends on increased leeway in using DA resources in this area. Although current unrestricted planning levels would be adequate to finance new initiatives to promote judicial reform, respect for human rights, and participation in the democratic process, past experience indicates that cuts from planning levels impact disproportionately on unrestricted as opposed to directive funding. **If current unrestricted/democracy funding levels were not maintained through the Action Plan period, the Mission would gradually be forced to disengage from supporting democratic reform in Guatemala.** Furthermore, the level of specific directives, or the cuts experienced in some (e.g., environment, basic education) while others are protected (e.g., population) tend to make **our strategic planning process one that is driven at least as much by budgetary maneuvers as it is by programmatic needs.**

2. As cited in the Strategy Overview of this Action Plan, the GOG fiscal situation has grown worse over the last year. **While counterpart shortfalls, staffing inadequacies, and bureaucratic inefficiencies have plagued the Mission's public sector activities for years, these problems have intensified and may get worse before they get better.** This is especially likely given the elimination of the Department of Agriculture's PL-480 Title I Program in Guatemala this year, since a significant amount of the GOG's counterpart for USAID projects--and the resources most readily accessible to implementing units, has been generated under the Title I Program. (For example, approximately $18 million is required as GOG counterpart for USAID projects in 1995; $6.7 million in local currency generated from the FY 1994 Title I Program and $3 million from previous years' Programs are assigned to USAID projects.) While the Mission has actively engaged the GOG in an effort to address these issues, and has had some limited success relative to specific projects, **it is becoming more and more difficult to work with and predict the support of the public sector entities that carry out a large portion of the Mission's activities, especially in the social sectors.** The shift of Mission resources over the last several years towards NGOs (approximately 54% of FY 1995 obligations) in large part reflects this reality, but more drastic strategy revisions might be necessary during the Action Plan period.

3. Given USAID/G-CAP's regional mandate and the commitment of Central Americans to address many of the most critical obstacles to sustainable development on a regional basis, **it is imperative that the Mission remain engaged with Costa Rica and Belize to facilitate regional**

solutions to regional problems. Support through truly regional mechanisms is consistent with pledges made at the highest levels of the USG and with the Agency's policy regarding **USAID activities in non-presence countries after 30 September 1996**. However, a determination by AID/W, specifically by the Management Bureau and PPC, must be made before the re-design of the Mission's entire regional portfolio (PROARCA, HIV/AIDS, Regional Trade, LOGROS, Global Sustainable Energy) can be completed. A draft memo outlining the criteria that the Mission would apply to ensure adherence to the Agency's policy while at the same time allowing it to carry out its regional mandate, citing activity level details/examples from each project, has been shared with certain AID/W offices. Based on input from AID/W, including from M and PPC staff, this memo will be submitted to LAC in final by the middle of May, and should serve as the basis for an AID/W decision. **If specific discussions between the Mission and AID/W are needed prior to taking action on this memo, a special session should be arranged during Action Plan Review Week.**

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VI.SPECIAL REPORTING REQUIREMENTS

May 1995

VI. SPECIAL REPORTING REQUIREMENTS

A. Section 118 and 119 of the FAA (Tropical Forest and Biodiversity Activities)

Major Conservation Challenges: The integrity of tropical forests and biological diversity in general, in Guatemala and throughout the Central American region, continues to be threatened due to a number of factors. The most fundamental threat is the region's extremely high rate of population growth. Closely related are abusive land use practices resulting from and exacerbated by inappropriate policy regimes and weak government institutions. All other factors are subsets of these; no other natural force, no other species is producing the symptoms of environmental stress which are so clearly evident and which are the indicators employed in assessing the state of the environment.

Expansion of the agricultural frontier into marginal lands continues as more extensive, rather than more intensive, use of land predominates in response to declining soil productivity and land availability. In addition to direct destruction of forests and consequent decline in forest-based bio-diversity, resultant soil erosion and agricultural chemical runoff affect hydrologic systems and downstream coastal ecosystems thus multiplying the initial impact.

Tourism is perhaps now the most important single source of foreign exchange for the region. The decline of bio-diversity and loss of forest cover will eventually undercut the substantial and growing eco-tourism industry - with negative consequences for local and national income streams, and with reduced economic incentives for greater attention to conservation.

The NAFTA agreement, in effect, has pushed the environmental border of the United States south to Guatemala and Belize. As Mexico moves to meet its NAFTA-related environmental obligations, the market incentives which encouraged environmental degradation south of the U.S.-Mexico will migrate further south to Central America.

The basic elements of the response required include generation and dissemination of environmental science, a more open and rational policy reform process, strengthening of institutions concerned with preservation of the environment, and vigorous enforcement of environmental laws and regulations - in the context of reduced rates of population growth, equitable administration of justice, and democratic participation of stakeholders (including the traditionally excluded poor) in the decision-making process. Implementation of the implied agenda of remedial activities, on a scale commensurate with the task, in and of itself constitutes a significant part of the environmental challenge.

Progress: Although the environmental corner most definitely has not been turned in Guatemala or regionwide in Central America, any more than it has any where else in the world, progress is being made in establishing conditions favorable to continuing and expanding the sustained effort required.

Within Guatemala, Mission-supported activities with the national park service (CONAP)

and NGOs have greatly reduced the trend toward illegal colonization of the Maya Biosphere Reserve (MBR) which is located in the largest intact tropical forest in the region. Additionally, hundreds of families in the MBR area are now engaged in profitable enterprises promoted by the Mission, which reduce pressure on the Reserve while demonstrating the economic benefit of a sustainably managed Reserve. Local municipalities have formed and environmental issues council to promote sustainable management of the MBR and reduce the prevalence of destructive practices. Work also continues under the Community Natural Resource Management and Small Farmer Coffee Improvement projects with thousands of small-scale hillside farmers to stabilize their productive resource base, raise their standards of living, and, in the process, reduce pressure throughout-migration on more fragile areas such as the Maya Biosphere Reserve.

In addition to growing support regionally for the concept of a Central American biological corridor and the emergence of new organizations to foster its creation and restoration, the Mission has supported the work of the World Resources Institute in upgrading the institutional capabilities and environmental policy analysis and formulation capabilities of the national environmental councils (CONAMAs) throughout C.A. The mission, in association with the Wildlife Conservation Society, is providing research grant funding to dozens of Central American biological scientists in fields related to biodiversity conservation. We are also working with Central American institutions such as CATIE and other NGOs, both international and local to identify and sustainably manage hundreds of thousands of hectares of ecologically significant and threatened areas throughout the isthmus - in cooperation with local communities.

The Mission has fostered the growing attention now devoted to forest dwelling indigenous peoples by environmental NGOs - to the benefit of environmental goals and the advancement of simple social justice for historically exploited populations. Mission-funded programs have provided technical assistance services to literally thousands of small farm families in such areas as pesticide management, Integrated Pest Management, agroforestry, hillside agriculture, and natural resource management practices - with beneficial impacts both economic and environmental.

Recommended Follow-up: With few exceptions, all activities under the regional environmental project, RENARM, will finish by the end of September, 1995. The new project, PROARCA, with similar goals of protecting the region's tropical forests and biodiversity, will come on line early in 1996. In addition, the Mission plans to extend the Maya Biosphere project to continue its very promising activities with NGOs and the GOG park service as well as expand in a more focused way into the area of environmental policy analysis and reform. The Mission's continuing activities in the areas of population and primary school education will help further its envrionmental objectives in the longer term.

B. Food Security

Socio-economic conditions for the majority of Guatemalans are very precarious as reflected in the UNDP Human Development Index which places Guatemala in 113th position, one of the lowest in Latin America. The country has the highest level of chronic undernutrition and the second highest index of child mortality. Unemployment and underemployment affect more than 40% of the economically active population. The number of families that live in poverty has increased considerably in the last decade. Extreme poverty is concentrated particularly in the rural areas with the highest concentration of indigenous populations, landless "campesinos" and subsistence farmers.

The problematical food - nutrition situation of Guatemalans is complex and related to all issues of development – employment, education, health, agriculture, among others. The Guatemalan Constitution recognizes the integral nature of the problem and indicates that: "actions primarily oriented to improve food security should take into consideration the individual factors which impact on it", that is, an integrated approach.

The food-nutrition status of the most vulnerable sectors of the population has been seriously harmed by the economic decline in the decade of the 80s, and more by the crisis proportions of the fiscal situation in the last few years which has rendered the Government of Guatemala incapable of attending to these at-risk populations. Inflation has also hit the poor the hardest raising the cost as a basic food basket beyond the reach of nearly 55% of all Guatemalans. National food availability and the household food accessibility is very limited for most of the rural poor. Food utilization is inadequate especially among vulnerable groups such as children, pregnant and lactating women.

The grave food insecurity affecting the entire population, and more so the poorest indigenous people living in Guatemala's "poverty belt", is a critical development issue which must be addressed with donor assistance. The poverty belt encompasses the highlands area which was the most affected by thirty years of armed conflict and has left approximately 100,000 widows and 250,000 orphans. The overall goal of the Mission's food assistance program is to improve the quality of life and food security of the poorest families in rural areas of Guatemala.

Based on an analysis of what has been accomplished over three decades with the Title II food aid program in Guatemala, the Mission and PVOs decided to focus the largest part of the Title II resources on achieving our strategic objective of promoting smaller, healthier families in Guatemala. So that greater impact be achieved, the Mission and PVOs have worked together to continue to focus the programs in the areas with the most severe levels of poverty and malnutrition. At the same time this geographical focussing was taking place, the PVOs along with the Mission were also looking at how to address food security for those communities in which Maternal Child Health (MCH), environmental education, income generation, and community development activities are taking place. Consequently, the Mission took this process one step forward, and integrated the Title II resources with development assistance resources so that jointly not only can food security be addressed but also the Mission strategic objectives.

An integrated approach to improving food security is common to the PVOs managing the three largest programs funded with PL 480 Title II resources. Each addresses those factors -- availability, access, utilization -- where they have a comparative advantage as agents of change.

Increased emphasis is being given to measuring the impact of the Title II programs. An impact evaluation done on the MCH component of the CARE/Guatemala program has been recently completed. The evaluation focused on the nutritional impact of the MCH component on children under the age of three; the use of food as an incentive; and the impact of MCH on food security especially in terms of family income. Preliminary results have clearly demonstrated that there is a significant improvement in the nutritional status of those children who enter the program before 3 months of age and participate for more than 18 consecutive months. Another key finding of this study is that Title II commodities complement the diet of the family since they can afford to purchase local food stuff with the money they would otherwise spend on the donated Title II food. The CARE impact study clearly demonstrates that when Title II commodities are available at the household level there is a measurable positive impact on family food security.

The Mission will continue to scrutinize the use of scarce food aid resources in order to achieve the highest level of impact on improving the lives of Guatemala's poor through improved food security.

C. Reengineering

USAID G/CAP volunteered to be an Country Experimental Lab (CEL) testing obligation at the Strategic Objective level because we believed that a focused exercise would provide both the Mission and the Agency practical, hands-on lessons about reengineering. The challenge now facing us is to clearly connect our CEL activities to Washington's reengineering of basic business functions and the new management systems which will roll out on October 1, 1995.

Country Experimental Lab (CEL): The Mission's CEL has prepared a draft strategy, results packages and indicators for the "smaller, healthier families" Strategic Objective. Pending are the monitoring and evaluation plan as well as the detailed activities plan that will serve as the basis for the eventual sub-obligation documents. In absence of clear guidance on what an overall obligation document should look like, the Mission's legal advisor is drafting a Strategic Objective Agreement. Also awaiting clarification is how the Congressional Notification process will proceed and the approval of delegations of authority. From there, we will enter into a "learning by doing" phase as the we develop sub-obligation documents, implement results packages and the decision-making processes that will accompany these efforts.

Identifying implementation obstacles, many of which will be beyond the ability of the Mission to the address, and considering how new programmatic mechanisms might impact on systems and management structures, will both be emphasized during the CEL's post-obligation work. To some extent, the health CEL may be in a position to test some of these systems and management innovations prior to the rest of the Mission, though it appears that most will be applicable on a Mission-wide basis.

Because the CEL does not encompass the entire Mission, its Customer Service Plan serves only for the health SO. As we expand reengineering to the rest of our SOs during FY 1996, we will develop plans for each area by building on existing data bases and complementing them with what is required for a full service plan.

New Management Systems: The Mission is proceeding with the critical component of Windows training for all personnel and hardware procurement for selected staff who will be the first to use the new management systems. Special attention to project-funded procurements is esential in order to assure that key project technical staff are prepared for the October 1 roll out date.

Formal training and on-the-job training in each area of the reengineered business functions will proceed in the coming months. Each person trained with Mission funding will be expected to be a trainer upon his/her return to Guatemala.

The Mission has established a reengineering coordination group to insure full integration, communication and clarification as we approach the initiation of the new management systems and move forward in FY 1996 --an all important year for the reengineering process.

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ANNEXES

May 1995

FY 1996 - 1997
Bilateral Action Plan

SUMMIT OF THE AMERICAS INITIATIVE

May 1995

SUMMIT OF THE AMERICAS PLAN OF ACTION

INITIATIVES	*USAID/GUATEMALA-CAP BILATERAL ACTIVITIES SUPPORTING THE INITIATIVES*
I. Preserving and Strengthening the Community of Democracies of the Americas	
1. Strengthening Democracy	**Democratic Institutions (520-0398)** **Judicial Sector Reform (520-0407)** • Systemic judicial reform and strengthening of key justice sector institutions • Legislative strengthening • Civic education • Support to NGOs working in the area of human rights, and to the Office of the Human Rights Ombudsman (OHRO)
2. Promoting and Protecting Human Rights	**Democratic Institutions (520-0398)** **Judicial Sector Reform (520-0407)** **Street Children Support Project (520-0412)** • Improved administration of justice • Civic education activities which increase awareness of human rights • Improved OHRO's ability to track and publicize human rights abuses • Protecting the rights of street children
3. Invigorating Society/Community Participation	**Democratic Institutions (520-0398)** • Training of local leaders in democratic practices • Civic-military dialogue on public policy issues and peaceful conflict resolution

INITIATIVES	*USAID/GUATEMALA-CAP BILATERAL ACTIVITIES SUPPORTING THE INITIATIVES*
5. Combatting Corruption	**Judicial Sector Reform (520-0407)** • Strengthens fiscal and financial management, administration of justice, and the legislative process
II. Promoting Prosperity Through Economic Integration and Free Trade	
9. Free Trade in the Americas	**Small Farmer Coffee (520-0381)** **Trade and Labor Relations Development (520-0403)** • Improved policy environment • Skills training for diversified exports • Building sound labor-management relations
12. Energy Cooperation and, 21. Partnership for Sustainable Energy Use	**Rural Electrification III (520-0353)** • Support to expand electrification in rural areas of Guatemala • Establishment of a policy and legal framework which allows demonopolization and increased private participation in the electric subsector
III. Eradicating Poverty and Discrimination in Our Hemisphere	
16. Universal Access to Education	**Basic Education Strengthening (520-0374)** • Increased access for girls to primary education • Improved quality of primary education through the New One-Room School model • Bilingual education programs extend services to Mayan children

INITIATIVES	*USAID/GUATEMALA-CAP BILATERAL ACTIVITIES SUPPORTING THE INITIATIVES*
17. Equitable Access to Basic Health Services	**Immunization and ORT for Child Survival (520-0339)** **Family Health Services (520-0357)** **Highlands Water & Sanitation (520-0399)** **Food Aid-P.L.480 Title II** • Reduce infant, child and maternal mortality, and total fertility rates • Support the delivery of high quality reproductive health services through NGOs and GOG entities • Support extensive maternal/child health interventions with food assistance
18. Strengthening the Role of Women in Society	**Food Aid-P.L.480 Title II** **Basic Education Strengthening (520-0374)** **Democratic Institutions (520-0398)** **Family Health Services (520-0357)** • Support to women's village banking through monetization programs • Promote Girls' Education Program • Support to Guatemala's preparatory work for the United Nations World Conference on Women to take place in September 1995 • Support the training of 15 psychologists to treat women victims oif violence in Guatemala • Promotion of reproductive health family planning services to allow self determination of family size.

INITIATIVES	*USAID/GUATEMALA-CAP BILATERAL ACTIVITIES SUPPORTING THE INITIATIVES*
19. Encouraging Microenterprise and Small Businesses	**Small Farmer Coffee (520-0381)** **Farm-to-Market-Access Roads (520-0332)** **Rural Electrification III (520-0353)** **Food-Aid-P.O.480 Title II** • Technical assistance and credit for small coffee farmers • Construction of farm-to-market access roads • Support for women's village banking
IV. Guaranteeing Sustainable Development and Conserving Our Natural Environment for Future Generations	
22. Partnership for Biodiversity, and 23. Partnership for Pollution Prevention	**Maya Biosphere Project (520-0395)** **Community Natural Resources Management (520-0404)** • Provide sustainable income streams and conserve biodiversity through land use planning, training of extensionists, environmental education, and development of new products and value-added processes • Promote policy reform

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SUMMIT OF THE AMERICAS PLAN OF ACTION

INITIATIVES	*USAID/GUATEMALA-CAP REGIONAL ACTIVITIES SUPPORTING THE INITIATIVES*
I. Preserving and Strengthening the Community of Democracies of the Americas	
1. Strengthening Democracy	**LOGROS (596-0167)** • Strengthens municipal sector capabilities to promote policy and legislative reform favoring decentralization and devolution of authority to local governments. • Loans to local governments for environmentally sound urban infrastructure projects.
3. Invigorating Society/Community Participation	**LOGROS (596-0167)** • Supports decentralization and devolution of political, administrative and fiscal authorities to municipalities. • Increases number of citizens participating in local government affairs.
II. Promoting Prosperity Through Economic Integration and Free Trade	
9. Free Trade in the Americas	**Regional Trade Policy (596-0178)** • Policy reform activities targeted to areas of intellectual property rights, dispute resolution procedures, treatment of investment, labor rights, environmental standards and non-tariff barriers.

INITIATIVES	*USAID/GUATEMALA-CAP REGIONAL ACTIVITIES SUPPORTING THE INITIATIVES*
12. Energy Cooperation and, 21. Partnership for Sustainable Energy Use	**NRECA/CARES (596-0146) REAT (936-5730), BEST (936-5757), and ETP (935-5734)** • Address the severe energy crisis throughout Central America through the use of indigenous renewable energy resources, increased energy efficiency, and increased participation of the private sector in the power sector. **RENARM (596-0150)/PROARCA (596-0180)** Support CONCAUSA Action Plan including: • Promoting the use of efficient and non-polluting energy technologies. • Fostering the use of innovative financial mechanisms to increase investment in the energy sector. • Increasing knowledge and technical expertise in the area.
III. Eradicating Poverty and Discrimination in Our Hemisphere	
17. Equitable Access to Basic Health Services	**Central American HIV/AIDS (596-0179)** • Policy awareness and public education. • Social marketing of condoms. • NGO strengthening.
18. Strengthening the Role of Women in Society	**LOGROS (596-0167)** • Region-wide activity to encourage the participation of women in municipal government.

INITIATIVES	*USAID/GUATEMALA-CAP REGIONAL ACTIVITIES SUPPORTING THE INITIATIVES*
IV. Guaranteeing Sustainable Development and Conserving Our Natural Environment for Future Generations	
22. Partnership for Biodiversity, and 23. Partnership for Pollution Prevention	**RENARM (596-0150) / PROARCA (596-0180)** • Coordinate with USAID bilateral missions and regional institutions, national and local governments, international and local NGOs to establish a regional system of Central American protected areas. • Develop a regional harmonized framework for environmental legislation. • Field test and synthesize policy alternatives and methods of application. • Promote a participatory process for environmental decision-making. • Develop models to address urban and industrial pollution, sanitation and waste problems.

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Bilateral Action Plan

DONOR COORDINATION MATRIX

May 1995

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Annex B: MAJOR DONORS – SUPPORT TO GUATEMALA
1996 – 1997

Donor	U.S. / Donor Complementary Programs	Resource Levels ($ Millions)	Performance Indicators/ Expected Results	Future Initiatives
IBRD				
	Economic Modernization	120.0 (Loan)	Strengthen public finances, improve public enterprise efficiency, liberalize trade	
	Health Sector Reform	30.0 (Loan)	Decentralize / privatize health services	In coordination with IDB
	Basic Bilingual Education	30.0 (Loan)	Increase coverage, improve quality and efficiency of grades 1 and 2, improve education administration	
	Social Investment Fund	20.0 (Loan)	Social safety net program	
	Agriculture Sector	25.0 (Loan)		Agricultural reform, project not yet authorized by Bank Directorate
IDB				
	Financial Sector Reform	130.0 (Loan)	Increase Competition and efficiency of modern financial sector	
	Health Sector Reform	50.0 (Loan)		
		10.0 (Grant)	Decentralize / privatize health services	In coordination with IBRD
	Microenterprise Global Credit	10.0 (Loan)	Approved 12/92, not yet disbursed	
	Sustainable Development of Peten	120.0 (Loan)		Project in identification stage
	Guatemala City Environmental Plan	60.0 (Loan)		Project in planning stage
	Environment/Natural Resource Sector	50.0 (Loan)		Project in identification stage
	Investment Sector	50.0 (Loan)		Project in identification stage
	Social Investment Fund	20.0 (Loan)	Not yet dirsbursed	
	Education Sector	50.0 (Loan)		Project in planning stage
UN AGENCIES SYSTEM				
	World Food Program	18.1 (Grant)	Improved food security	
	UNDP Sustainable Economic Growth	7.2 (Grant)	Various	
	UNDP Poverty and Human Development Strategic Area	6.7 (Grant)	Various	
	UNDP Peace and Reconciliation Area	1.6 (Grant)		
EUROPEAN UNION				
	Democratic Initiatives	24.0 (Grant)	Respect for human rights, improved AOJ	
	Natural Resources	71.7 (Grant)	Rational management of resources	
	Support to Displaced and Refugees	20.0 (Grant)	Movilization of repatriates	
GERMANY				
	Rural Development in Quiche	1.7 (Grant)	Improved food security	
	Tropical Agroforestry in Peten	4.5 (Grant)	Rational management of resources	
	Social Investment Fund	18.0 (Loan)		
	Democratic Initiatives	TBD		

* Not a complete list of all donor programs; only those that complement U.S. programs

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Annex B: MAJOR DONORS – SUPPORT TO CENTRAL AMERICA
1996 – 1997

Donor	U.S. / Donor Complementary Programs	Resource Levels ($ Millions)	Performance Indicators/ Expected Results	Future Initiatives
IDB				
	Regional Program for Central American Integration and Development (PRADIC)	2.5 (Grant)	Increased regional integration, private sector development, effective consultative group	
UN AGENCIES				
	UNDP Human Development Strategy Central American Economic Cooperation Plan (EC)	N/A 114.3 (Grant)	Services to uprooted populations, improved agriculture & infrastructure, sustained use of natural resources	
EUROPEAN UNION				
	Cooperative Development and Support in Central America Maternal Infant health	27.0 (Grant) 21.3 (Grant)	Regional integration in health practices, focus on infant moratility rates	

* Not a complete list of all donor programs; only those that complement U.S. programs

U.S. Agency for International Development
Guatemala - Central Amrican Programs Mission
(USAID/G-CAP)

ACTION PLAN 1996 - 1997

Regional

May 1995

USAID/G-CAP REGIONAL PROGRAM FOR FY 1996-1997

Agency Goals:

1) Broad-Based Economic Growth
2) Protecting the Environment
3) Building Democracy
4) Protecting Human Health

Regional Strategic Objectives:	Major Projects
Increased Central American Participation in the Hemispheric Economy	596-0147 Economic Policy Research 596-0178 Trade Policy and Economic Integration
Effective Regional Stewardship of Key Natural Resources	596-0180 PROARCA
More Effective and Democratic Local Governance	596-0167 Local Government Reg. Outreach Strategy 596HG010 Housing Guarantee Supplement for LOGROS Project
Target of Opportunity	596-0179 Central American HIV/AIDS

USAID GUATEMALA/CENTRAL AMERICAN PROGRAM
ACTION PLAN FOR FY 1996-97
REGIONAL PROGRAM (596)

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FY 1996 - 1997
Regional Action Plan

I. Strategy Overview

May 1995

CENTRAL AMERICAN PROGRAM

I. STRATEGY OVERVIEW

A. Commitment to Sustainable Development

Current conditions in Central America present an extraordinary opportunity for the United Stated Government to support efforts to achieve sustainable development in the entire region. The Central American "Alliance for Sustainable Development" is the key point of reference for USAID/G-CAP efforts in the region. The Alliance established a framework for creative cooperation and shared responsibility among the Central American countries and their people, and with the international community. The United States became the first partner with the region in its Alliance for Sustainable Development with the signing of the "Conjunto Centro Americano - USA" (CONCAUSA) declaration at the Miami Summit in December 1994.

In support of the region's commitment to sustainable development, USAID is pursuing three strategic objectives and one target of opportunity through its regional program. The regional strategy confronts development challenges in four areas of high priority for the Agency: achieving economic growth with equity, preventing and reducing environmental degradation, building more democratic local governments, and controlling regional/cross-border health threats from the HIV/AIDS pandemic. It focuses limited resources on interventions where there is a regional comparative advantage; for example, regional policy harmonization and addressing cross border vulnerabilities. In addition, the regional program will continue to pioneer innovative, cost-effective approaches to development problems common in the region.

Our regional assistance strategy recognizes the critical linkages between the four strategic areas. It aims at encouraging broad-based economic growth through expanded trade and strengthening the democratic gains of the last decade through greater decentralization of power to local governments across the region. The regional environmental strategy incorporates new elements to enhance renewable and clean energy production and to stem urban and industrial pollution. Finally, the accelerating rate of transmission of HIV/AIDS throughout the region is treated as a special target.

Though the regional program has supported three of the four Agency priority strategic areas, reduced unrestricted funding requires that the key democracy link be eliminated in FY 1997. Problem-solving activities currently carried out in conjunction with local governments will shift to addressing urban and industrial pollution under our regional environmental objective and in response to the Summit of the Americas initiatives.

Given USAID/G-CAP's regional mandate and the commitment of Central Americans to address many of the most critical obstacles to sustainable development on a regional basis, it is imperative that the Mission remain engaged with Costa Rica and Belize to facilitate regional solutions to regional problems. Support through truly regional mechanisms is consistent with pledges made at the highest levels of the USG and with the Agency's policy regarding USAID

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activities in non-presence countries after 30 september 1996. However, a determination by AID/W, specifically by the Management Bureau and PPC, must be made before the re-design of the Mission's entire regional portfolio can be completed.

B. The Central American Context

1. Political/Social Trends

The face of Central American politics has changed significantly since the initiation of the peace process in Esquipulas in 1986, and fragile democratic movements across the region are now showing signs of maturing. Concrete actions by Central American nations demonstrate the region's commitment to the preservation and strengthening of democratic systems, the defense of constitutional democratic rule, and the pursuit of prosperity through open markets, hemispheric integration and sustainable development -- goals reinforced through the signature of the Alliance for Sustainable Development and the Declaration of the Summit of the Americas by the region's seven leaders.

Peaceful democratic contests for the Presidency, legislature, and mayoral offices have been held in the last eighteen months in Panama, Costa Rica, Honduras and El Salvador, with former insurgents in El Salvador participating in the elections (winning mayoral and legislative seats) and opposition party candidates winning the Presidency in the other three countries. Guatemalans also went to the polls for a second time in 1994, electing a new Congress to replace one plagued by corruption. Notwithstanding procedural problems which prohibited higher participation rates in several countries, all of the electoral contests were declared fair and free and the results were validated by international observers.

Although social and economic inequities, including unequal access to the political process, still exist, peaceful legal avenues and dialogue are being used to resolve these conflicts, replacing more traditional violent means. Efforts to address persistent problems of corruption and impunity, improve the rule of law, make democratic institutions more transparent and accountable, and enhance citizen participation in decision-making are being addressed through reform efforts in various stages of development in every nation in the region. Constitutional reforms approved in early 1994 in Guatemala, in mid-1994 in El Salvador, and in early 1995 in Nicaragua, as well as those now under discussion in Costa Rica and Honduras, directed largely at reforming the judiciary and electoral systems, are but a few examples of these reform efforts.

With the introduction of municipal elections in Panama in 1994, municipal authorities throughout the region are now all popularly elected, and the decentralization trend continues. Water services provision is now a local government responsibility in Guatemala, Costa Rica, and Honduras, and on a pilot basis, in El Salvador and Nicaragua. Municipalities and community-based organizations have been given larger roles in management/oversight of primary education in Guatemala, El Salvador and Nicaragua (on a pilot basis); and administration and retention of the property tax has been devolved to municipalities in Guatemala and Nicaragua, in addition

to Honduras. The result, as documented in a study of Central American public opinion, is a marked preference among Central Americans for local government as a problem solver and strong citizen support for increasing local government responsibility. In every country but Nicaragua, more than half of survey respondents were supportive of increasing local government responsibility.

On the regional front, the nations' seven leaders continue to meet regularly as well as to discuss special topics of shared concern, such as the Environment and Sustainable Development (Managua, Oct. 1994) and Peace and Development (Tegucigalpa, Oct. 1994). They have, moreover, sought mechanisms to broaden civil society's participation in these discussions, such as the creation of the Consultative Committee to the Secretariat for Central American Integration (SICA), which provides regional organizations representing the labor, cooperative and business sectors, the academic community, indigenous peoples, peasants, and the municipal sector a forum for voicing their concerns and participating in the formulation of proposals for Presidential consideration. Further, legislators from the national legislatures have also taken the initiative to work together in harmonization of the region's legislation, creating an interparlamentary commission on the environment (CICAD).

In a marked change from the past, Central Americans are increasingly demanding a voice in the future of the region through national and regional networks of Non-Governmental Organizations (NGOs). Already important networks are active in the areas of democracy and environment.

2. Macroeconomic Trends

Overall economic performance in Central America remained relatively strong in 1994 with the regional Gross Domestic Product (GDP) registering real growth of 3.4%. Excluding Honduras, which slipped into recession, regional GDP grew 4.3%, near the 4.5% growth rate registered in 1993. Contributing to this expansion, were favorable international prices for coffee; robust economic growth in the U.S., Central America's principal export customer; and a continued surge in intra-regional trade reflecting the continuing positive effects of regional trade barrier removal over recent years. All countries, especially major coffee producers, recorded marked gains in export earnings, and several experienced increased remittance and capital inflows. In per capita terms, notwithstanding Honduras' 4.2% drop, for the region as a whole real per capita GDP showed positive movement in 1994 albeit only a modest 0.3 percent, well below the nearly two percent average growth rate attained the previous two years.

With the exception of Honduras, all countries experienced solid growth rates of 2.5% or higher. El Salvador, capitalizing on its improved investment climate in the wake of its 1992 peace accords and the consolidation of its economic reforms over recent years, led the way with 6% real growth. Costa Rica's economy grew by 4.5% in 1994, well below the 6.1% achieved the year before. This drop reflects an investment slowdown resulting from tight credit conditions, uncertainty associated with the political transition during the year, and reduced inflows of external resources. Guatemala recorded 3.5% real growth in 1994, well below that

achieved in the previous two years. The country faced greater investor uncertainty due to a continuing lack of definition of the political situation. Nicaragua bounced back from its 1993 recession, when output dropped by nearly one percent, with a 2.5% real economic growth reflecting the effects of an improved economic policy environment, higher exports and greater capital inflows. Nicaragua's growth would have been substantially higher had it not been plagued with a severe drought hurting basic grain production and causing power rationing, and disruptive strikes in the transport sector. While Panama's 5% growth rate was well below the nearly nine percent average increase for 1993, a drop resulting from electoral uncertainty and sectoral concerns related to Panama's entry in the GATT/WTO, it was the fifth consecutive year its economy grew by five percent or higher. Honduras suffered from its worst energy crisis and a severe drought which caused a 1.4% drop in real output during 1994, a sharp turnaround from its 6.5% expansion the prior year.

Inflation rates in 1994 ranged from 8.9% in El Salvador to 28% for Honduras. Sound monetary policies helped Nicaragua and El Salvador to substantially lower inflation, while Costa Rica and Honduras experienced major inflationary surges, largely reflecting monetary expansion to accommodate excessive fiscal deficits which reached 4.6 % for Costa Rica and 7% for Honduras. Urban unemployment rates in the region remained in the 4% to 7% range during 1993-94, except for Nicaragua and Panama where unemployment reached 24% and 12%, respectively.

C. Progress Towards Strategic Objectives

The regional program addresses transnational development problems through a strategy developed in consultation with our regional partners and derived from the Central Americans' own commitment to pursue sustainable development strategies into the next decade. We work in partnership with the bilateral USAID Missions; the organizations which implement activities funded by USAID; and other donors and NGOs working collaboratively in the region to achieve sustainable development goals. USAID/G-CAP has consulted extensively with the six other bilateral Missions in the region in developing its regional strategic objectives and program outcomes.

USAID's regional program is designed to have a significant impact transcending bilateral initiatives alone. Because regional programs by their nature are one step removed from people-level impact, USAID/G-CAP expects to be held accountable for results in policy reforms and harmonization, and in developing innovative approaches to solving development problems common in the region. Monitoring systems provide the data the Mission needs to manage for results.

In the past year, USAID-supported policy reforms contributed to a more open trade environment and greater access to regional markets as reflected in a 40% increase in trade with the rest of the hemisphere from 1992 to 1993, and 18% growth in intra-regional trade from 1993 to 1994. The region has increased its preparedness for participation in a free trade agreement with the approval of the Central American Convention on Trademarks and is moving toward an

improved policy and institutional framework for labor in the region.

USAID/G-CAP works in close partnership with Central American and U.S. institutions to prevent and reverse the serious deterioration of the natural resource base of the isthmus. Accomplishments under the environmental objective include more than 100,000 small to medium farmers undertaking reforestation activities, and the development and application of natural forest management techniques to up to 60,000 hectares of forest lands. A policy handbook or "Green Book" developed under the regional program has been used in five of the Central American countries to introduce policy incentives for sustainable resource management and conservation of biodiversity. With less than $100,000 per year in project funding, the RENARM-supported Central American Commission on Environment and Development (CCAD) spearheaded the development of the Alliance for Sustainable Development and the consequent CONCAUSA declaration. In general, the regional environmental program has made a significant contribution to furthering the efforts made by PVOs/NGOs in natural resource management and policy in the region.

USAID/G-CAP is directly supporting the trend towards decentralization and empowerment of local governments, through its RHUDO/CA Office. A policy and program agenda developed by USAID supported Central American Federation of Municipalities (FEMICA) on decentralization and local government strengthening efforts undertaken by all the key players in the municipal sector in 1994. USAID/G-CAP efforts focussed on expanding the revenue-generating capacity of local governments have also been successful as evidenced by the devolution of revenues derived from land taxes to local governments in Guatemala and Nicaragua. In Guatemala and Honduras, municipalities participate in national revenue sharing as well. A USAID loan guarantee which expanded availability of credit for municipal infrastructure through commercial banks has brought greater financial independence to more capable municipalities, in the region.

D. Summit of the Americas Initiatives and CONCAUSA

The regional program managed by USAID/G-CAP addresses a number of the specific initiatives under the Summit of the America's Plan of Action, and in particular provides strong support for the CONCAUSA Declaration and Action Plan which also was signed at the Miami Summit. Annex A contains a matrix showing how regional programs contribute to the Summit initiatives in the areas of democracy; participation; free trade; energy, biodiversity and environment; health and women.

FY 1996 - 1997
Regional Action Plan

II. PERFORNAMCE AND FUTURE STRATEGIC DIRECTIONS

May 1995

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II. PERFORMANCE AND FUTURE STRATEGIC DIRECTIONS

SO 1. Increased Central American Participation in the Hemispheric Economy

A. Strategic Objective Performance

Even with recent GDP growth of 3% to 4% annually across the region and an expansion of intra and extra-regional trade, economic growth in Central America has not been sufficient to ensure the social well-being of the majority of Central Americans, an estimated 54% of whom still live in poverty. The Mission therefore has focused activities under this strategic objective to promote **increased Central American participation in the hemispheric economy**. Becoming more integrated into the hemispheric economy through increased two-way trade is essential if Central America is to achieve adequate levels of economic growth and generate enough employment to meet the needs of its population, since historic economic performance has shown that focusing on production for the internal regional market is not sufficient to attain sustainable economic growth. Progress under this strategic objective is being measured by: 1) the existance of a trade policy framework consistent with the requirements for free trade agreement accession, 2) development of market-oriented policies supportive of freer intra-regional trade, and 3) the promotion of an improved policy and institutional framework for labor.

With the signing of CONCAUSA and the declarations of the Summit of the Americas, Central America expressed its clear commitment to becoming part of a hemisphere-wide trade agreement (or the Free Trade Agreement of the Americas) by 2005. This reaffirmed their commitment not only to trade liberalization and opening of its markets but also implicitly to strengthening protection of intellectual property rights, providing equal treatment to investors and meeting international standards for environmental and labor protection. In addition to the declarations made through CONCAUSA and the Summit of the Americas, the Central Americans also pledged during the Guacimo Presidential Summit to work together in negotiating free trade agreements, solidifying the regional political will to move forward on regional economic integration as it relates to participation in the global economy.

Reflecting the overall regional trend towards freer and expanded trade, Central American participation in the hemispheric economy showed a marked increase, with Central American trade with the rest of the hemisphere jumping from $12.2 billion in 1992 to $15 billion in 1993, a trend which is expected to continue for 1994. Two-way trade with the U.S., the region's most important trading partner, reached more than $11.7 billion in 1994.

The supportive policy environment for this strategic objective, established by CONCAUSA and the Summit of the Americas, was reflected in specific regional initiatives to open markets and liberalize trade. One such initiative is the recent proposal by El Salvador to lower the floor of the common external tariff, expanding the tariff range from 5-20% to 1-20%. Although this proposal initially received support from the other Central American countries, fiscal crises has led Costa Rica to temporarily raise their external tariff by 8%. Guatemala also

temporarily established a unified tariff rate of 10%, but now has returned to the 5-20% tariff range. USAID/G-CAP has supported the development of the regional dialogue through targeted analyses of the impact of external tariff modifications on effective protection rates, output, employment, prices, investment and fiscal revenue.

Other regional policy initiatives, related to intellectual property rights, model regional trade rules, and regulations for countervailing duties, **enhanced the region's preparedness for free trade negotiations**, through the development of reforms designed to clarify trade procedures and modify legislation in accordance with international and NAFTA standards.

Improving the protection of intellectual property rights in the region is a key issue in preparing for participation in a free trade agreement. Without guaranteed protection of patents, copyrights and trademarks based on a sound legislative framework and effective enforcement, trade and new investment in certain goods will be restricted as will access to free trade agreements. In 1994, four of the seven Central American countries approved the new Central American Convention on Trademarks (which still must be presented to each Congress for ratification), demonstrating their willingness to upgrade protection of trademarks to international standards. Further legislative reforms and improvements in enforcement will be based upon a recently-completed USAID/G-CAP assessment of intellectual property rights legislation and enforcement capacity in the region, as compared to international standards.

To **simplify and harmonize regional trade regulations**, USAID/G-CAP supported the drafting of model regional agreements on rules of origin, unfair trading practices and dispute settlement procedures, which, when adopted, will lead to improvements in the overall enabling environment for free trade. In addition, **more outward-looking market-oriented commercial and trade policies** have been adopted, including regional agreement in 1994 on more stringent requirements to trigger countervailing duties on imported items where unfair trade practices are alleged without corroborating evidence.

As the region prepares for participation in a hemispheric free trade agreement or sub-regional agreements, a key factor in its success will be **increased public and private sector cooperation and consensus** on required policy reforms. Towards this end, USAID supported SIECA and its private sector counterpart, the Central American Federation of Private Sector Institutions (FEDEPRICAP) on joint policy reform efforts and on the establishment of a private sector network of discussion committees covering key trade issues including investment, IPR, labor issues, and the environment.

Important steps have been taken not only towards creating a more supportive environment for inter-regional trade but for **intra-regional trade** as well. As of 1993, the Northern Tier countries of El Salvador, Guatemala, Honduras and Nicaragua had adopted a uniform customs form for intra-regional merchandise trade, which has sharply reduced bureaucratic impediments to trade. In addition, the Northern Tier countries also streamlined immigration procedures, stopped unnecessary police checks, simplified phytosanitary requirements and eliminated an assortment of border fees. This reduction in trade barriers has contributed to a major surge in

intra-regional trade, which grew 18%, from $1.2 billion in 1993 to $1.4 billion in 1994. While a part of this gain represents trade diversion, given the sharply reduced rates of external protection achieved in recent years, it is judged that the proportion of this gain representing trade diversion is minimal. The sharp growth in extra-regional trade corroborates this.

As inter and intra-regional trade has grown, so too has an awareness that this growth must not only be sustainable but equitable. As in the case of trade, the legal and regulatory framework is a determining factor in the ability of the labor force to participate in the benefits of economic growth. Based on a request from the Ministers of Labor, USAID/G-CAP conducted an analysis in 1994 of both regional labor legislation and how it compares to international standards and of national enforcement capacity. This analysis will form the basis for a strategic plan, involving the public, private and labor sectors, of how to **improve the policy and institutional framework for labor** in the region.

Increased attention of the Ministers of Economy on the Secretariat for Central American Economic Integration (SIECA) was also a positive policy change, leading to the naming of an interim reform-minded Secretary General and a change in the procedures used to name future Secretary Generals from being a political country-by-country rotation system to being a selection based on technical criteria and merit. However, the new selection system for SIECA's Secretary General has yet to produce a new leader, and SIECA, even with a strong leader, may still be plagued by administrative and management weaknesses, which have led to significant delays in project implementation.

Sustainability: As a strategic objective focused on policy reform, sustainability of program efforts will be assured through the creation of an enabling environment for economic growth with equity through trade. This enabling environment will be created by the ratification and passage of policy reforms combined with a focus on the effective implementation and enforcement of these reforms.

To strengthen the role of regional institutions, the Mission, while avoiding core support for regional public or private sector institutions, has established a closer relationship with the Ministers of Economy, rather than solely relying on an intermediary such as SIECA, to work together on policy reform and on establishing policy priorities. With mechanisms in place to ensure the implementation of the policy reform, which will be a new focus of our regional activities, the reforms are more likely to have the intended impact and produce sustainable economic growth.

Participation: The Mission has supported increased participation in the development and implementation of project activities, working more closely than before with the bilateral Missions, the Ministers of Economy, the private sector and the labor movement. For example, before a key analysis was begun of labor legislation and enforcement capacity in the region, the Mission and the project consultant met with representatives from labor unions in the region to hear their concerns and develop a mechanism for their participation in the study.

During the design of the new regional trade policy project, which will be the key means of reaching the strategic objective targets, the Mission developed a broad listing of regional partners (including the public, private, academic, labor and non-governmental sectors) and consulted with them extensively on project design and priorities to assure a close match between regional needs and proposed project components.

Donors: Although other donor activity in support of regional trade development is minimal, USAID/G-CAP maintains close contact with the most active donors (the Interamerican Development Bank, the European Union and the U.N.) to ensure complementarity in the design and implementation of present and future initiatives.

B. Future USAID Strategic Directions

Although the general policy environment for this strategic objective is positive, and in some cases backed up by the development of specific but as of yet un-implemented policy reforms, achievement of concrete results will require a regional political commitment to making and putting into practice tough policy choices in the face of protectionist sentiments and fear of international competition. Supporting policy implementation as well as targeted policy reform, therefore, will be a key component of new regional activities in this area.

Mission evaluations, including a recently-completed evaluation of SIECA and the Economic Policy Research Project, of the impact of past and present regional project activities pointed to negligible impact due to the production of numerous studies covering a range of topics with limited follow-up. Beginning in early 1994, the Mission began to target project interventions in areas directly related to the strategic objective and where there was a clear commitment for follow-through. This reorientation of Mission activities, including a sharper focusing on results, will be continued in the design and implementation of the Regional Trade Policy Project, scheduled for obligation in FY 1995.

The key challenges the Mission will confront in the Regional Trade Policy Project, in accordance with the requirements for participation in free trade agreements, are: 1) improving the protection of intellectual property rights; 2) establishing the basis for a sound policy framework for the participation of labor in the benefits of growth; 3) promoting trade liberalization consistent with the Uruguay Round of the GATT; and 4) improving the investment climate.

In **intellectual property rights**, over the next two years, we expect the Central American legislatures will ratify the Central American Convention on Trademarks, and the executive branches will reach consensus on regional conventions for the protection of patents and copyrights, that fulfill international standards. Several Central American countries should reach agreement with the U.S. on bilateral intellectual property rights treaties.

Regarding **labor legislation**, national codes will be harmonized and simplified in key areas to provide adequate protection for internationally recognized worker rights and advances

should be achieved toward their enforcement. Moreover, a constructive and participatory regional dialogue on labor market competitiveness issues and social development will be in full swing.

To increase **trade liberalization**, regional agreement is expected in lowering the number of products protected with intra-regional tariff and non-tariff barriers and in reducing non-tariff barriers to expanded extra-regional trade.

To **improve the investment climate**, a model Central American investment code or similar legislation will be drafted to serve as a tool to upgrade national investment legislation. It is anticipated that several countries in the region will sign bilateral investment treaties with the U.S. over the next two years.

Further improvements in the regional trade policy framework will contribute to continued improved trade performance of the region. Central American exports to the rest of the hemisphere as a percentage of GDP are expected to increase from 15.7% in 1993 to 16.5% in 1996. Central American intra-regional trade as a percentage of GDP is expected to rise as well, from 3.3% in 1993 to 3.6% in 1996. Such gains will most likely be greatly exceeded should the U.S. adopt the Caribbean Basic Trade Security Act. With increased trade, total employment and real incomes are expected to rise. These trends should be reflected in noted increases in average real wages in Central America.

Recent developments which could tend to dampen future trade expansion prospects for Central America include the stalling of trade talks between the Northern Tier countries and Mexico, and of separate negotiations between Nicaragua and Mexico resulting from recent political and economic instability in Mexico. The withdrawal by the U.S. executive branch of the Interim Trade Program, which would have provided CBI countries certain trade benefits similar to those enjoyed by Mexico under NAFTA, caused major concerns in trade circles in Central America regarding possible trade and investment diversion from Central America to Mexico. The region is closely following discussions in the U.S. Congress on the recently proposed Caribbean Basin Trade Security Act (the Crane-Gibbons Bill). Its passage would substantially improve prospects for major regional trade gains.

Modifications to the S.O.: New performance indicators have been developed at the Strategic Objective level. They are Central American trade with the Western Hemisphere as a percentage of GDP, and a composite score on readiness measures which indicate a country's readiness for participation in a free trade agreement. Statements of Program Outputs have been refined and targets have been set for all indicators at the Program Outcome level.

REGIONAL Objective Tree

Strategic Objective: S.O. # 1 – Increased Central American Participation in the Hemispheric Economy

Performance Indicator:
1) Central American Trade with the Western Hemisphere as percentage of GDP
2) Composite Score on Readiness Indicators

Program Outputs	1.1 Preparation for Participation in Free Trade Agreements	1.2 Trade-creating Central American Integration	1.3 Improved policy and institutional framework that facilitates greater labor participation in the benefits of growth
Program Output Indicators	1) Upwardly harmonized investment codes 2) Upwardly harmonized legislation for the protection of intellectual property rights 3) Upwardly harmonized environmental legislation	1) Intra-regional trade as a percentage of GDP 2) Product categories not eligible for intra-regional free trade	1) Upwardly harmonized labor codes in the region developed with input from labor, private and public sectors
Projects	596-0147 Economic Policy Research 596-0162 Reg. Development Support 596-0176 C. A. Development Coordination Commission 596-0178 Regional Trade Policy and Economic Integration 596-0180 PROARCA	596-0147 Economic Policy Research 596-0162 Reg. Development Support 596-0177 Partnership for Democracy and Development 596-0178 Regional Trade Policy and Economic Integration	596-0147 Economic Policy Research 596-0162 Reg. Development Support 596-0177 Partnership for Democracy and Development 596-0178 Regional Trade Policy and Economic Integration

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TABLE 2.1: STRATEGIC OBJECTIVE PERFORMANCE

Regional

USAID STRATEGIC OBJECTIVE NO. 1 Increased Central American Participation in the Hemispheric Economy

Indicator: Central American trade with the Western Hemisphere as a percentage of GDP

Unit: Percentage		Year	Planned	Actual
Source: USAID/G-CAP calculations based on IMF Direction of Trade Statistics and national GDP data in current dollars	Baseline	1993	---	15.7%
Comments: Projections are based on an increase of one quarter of a percent annually for the first three years and one half of a percentage point thereafter in the relationship between Central American exports to the Western Hemisphere and GDP. For the purposes of this calculation, intra-regional Central American trade is not included. Since 1990, hemispheric exports as a percentage of GDP has varied from 9% to 15%. Hemispheric trade data for 1994 is not yet available.		1994	16.0%	N/A
		1995	16.25%	
		1996	16.5%	
		1997	17.0%	
		1998	17.5%	
		1999	18.0%	
	Target	2000	18.5%	

Indicator: Composite score on readiness indicators

Unit: Average of Central American countries' score		Year	Planned	Actual
Source: USAID/G-CAP staff calculations	Baseline	1992	--	2.7
Comments: This indicator is based on a methodology developed by the Institute for International Economics that is a composite of objective and subjective scores on seven factors: 1) price stability, 2) budget discipline, 3) external debt, 4) currency stability, 5) market-oriented policies, 6) reliance on trade taxes and 7) functioning democracy. Countries are scored on a scale of 0 to 5, with 5 being the most ready for participation in a free trade agreement. As a point of reference, the U.S. received a score of 4.7 in 1992, while Mexico received a score of 3.9.		1993	--	N/A
		1994	2.8	
		1995	2.9	
		1996	3.0	
		1997	3.1	
		1998	3.2	
		1999	3.3	
	Target	2000	3.4	

PROGRAM OUTPUT NO. 1.1 Trade policy framework consistent with that required for free trade agreement accession

Indicator: Upwardly harmonized investment codes

Unit: Number of countries that have negotiated and implemented bilateral investment treaties with the U.S.		Year	Planned	Actual
Source: USTR	Baseline	1993	--	--
Comments: The goal by the year 2000 is that all 6 Central American countries have signed and implemented a bilateral investment treaty or its equivalent with the U.S. This will demonstrate their readiness to accept commercial dispute resolution procedures and national treatment of foreign investment, which are components of a bilateral investment treaty and requirements for entering into a free trade agreement with the U.S.		1994	--	0
		1995	0	
		1996	1	
		1997	2	
		1998	3	
		1999	4	
	Target	2000	6	

Indicator: Upwardly harmonized legislation for the protection of intellectual property rights

Unit: Number of countries that have negotiated and implemented a bilateral intellectual property rights treaty with the U.S.		Year	Planned	Actual
Source: USTR	Baseline	1993	--	--
Comments: The goal by the year 2000 is that all 6 Central American countries have signed and implemented a bilateral intellectual property rights treaty or its equivalent with the U.S. This will demonstrate their readiness to provide adequate protection to national and foreign patents, copyrights and trademarks, which is a pre-requisite for entering into a free trade agreement with the U.S.		1994	--	0
		1995	0	
		1996	1	
		1997	2	
		1998	3	
		1999	4	
	Target	2000	6	

Indicator: Upwardly harmonized environmental legislation				
Unit: Percent of harmonization		Year	Planned	Actual
Source: ENR/PROARCA	Baseline	1993	--	--
Comments: Environmental legislation should be fully harmonized in key areas by 2000. Interim targets have been developed showing the percent of harmonization, which will be measured based on an analysis of the extent to which each country has implemented the changes in their national legislation in key areas. These key areas will be identified by mid-1995 as a result of a regional baseline study which is being done comparing national environmental legislation with NAFTA requirements, U.S. legislation and international conventions.		1994	--	--
		1995	0	
		1996	20%	
		1997	40%	
		1998	60%	
		1999	80%	
	Target	2000	100%	

PROGRAM OUTPUT NO. 1.2 Market-oriented policies supportive of freer intra-regional trade				
Indicator: Intra-regional trade as a percentage of GDP				
Unit: Percentage		Year	Planned	Actual
Source: USAID/G-CAP calculations based on SIECA	Baseline	1993	---	3.3%
Comments: Projections are based on intra-regional trade as a percentage of regional GDP increasing by 1/10th of a percent annually. The GDP and intra-regional trade of Panama, Nicaragua, Costa Rica, Honduras, El Salvador and Guatemala are included in these calculations. Intra-regional trade figures are based on each country's exports (FOB) to other trading partners within the region.		1994	3.4%	3.4%
		1995	3.5%	
		1996	3.6%	
		1997	3.7%	
		1998	3.8%	
		1999	3.9%	
	Target	2000	4.0%	

Indicator: Product categories not eligible for intra-regional free trade				
Unit: Number of product categories		Year	Planned	Actual
Source: Ministries of Economy	Baseline	1993	--	11
Comments: The product categories that are excluded from duty-free treatment for intra-regional trade (either within the entire region or between pairs of countries) include processed and unprocessed coffee, sugar, petroleum products, wheat flour, ethyl alcohol, alcoholic beverages, tobacco, cigarettes and matches. Projections show the number of product categories not eligible for intra-regional free trade being reduced by one category every two years, since it is likely that some products will always receive protection.		1994	11	11
		1995	10	
		1996	10	
		1997	9	
		1998	9	
		1999	8	
	Target	2000	8	

PROGRAM OUTPUT NO. 1.3 Improved policy and institutional framework that facilitates greater labor participation in the benefits of growth				
Indicator: Upwardly harmonized labor codes in the region developed with input from labor, private and public sectors				
Unit: Percent of harmonization		Year	Planned	Actual
Source: CRAS	Baseline	1993	---	0%
Comments: All labor codes should be fully harmonized by 1998. Interim targets have been developed showing the percent of harmonization, which will be measured based on an analysis of the extent to which each country has implemented specific recommendations of the labor code baseline study, which is expected to be completed in mid-1995.		1994	---	0%
		1995	0%	0%
		1996	20%	
		1997	40%	
		1998	60%	
		1999	80%	
	Target	2000	100%	

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SO 2. Effective Stewardship of Key Natural Resources

A. Strategic Objective Performance

As stated in last year's Action Plan, the Mission will continue to focus on the challenge of addressing region-wide environmental decline by fostering the unified concept of a "biological corridor" through Central America. However, various factors have led to significant modifications of the strategic objective framework. Preeminent among these factors was the signing of the CONCAUSA declaration by President Clinton and the heads of state of all Central American countries last December. CONCAUSA has a pronounced focus on protecting the region's natural resource base, including coastal areas, and improving environmental conditions, especially as they relate to urban pollution threats. In addition, the emergence over the last five years of bilateral projects that support the establishment and operation of protected areas, required a redefinition of the role of the regional program vis-á-vis related issues. Furthermore, the findings of the external evaluation of the RENARM Project and extensive consultations with representatives of bilateral missions and AID/W, led USAID/G-CAP to conclude RENARM should be terminated in 1995, and a new environmental project, as well as new energy and urban pollution activities, should be designed based on a redefined strategic objective.

The Mission continues to support the Agency goal of Protecting the Environment. In order to reflect the factors cited above, its Strategic Objective has been rephrased from **Environmentally Sound Natural Resource Management** to **Effective Stewardship of Key Natural Resources.** The details of this change, including a discussion of the new performance and program output indicators, are discussed below in Section B. However, for the purposes of this year's Action Plan and to facilitate reporting on progress over the past year, reporting in this narrative will be against the indicators cited in last year's Action Plan.

At the strategic objective level, we had proposed two indicators to measure progress: 1) **reduction of deforestation trends in selected areas**; and 2) **maintenance of indicator species at viable population levels in selected sites**. However, since in the first case data was only to be collected every two years, we are unable to provide an update from last year, at which time we only reported data from the Maya Biosphere Reserve. In the second case, it was determined that such measurement was not feasible on a regionwide basis. In both cases, the redefinition of the Regional ENR strategic objective-- especially the focusing of all field activities in just a few areas of regional importance and catalytic potential--and the fact that previous baselines had not been established argue against measuring the status of these indicators in RENARM Project areas at a point when the Project is ending.

While the Mission is revising its Program Outputs as described in Section B, progress has been made relative to the strategic framework outlined in last year's Action Plan and linked to the soon-to-terminate RENARM Project. Many of these achievements will be built upon under the new PROARCA Project, as well as new urban pollution and energy activities that will also support the revised SO. Relative to each of the previously established Program Outputs, these achievements include:

a) **People employing more sustainable land use practices**:

* Over 20,000 Central American farmers are planting multi-purpose, fast growing trees through CATIE's forestry extension network, thereby reducing the need to harvest from protected areas. Experts estimate that with a conservative multiplier effect of 5, more than 100,000 small and medium farmers have begun reforestation activities as a result of this RENARM-funded activity.

* CATIE has developed techniques to make natural forest management a more viable alternative to other competing but destructive uses. At the 20 forest research sites throughout Central America, CATIE's program covers over 12,000 hectares, and a spread effect of 4 to 5 times that amount can be expected as the demand for TA services by forest land owners far exceeds our capacity to respond. Economic data is being developed which demonstrates Internal Rates of Return of 34% when natural forest management techniques are applied. The effort is leveraging other donors to further disseminate natural forest management, including the COSUDE (Swiss) and OLAFO (Nordics) programs.

* The independent evaluation of RENARM cited the adoption by participating small farmers of new techniques in Integrated Pest Management, as well as a positive economic impact, especially among melon, snow pea and coffee producers. There is evidence that the CATIE and Pan American School (Zamorano) IPM programs have reduced chemical contamination of the environment and of agricultural products as well as reduced pesticide-related threats to human health throughout the region.

b) **Policy/market incentives for sustainable resource management and conservation of biodiversity**:

* The policy handbook or "Green Book" was initially tested in Belize, Honduras, Guatemala, Costa Rica and El Salvador to introduce participants to policy analysis and participatory approaches in applying the book. In Honduras, CARE is using the Green Book successfully in its national institutional strengthening and strategic planning program. In Guatemala the Green Book was applied in rewriting national forestry legislation and in Costa Rica, the Green Book has been applied in improving the country's forestry law and in designing a management approach for the Gulf of Nicoya. The World Bank and IDB have requested copies and training in Green Book application.

* Markets have been identified for non-timber and secondary forest products to make the natural forest management alternative financially attractive through

sustainable harvesting of lessor known species. Markets are being developed in the U.S., Mexico and the Caribbean for tree species such as Callophilum brasilience (Santa Maria) and Brosimun alicastrum (Ramon).

c) **Public and private institutions playing more effective and sustainable roles in support of natural resource management**:

* The Central American Commission on Environment and Development (CCAD), created under the RENARM project and receiving less than $100,000 per year in project funds, has spearheaded the development of the Alliance for Sustainable Development, involving all 7 Central American countries, and the consequent CONCAUSA Agreement which lays out the environmental policy agenda for the region. The CCAD, through its leadership role in the Alliance, is engaged in the development of a regional environmental strategic plan to solicit and program resources from the Global Environmental Fund, the IDB/Multilateral Investment Fund and other donors for regional initiatives.

* The Nature Conservancy Fellowship Program has supported the specialized training of NGO administrators and masters degree students. This activity has strengthened the leadership of existing CA NGOs to insure the sustainability of local natural resource management inherent in the SO, as have the Masters and B.S. level programs at CATIE and the Zamorano in natural resource management which have been up-graded and become more environmentally oriented.

* Through G-CAP support, CATIE has expanded and diversified its financial base, and was extremely active in 1994 in seeking alternative donors to supplement and eventually replace the USAID financing of its sustainable agricultural and forestry programs. Non-USAID donors and other income now account for more than 75% of the institution's yearly operational costs.

Participation: The RENARM project has made a significant contribution to furthering the environmental efforts being made by PVOs/NGOs by intensifying their involvement and experience in natural resource management and policy. By strengthening local NGOs, RENARM has created a far more participatory process for setting national agendas in those areas in which the project is active; workshops in five participating Central American countries underscored the need to be as inclusive as possible in policy development. PROARCA will continue application of the Green Book and place strong emphasis on the process of developing regionally harmonized environmental laws and standards, including the establishment of local public fora involving stakeholders to provide direct input into decision making for each of the coastal and terrestrial protected areas selected under the Project.

Donors: Successful efforts were made to assure the sustainability of CATIE, through expanding donor support for the Institution's four main components. The Nordics have responded with increased funding for CATIE's Masters program, and a proposal was developed

with RENARM TA for an additional $5 million to cover CATIE's Madaleña (forestry) project. The Nordics have joined USAID in provided support to CCAD which is increasingly recognized as the key regional institution for channeling donor support for natural resources. The European Union recently channeled through CCAD an $11 million project for sustainable agriculture in Central America. USAID/G-CAP has been discussing the potential of leveraging up to $25 million from the Multilateral Investment Fund for environmental infrastructure in Central America to support the new environmental pollution component of PROARCA. USAID/G-CAP collaborates closely with the Germans and Nordics in integrated pest management, and with the Swiss and the Finns in forestry and agro-forestry.

B. Future USAID Strategic Directions

As cited above, changing circumstances in Central America and within the Agency and Mission have led us to revise the statement of our regional environmental strategic objective to **Effective Regional Stewardship of Key Natural Resources**. This wording better characterizes the scope and breadth of our projects and their expected impact.

Specifically, the new flagship project, PROARCA, will continue regional environmental work in biodiversity through a geographically focused program designed to produce a strengthened system of parks and protected areas. The system will include both terrestrial and a new concentration on coastal and marine areas of high biological significance to the region, again in response to CONCAUSA. Additionally, a new strategic direction will be initiated in reaction to the growing need to develop and enforce appropriate environmental regulations, policies, laws and norms to address the to reduce contamination of the region's natural resource base from urban and agricultural pollution. To a large extent, the future strategic directions grow out of successful activities under RENARM; in all cases they are intended to be the mechanisms through which the Mission supports the implementation of the environmental accords reached through CONCAUSA. Interventions will be strategic and catalytic in a effort to leverage and provide substantive direction to the growing donor resources committed against environmental issues in Central America.

In FY 1995, the Mission will amend the Local Government Regional Outreach Strategy (LOGROS) Project, within existing LOP levels, to incorporate specific pilot initiatives at the community level into the Project's technical/problem solving component to address environmental issues through the development and implementation of local environmental action plans. Assuming planned levels of environmental directives are allocated to the Regional Program, LOGROS will carry out pilot projects through municipalities and communities in selected watersheds impacting on key natural resources. The Mission has submitted an EIA proposal to USAID/W for FY 1995 funding to accelerate this initiative and take advantage of momentum generated by preliminary urban environmental activities started by the RHUDO through LOGROS and Global Bureau funding. Numerous municipalities and community-based organizations have already approached RHUDO with requests for assistance to address solid waste management, drainage/soil erosion, water quality, water and sewage treatment, industrial and agro-industrial waste, and renewable energy problems. Municipalities and communities will

be selected as "pilots" to demonstrate the viability and replicability of a community-based approach to sound urban environmental management through the development and implementation of local environmental action plans.

The need for reliable energy sources prompted Central American governments to include energy as one of three priority items within the CONCAUSA declaration. The declaration committed U.S. resources to promote the use of indigenous renewable energy resources, increased energy efficiency, increased participation of the private sector in the energy sector, training to support all of the above, and other items of interest to the signatories of the agreement. USAID/G-CAP with the support from G/ENV/EET and in close coordination with the Central American countries, will implement activities in response to CONCAUSA, helping to address the severe energy crisis throughout the region. Expected activities include granting several conditional loans/grants to conduct pre-investment studies of proposed renewable energy projects, completing a number of pre-investment studies, assisting in brokering partnerships between U.S. and Central American industries to perform the pre-investment studies and proceed to develop the projects, and identifying and addressing training needs through a number of workshops and seminars to address such needs.

Modifications to the S.O.: The proposed S.O., **Effective Regional Stewardship of Key Natural Resources [in Support of Sustainable Development in Central America]**, was developed in consultation with bilateral missions and LAC. The term, "stewardship" implies management that protects and maintains the natural resource base, while at the same time fostering sustainable development of the region's resources through encouraging land use practices which are compatible with the needs of the population and within the limits of the ecological carrying capacity of the region. The word, "key" implies that activities will be focused both geographically and substantively on resources of highest value and significance to the region. It also implies that activities will be strategic and catalytic, i.e., that they will be chosen for maximum regional impact and for their ability to leverage and provide solutions and direction to the significantly larger pool of bilateral and multilateral assistance programs. Natural resources is taken in the full sense of the word to mean, the region's biodiversity, vegetation, soil, water and air - the basic elements for sustainable growth. Performance at the S.O. level will be measured based on **deforestation trends in selected areas**, including those designated as focus areas for PROARCA-funded on-the-ground activities and those which receive ad hoc technical support as part of a regional system of priority protected areas. A second performance indicator will be a measure of **degradation of selected coastal and watershed resources**, either through measure of water quality or wildlife populations. Five program outputs are defined: 1) **improved management of a regional system of protected areas and buffer zones**, through developing and implementing plans to protect the region's cross-border parks of highest value and promoting compatible land use practices in the surrounding buffer zones, and through supporting national systems as part of a regional network; 2) **improved management of key coastal areas** will be promoted through similar approaches; 3) **environmental regulations and policies that effect key natural resources will be harmonized and enforcement strengthened** through the execution of technical and management risk assessments, support to a participatory process of identifying critical problems and the

actions required to address them, and assistance related to legal/policy/regulatory frameworks; 4) through the empowerment of local governments and communities to play a greater role in development issues, including the prevention of further environmental degradation of the natural resource base, the Mission expects to support **replicable community-based solutions adopted and implemented to reduce contamination of the natural resource base from urban waste**; 5) **increased utilization of renewable energy, enforcement of energy efficiency measures, and private sector participation in the energy sector** will be encouraged through the execution of the four components of the Renewable Energy Program for Central America. Details as to the indicators for these program outputs are reflected in the tables attached to this section of the Action Plan.

Discrimination and a renewal of cultural identity mark the story of Alba Gudela Huex Chan, an indigenous Maya-Itza woman, living in Peten, Guatemala. As a result of The Nature Conservancy's initiative under the MAYAFOR small grants project, Alba Huex has recaptured her indigenous identity and taken on the mission of reactivating the Maya-Itza traditional knowledge about management of natural resources for all Maya-Itza women in Peten.

Alba Gudela Huex Chan was born in San Jose Peten, the third of six daughters. In a family tradition, spanning ten generations, Alba lived in the forest community of El Quetz, a completely self-sufficient, matriarchal society, until her father moved the family to San Jose when she was 10.

Upon entering the public primary school, the Huex children were beaten for speaking Itza. The family ceased speaking the Itza language and prohibited the practice of all Itza traditions as a defense against this repression.

This duality became apparent to Alba when, while studying to be a primary school teacher, she joined the Ixchel Peten/Women's Group. With funding and technical support from the USAID supported small grants project, Alba became Ixchel's Executive Coordinator for the Captive Breeding Project (tepesquintle). Her affiliation with the Ixchel group helped her to re-establish her connection with Itza culture and philosophy - their appreciation of nature and vision of the universe. The dissemination of this knowledge to other indigenous women has become her mission.

REGIONAL Objective Tree

Strategic Objective: S.O. # 2 – Effective Regional Stewardship of Key Natural Resources

Performance Indicators:
1) Deforestation Trends in Selected Protected Areas
2) Reduced Degradation of Selected Coastal Areas and Watershed Resources

Program Outputs	2.1 A Regional System of Protected Areas and Buffer Zones Established	2.2 Improved Management of Selected Regional Coastal Resources and Contributing Watersheds	2.3 Improved Enforcement of Harmonized Environmental Regulations and Policies that Control Contamination of Key Natural Resource Areas	2.4 Replicable Community-based Solutions Adopted and Implemented to Reduce Contamination of the Natural Resource Base from Urban Waste	2.5 Increase Utilization of Renewable Energy Enforcement of Energy Efficiency Measures and Private Sector Participation in the Energy Sector
Program Output Indicators	1) Park and protected area (PPA) borders of selected areas established and protected 2) Financial self-sufficiency of selected parks and protected areas 3) Economic incentives and policies in support of PPA are in place and operating	1) Number of marine parks established 2) Financial self-sufficiency of marine parks	1) Legislation adopted to address key threats 2) Increase in the number of enforcement actions (administrative and judicial)	1) Number of communities adopting and implementing these community-based solutions 2) Capital invested in implementing and replicating these community-based solutions	1) Increased investment in renewable energy projects 2) Increased public awareness and knowledge of renewable energy sources and use 3) Increased awareness, knowledge and implementation of energy efficiency measures 4) Countries have enforced demonopolization policies and adopted enabling legislation and policies in energy sector that encourage private sector participation in energy investment
Projects	596-0180 PROARCA 598-0780 Environment Support 936-5554 Biodiversity Support	596-0180 PROARCA 598-0780 Env. Support Parks in Peril	596-0180 PROARCA	596-0167 LOGROS	936-5746 Commercial Applications of Renewable Energy Technologies (CARET)

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TABLE 2.2: STRATEGIC OBJECTIVE PERFORMANCE

Regional				
USAID STRATEGIC OBJECTIVE NO. 2 Effective Regional Stewardship of Key Natural Resources *				
Indicator: Deforestation trends in Selected Protected Areas.				
Unit: Km^2 of forest land conserved (compared to trend)		Year	Planned	Actual
Source: Satellite and low altitude aerial photography of trends in PROARCA focus areas.	Baseline	1993[1/]	1,700	3,400
Comments: Selected protected areas have been tentatively identified with bilateral missions. Prior to the submission of this Action Plan to AID/W, an illustrative list of areas to be monitored as part of this indicator will be designated. Baseline information on these areas will be collected as part of the PROARCA monitoring component.		1994	2,400	
		1995	3,100	
		1996	4,000	
		1997	5,200	
		1998	6,500	
		1999		
	Target	2000		
Indicator: Reduced Degradation of Selected Coastal Areas and Watershed Resources				
Unit: Percentage Change in population of indicator species in selected areas		Year	Planned	Actual
Source: Water quality monitoring under PROARCA	Baseline	1996		
Comments: PROARCA will establish indicator species monitoring baselines in each selected coastal and marine area.		1997		
		1998		
		1999		
	Target	2000		

* *Note that all indicators for this S.O. are new, based on the revised direction of the Mission's E/NR activities and consistent with CONCAUSA priorities. Therefore, some indicators must be considered draft pending final design of the PROARCA project and EIA decisions, and the establishment of most baselines will require analysis to be carried out as part of the start-up of new activities.*

PROGRAM OUTPUT 2.1 A regional system of protected areas and buffer zones established				
Indicator 2.1.1: Park and protected area (PPA) borders of selected areas established and protected				
Unit: % of PPA where boarders are protected.		Year	Planned	Actual
Source: PPA monitoring under PROARCA	Baseline	1996	---	
Comments: Without borders clearly established and protected, PPA managers are unable to control illegal trafficking and use within PPA boundaries. Protection will be defined by PPA boarders that are patrolled on a regular basis.		1997		
		1998		
		1999		
	Target	2000		
Indicator 2.1.2: Financial self-sufficiency of selected parks and protected areas				
Unit: % of PPA operating costs derived from user fees, taxes, and concessions.		Year	Planned	Actual
Source: PROARCA monitoring of budgets from selected PPAs	Baseline	1996		
Comments:		1997		
		1998		
		1999		
	Target	2000		

* *Note that all indicators for this S.O. are new, based on the revised direction of the Mission's E/NR activities and consistent with CONCAUSA priorities. Therefore, some indicators must be considered draft pending final design of the PROARCA project and EIA decisions, and the establishment of most baselines will require analysis to be carried out as part of the start-up of new activities.*

Indicator 2.1.3: Economic incentives and policies in support of PPA are in place and operating				
Unit: Number of policies adopted at national level in fulfillment of policy agenda.				
Source: PROARCA monitoring of policy agenda		Year	Planned	Actual
Comments: Policy agenda will be based on policy work under RENARM in developing the Green Book and further refined by PROARCA.	Baseline	1996		
		1997		
		1998		
		1999		
	Target	2000		

PROGRAM OUTPUT 2.2 Improved management of selected regional coastal resources and contributing watersheds				
Indicator 2.2.1: # of marine parks established				
Unit: # of marine parks established within areas selected under PROARCA		Year	Planned	Actual
Source: PROARCA monitoring component	Baseline	1995	---	TBD
Comments: Baseline will be available prior to submission based on assessment of actual marine parks status in consultation with bilateral missions.		1996		
		1997		
		1998		
		1999		
	Target	2000		

Indicator 2.2.2: Financial self-sufficiency of marine parks				
Unit: % of park derived from user fees and taxes.		Year	Planned	Actual
Source: PROARCA monitoring of marine park budgets.	Baseline	1996		
Comments:		1997		
		1998		
		1999		
	Target	2000		

PROGRAM OUTPUT 2.3 Improved enforcement of harmonized environmental regulations and policies that control contamination of key natural resource areas

Indicator 2.3.1: Legislation adopted to address key threats

Unit: Number of laws governing priority contamination		Year	Planned	Actual
Source: PROARCA monitoring component. Baseline FEDEPRICAP study matrix of Central American environmental legislation.	Baseline	1996	---	
Comments: PROARCA through the network of environmental professionals, will fund an information data base which will include environmental legislation. Priority contamination will be determined through a regional comparative risk assessment.		1997		
		1998		
		1999		
	Target	2000		

Indicator 2.3.2: Increase in the number of enforcement actions (administrative and judicial)

Unit: Number of enforcement actions in selected contamination areas		Year	Planned	Actual
Source: CONAMAs and other responsible government institutions surveyed to obtain baseline numbers of enforcement actions	Baseline	1996		
Comments: PROARCA will develop baseline information and track progress in enforcement through its monitoring component. We anticipate that there will be an increased number of enforcement actions before compliance becomes the norm and enforcement actions decrease.		1997		
		1998		
		1999		
	Target	2000		

PROGRAM OUTCOME 2.4 Replicable community - based solutions adopted and implemented to reduce contamination of the natural resource base from urban waste.				
Indicator 2.4.1: Number of communities adopting and implementing these community based solutions.				
Unit: Number of community based solutions implemented		Year	Planned	Actual
Source: Professional knowledge with input from FEMICA and national municipal associations	Baseline	1996	2	
Comments: We anticipate 20 communities to adopt and implement community based solutions addressing contamination from urban waste.		1997	4	
		1998	8	
		1999	2	
	Target	Total	20	

Indicator 2.4.2: Capital invested in implementing and replicating these community based solutions.				
Unit: Amount of capital invested in community based solutions		Year	Planned	Actual
Source: Professional knowledge with input from financial intermediaries and donors	Baseline	1996	$0.8M	
Comments: We anticipate that $6.0 million will be invested in communities implementing and replicating community based solutions to address contamination from urban waste.		1997	$1.2M	
		1998	$3.2M	
		1999	$0.8M	
	Target	TOTAL	$6.0M	

PROGRAM OUTPUT 2.5: Increase Utilization of Renewable Energy, Enforcement of Energy Efficiency Measures and Private Sector Participation in the Energy Sector				
Indicator 2.5.1: Increased investment on renewable energy projects				
Unit: # MW projects of R.E. identified and developed		Year	Planned	Actual
Source: Records of IFREE, EEF and Solar Foundation	Baseline	1996		
		1997		
		1998		
	Target	1999		
Indicator 2.5.2: Increased public awareness and knowledge of renewable energy sources and use				
Unit: # of seminars, workshops and training sessions (participant hours)		Year	Planned	Actual
Source: Records of IFREE, EEF and Solar Foundation	Baseline	1996		
Comments:		1997		
		1998		
		1999		
	Target	2000		

Indicator 2.5.3: Increased awareness, knowledge, and implementation of energy efficiency measures				
Unit: Savings ($) derived from energy efficiency measures		Year	Planned	Actual
Source: Records of the utilities	Baseline	1996		
Comments		1997		
		1998		
		1999		
	Target	2000		

Indicator 2.5.4: Countries have enforced demonopolization policies and adopted enabling legislation and policies in the energy sector that encourage private sector participation in energy investment				
Unit: # of contracts negotiated between utilities and private sector		Year	Planned	Actual
Source: CONCAUSA commitments tracking system.	Baseline	1996		
		1997		
		1998		
		1999		
	Target	2000		

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SO 3. Policy Framework Established in Central America Supportive of More Effective and Democratic Local Government

A. Strategic Objective Performance

The Mission's strategic objective of promoting a **Policy Framework Established in Central America Supportive of More Effective and Democratic Local Governance** is focussed on creating the enabling environment for more responsive local government and more effective participation of individuals in the political, social and economic development of their community and nation. This enabling environment will provide both the opportunity and incentive for citizens, particularly the historically disadvantaged, to participate in the identification and resolution of problems at the local level. When citizens can participate effectively in this decision-making process, whether individually or through civil society organizations, the foundation for sustainable democracy exists. Progress in attaining the strategic objective is being measured by the adoption of legislation which (a) devolves a broader range of fiscal and administrative authorities to local governments, giving citizens greater access to the decision-making process, and (b) provides for enhanced mechanisms for citizen participation in local government, such as the direct election of mayors by the citizenry.

As Central America struggles to address the social and economic inequities that led to the tremendous human and economic casualties of the 80s, public officials and civil society are increasingly looking to **empowering local government** as a means for strengthening the democratic process and improving citizen participation. USAID/G-CAP's program of assistance is helping to accelerate this process, by providing timely inputs to the public policy/legislative processes as they unfold in each country. USAID assistance to the Federation of Central American Municipalities (FEMICA), and through this entity to the national associations of municipalities, helped municipal authorities and legislators in Nicaragua and Costa Rica to formulate legislative proposals to provide for the **direct election of mayors**. The reform proposal for Nicaragua was enacted in 1995, and is expected to be enacted in Costa Rica prior to the termination of the current legislative session. Additionally, although not attributable to USAID/G-CAP efforts but as a by-product of regional governance events, a similar reform proposal providing for the direct election of mayors was enacted and implemented in Panama in 1994.

Sustainability: Empowerment of local governments and the communities that comprise these smaller geographic units must, however, be based on an **expanded financial base for local governments and the true devolution of authority over key decisions**. Per capita revenue of local governments in the region ranged from $5.95 in El Salvador to $22.04 in Costa Rica, which although skewed due to higher per capita revenue levels of the capital cities, provide a woefully inadequate base for improving and expanding local services.

As a result, USAID/G-CAP efforts have focussed on expanding the revenue-generating capacity of local governments. The administration and revenues derived from the land tax were recently devolved to local governments in Guatemala (1994) and Nicaragua (1995), with similar

proposals under discussion in the legislatures in Costa Rica and El Salvador. In Guatemala, local governments share of the national budget was increased from 8 to 10% and, beginning in 1996, municipalities will also share a portion of the value added tax (1%). Municipalities in Honduras already participate in revenue sharing, as well as in the proceeds from a property tax, based on support from previous USAID projects.

Parallel to these efforts, USAID is working closely with the Central American Bank for Economic Integration (CABEI) and other donors such as the IDB to expand the **availability of credit for municipal infrastructure**. Commercial banks in Guatemala and Costa Rica have agreed to participate in a lending program for municipal infrastructure established with CABEI resources and a USAID loan guaranty. More than 20 projects, all benefitting below-median income families, are in the final stages of analysis. Once institutionalized, municipal access to loan financing will significantly enhance local initiative and provide the municipalities with greater financial independence.

Participation: Pilot activities addressing constraints to the **decentralization of key services**, in conjunction with regional governance events, have also contributed to reforms devolving administrative authority over water and education in Nicaragua (1994), giving municipalities a role in the naming of teachers in Guatemala (1995), and in six municipalities being given authority for management of a potable water distribution system in El Salvador (1995). These pilot projects, as well as the infrastructure projects being developed for the CABEI loan program, have all been undertaken with the extensive participation of local communities in both the identification of problems and their solution. Criteria for loan approvals, in fact, require that local community groups not only participate in the identification of the project, but also in a discussion of the financing arrangements and commitment of the local citizens to share in the cost of the project, whether through users fees or special assessments.

Donors: Special emphasis is given throughout the implementation of USAID activities to coordination with other donors, particularly the World Bank and IDB, who have indicated their intention to expand already existing programs focussed on decentralization and municipal development. A November conference sponsored by USAID/G-CAP/RHUDO and the OAS brought together mayors from 12 Latin nations, the U.S. and Canada; representatives from the World Bank and Interamerican Development Bank; and USAID officials in a discussion of successful experiences in the area of fiscal decentralization, community participation and policy reform. Continuing discussions with the country representatives and programming missions of the IDB and World Bank are focussed on enhancing cooperation and synergism with USAID investments in this area.

B. Future USAID Strategic Directions

As reflected in the preceding narrative and the Strategic Objective Performance Table 2.3, USAID expects to have made significant progress towards our S.O. performance indicators by 1997. By 1997, the policy reform efforts of the national municipal associations and FEMICA

will have resulted in the devolution of authority over water provision to local governments in two additional countries (Guatemalan and Costa Rican municipalities already have this authority), and an expansion in the authority of Guatemalan municipalities in social service areas. A municipal-administered land tax should also be enacted in the remaining three Central American countries, resulting in a significant increase in the responsiveness of local governments to their communities. Electoral and other reforms also will have enhanced the "demand" for local government responsiveness and accountability by citizens. A 1994 regional study of citizen attitudes towards local government, commissioned by the Mission, show that citizens expect local government officials to be more responsive to their needs than to the political parties they represent. This is a significant departure from traditional party politics in Central America, and signals a change in citizen expectations that can be used as a basis for improving governance at the local level. These reform initiatives respond to a number of the specific initiatives of the Summit of the Americas Action Plan in the area of Strengthening Democracy and Invigorating Society/Community Participation. A special initiative launched in 1994 in the area of women and local government, focussed on identification and elimination of systemic obstacles to increased women's participation in local government affairs, will also help to strengthen the role of women in society -- another Summit of the Americas agenda item.

In view of commitments made by the Central American nations in the Partnership for Pollution Prevention signed at the Summit of the Americas, as well as anticipated reductions in unrestricted funding of democracy activities for FYs 1997 and beyond, USAID/G-CAP has initiated efforts to focus our municipal problem solving activities on urban pollution prevention, particularly as it affects environmentally susceptible areas such as inland and coastal watersheds. Nearly 50% of the population of Central America already lives in urban areas, and the annual rate of growth is 4.7% (as compared to a 1.7% rate in rural areas). Environmentalists acknowledge that protection of the region's scarce water resources and biodiversity found in coastal areas from further degradation depends on better management of urban wastes. Accordingly, in this Action Plan, a new Program Outcome has been added to USAID/G-CAP's Regional Environmental Strategic Objective -- "Replicable community-based solutions to reduce contamination of the natural resource base from urban waste".

Problem-solving activities addressing solid waste management, water treatment and other urban pollution problems have already been initiated by USAID/G-CAP-RHUDO. By 1997, the bulk of USAID/G-CAP's assistance to municipalities will focus on this priority area and form an integral part of the Mission's Strategic Objective in the area of Environment/Natural Resources. The **More Effective and Democratic Local Governance Strategic Objective** will be phased out in 1997, as a result of this refocussing, although the policy reform and consensus building activities underway will be carried through FY 1997 as a target of opportunity. USAID's participatory approach to engaging local communities in problem identification and resolution will continue to be utilized, emphasizing the development of partnerships between community based organizations and municipalities in the development and implementation of local environmental action plans.

Modifications to S.O. Indicators and Program Outputs: Several minor changes to the SO indicators and program outputs have been made, in response to prior year observations of AID/W and the bilateral Missions concerning attribution of accomplishments to the USAID/G-CAP portfolio and to replace "indices" with more understandable indicators. Specifically, at the indicator level for the Strategic Objective, we have clarified that the focus is on the implementation of specific pieces of legislation relating to the devolution of authorities to local government and citizen participation, which are being promoted through the USAID/G-CAP portfolio in coordination with bilateral missions. The indicator on increased citizen participation in the local decision making process has been eliminated, given that this is more a result of bilateral Mission efforts. The three program outputs have also been reworded slightly, to have a "results-focus". For example, output 3.1, which previously read "improved regional organization for municipal development" has been modified to read "more effective advocacy efforts of regional and national municipal associations in regional and national policy fora", thus capturing the intended impact of the improved regional organization. Program Output indicators that cannot be directly attributable to USAID/G-CAP efforts, but rather the bilateral Mission efforts, such as increases in the average ratio of municipal revenue to total public revenue, have also been eliminated.

In 1993, the Ministry of Education of Nicaragua, in conjunction with local government, launched a pilot project to decentralize oversight of primary and secondary education in three municipalities. In Matagalpa, one of the three pilot municipalities, the mayor and local community assumed an active role in planning and administering basic education. Primary school teacher, Mercedes Valenzuela, was selected along with seven other community residents to form a local school board. Although a school teacher for more than thirty years, Professor Valenzuela had never had the opportunity to participate in the educational planning process. Now, as a result of the pilot project, she exercises an active role in the appointment of teachers and the use of funds, decisions which were heretofore made in the capital city located hours away from Matagalpa. In addition to changes in the administrative aspects of education, teachers working in Matagalpa are more satisfied with their jobs, have formed a buyer's cooperative, and have remained on the job when teachers in other areas have participated in work stoppages. This pilot project is supported by USAID/Nicaragua, as well as the LOGROS project.

REGIONAL Program Objective Tree

Strategic Objective

S.O. # 3 -- Policy Framework Established in Central America Supportive of More Effective and Democratic Local Governance

Performance Indicator

1) **Legislation enacted and implemented devolving broader range of fiscal and administrative authorities to local government**
2) **Legislation enacted and implemented which expands citizen participation in local governance**

Program Outputs	3.1 More effective advocacy efforts of regional and national municipal associations in regional and national policy fora	3.2 Municipal access to financing for local infrastructure expanded	3.3 Authority and efficiency of municipalities in delivery of selected public services increased
Program Output Indicators	1) Adoption of a policy/program for municipal development and decentralization by regional network members	1) Commercial financing for local infrastructure institutionalized in three countries	1) Increased coverage/cost effectiveness of targeted services in ten pilot projects
Projects	596-0162 Regional Development Support 596-0167 LOGROS	596-0167 LOGROS 596-HG-006 CA Shelter & Urban Development 596-HG-010 LOGROS (Supplement)	596-0167 LOGROS 596-HG-006 CA Shelter & Urban Development 596-HG-010 LOGROS (Supplement) Bilateral Municipal Dev. projects

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TABLE 2.3: STRATEGIC OBJECTIVE PERFORMANCE

Regional				
USAID STRATEGIC OBJECTIVE NO. 3 More Effective and Democratic Local Governance				
Indicator: Legislation enacted and implemented devolving broader range of fiscal and administrative authorities to local governments.				
Unit: Number of Central American countries with local governments empowered through devolution of both fiscal and administrative authorities		Year	Planned	Actual
Source: Professional knowledge with input from FEMICA	Baseline	1992	---	0
Comments: We will analyze decentralization legislation as it relates to the devolution of fiscal and administrative authorities to municipalities. Based on professional judgement and analysis we will determine (jointly with FEMICA) when sufficient progress has been made to state that decentralization legislation in a specific country is beginning to have a positive impact on the empowerment and autonomy of local governments.		1993	0	0
		1994	0	0*
		1995	0	
Targets: 1996--Guatemala and Honduras 1997--El Salvador 1998--Nicaragua and Costa Rica		1996	2	
		1997	3	
* Although results reported are "0", progress has been made in that 3 of the 5 countries have enacted legislation devolving property tax to local government. Reforms to devolve administrative authorities are, however, still pending.	Target	1998	5	

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Indicator: Legislation enacted and implemented which expands citizen participation in local governance.				
Unit: Number of Central American countries implementing reforms which increase levels of citizen participation at local level.		Year	Planned	Actual
Source: Professional knowledge with input from FEMICA	Baseline	1993	0	0
Comments: We will analyze legislation as it relates to citizen participation, such as direct election of local authorities, mandatory town meetings, etc. Based on professional judgement and analysis we will determine (jointly with FEMICA) when sufficient progress has been made to state that legislation in a specific country is beginning to have a positive impact on the level of citizen participation in local governments.		1994	0	1*
		1995	0	
Targets:		1996	2	
1996: Guatemala (community methods for resolving conflicts) Nicaragua (direct election of mayors) 1997: Honduras (separated ballot to elect mayors) El Salvador (proportional representation in town council) 1998: Costa Rica (direct election of mayors)		1997	4	
* Panama enacted and implemented reforms providing for direct election of mayors. This was achieved without input from USAID/G-CAP.	Target	1998	5	

PROGRAM OUTPUT 3.1: More effective advocacy efforts of regional and national municipal associations in regional and national policy foras.				
Indicator: Adoption of a policy/program for municipal development and decentralization by regional network members.				
Unit: Number of regional and national organizations adopting policy/program or action plans that support and promote decentralization and the empowerment and autonomy of local governments.		Year	Planned	Actual
Source: FEMICA records and reports	Baseline	1992	0	0
Comments: Target organizations: SICA; PARLACEN; SIECA; CABEI; FEDEPRICAP; and the municipal associations in Guatemala (ANAM); El Salvador (COMURES); Honduras (AMHON); Nicaragua (AMUNIC); Costa Rica (UNGL) and Panama (AMUPA).		1993	2	2*
		1994	5	7**
		1995	7	
* PARLACEN and AMHON.		1996	10	
** CABEI, SICA, ANAM, AMUNIC, COMURES, UNGL, and AMUPA	Target	1997	11	

PROGRAM OUTPUT 3.2: Municipal access to financing for local infrastructure expanded.				
Indicator: Commercial financing for local infrastructure institutionalized in three countries.				
Unit: Number of countries.		Year	Planned	Actual
Source: CABEI	Baseline	1992	---	0
Comments: A HG program is being implemented to finance municipal infrastructure projects. Approximately seventy projects are planned to be funded over a period of four years (1994 - 1997). Sustainability will be assured by use of financial reflows to generate 20 more loans for 1998 and 1999.		1993	0	0
		1994	0	0
		1995	0	
Targets:		1996	1	
1996: Costa Rica 1997: Guatemala and El Salvador	Target	1997	3	

PROGRAM OUTPUT 3.3: Authority and efficiency of municipalities in delivery of selected public services increased.				
Indicator: Increased coverage/cost effectiveness of targeted services in ten pilot projects				
Unit: Number of successful pilot projects implemented		Year	Planned	Actual
Source: Case studies, reports and field visits.	Baseline	1992	---	0
Comments:		1993	2	0
		1994	4	1*
		1995	5	
* Nicaragua: Devolution of responsibility for primary and secondary education.		1996	6	
		1997	8	
	Target	1998	10	

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Central American HIV/AIDS Project (Target of Opportunity)

The HIV/AIDS epidemic poses growing public health concerns and negative impact on socio-economic development in Central America. Since 1987, the epidemic has become well established in the heterosexual population and vertical transmission (from mother to unborn/newborn child) is increasing. The future political, economic and social development of Central America is now threatened by the HIV/AIDS epidemic. Central America has a long history of migration which has increased in recent years due to the demand for seasonal labor, regional economic integration, civil unrest, open border policies and improved transportation routes. Economically productive young adults are hardest hit by HIV/AIDS. The areas most likely to be affected by HIV/AIDS in the future include: worker productivity, medical care costs and the size of the work force. In order to maintain stability and permit sustainable development in Central America, this new regional project will promote prevention activities through a strategy that considers the specific sub-regional commonalities and cross-border transmission.

Projected Impact: During the design of the project in FY95, a monitoring and evaluation plan will be developed. A preliminary set of indicators has been developed and includes: 1) increase in resources allocated for HIV/AIDS programs in Central America, 2) increase in condom availability and use, 3) increase in proper use of STD drugs, and 4) increase in NGO coverage of high risk groups and improved sustainability.

Activities: The project will have three major components. The **Policy Dialogue and Public Awareness Component** will focus on the promotion of regional policies and educational campaigns related to HIV/AIDS prevention and the care of people with AIDS. The project will assist bilateral Mission and other organizations to strengthen or incorporate HIV/AIDS information into existing programs, especially successful programs in family planning and reproductive health. Through **Private Sector Social Marketing of Condoms and STD Drugs**, a second component will increase condom use for disease prevention and improve the availability and correct use of STD drugs. Encouraging the private sector, including pharmaceutical manufacturers, to take a more responsible role in controlling the epidemic will be one of the major contributions of the project. A third project component, **NGO Strengthening**, will provide technical assistance, training and materials to support NGO program development (in areas such as education, counseling and care), fund raising and networking. The project will assist existing bilateral reproductive health programs carried out by NGOs to strengthen STD/HIV prevention activities.

The feasibility of reversing the trends in AIDS infection depends on educating and mobilizing political and public health forces to recognize the severity and complicated social and clinical nature of the disease. Based on worldwide experience, the three pronged approach described above (policy awareness and public education, social marketing and NGO strengthening) is the most promising strategy to slowing the pace of the epidemic. By mobilizing Central American resources and providing technical assistance to enhance the quality and coverage of prevention services, the new regional HIV/AIDS project will make a significant and sustainable contribution to controlling the epidemic.

Policy Issues: One of the most serious constraints to enhancing HIV/AIDS prevention activities in Central America is the low level of awareness about the nature and seriousness of the problem, and the consequent inability to respond appropriately. Key individuals in government, business and community organizations can have a profound impact on the course of the epidemic and success of prevention efforts. However, the lack of concerted political will renders these groups ineffective in HIV prevention. Low rates of condom use and improper use of STD drugs are serious problems throughout Central America. To some extent, these problems are addressed through bilateral reproductive health programs. But social marketing specifically designed to prevent the transmission of HIV/AIDS is practically non-existent in the region. Another important issue is limited NGO capability to manage, deliver and evaluate HIV/AIDS and STD services.

SUPPLEMENT TO GUATEMALA/G-CAP ACTION PLAN

The attached pages should be inserted in the Guatemala/G-CAP Action Plan. The Performance Highlights for both the bilateral and regional program were not included in the original Action Plan document. The attached pages 54 and 55 are revisions to the Food Security section of the bilateral program.

Attachments:

1. Performance Highlights - Guatemala Bilateral
2. Performance Highlights - G/CAP Regional
3. Food Security - Guatemala Bilateral

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USAID/Guatemala-CAP: Bilateral Guatemala Program Accomplishments

Improved Quality of Life for the Poor:

- The contraceptive prevalence rate increased from 27% in 1987 to an estimated 31% in 1995. Couple years of protection provided through USAID supported organizations more than doubled from 250,000 in 1986 to 600,000 in 1995.

- 70% immunization coverage in target areas of Child Survival Project.

- Treatment with ORT increased from 0.8% of diarrheal cases in 1987 to 30% in 1994 resulting in greater control of colera and a 20% in decreased child mortality during 1993-1994.

- 37 water systems have been constructed in extremely poor rural villages in six western highland departments contributing to the decrease in gastrointestinal diseases.

- 15,500 new electricity consumers connected in new communities and 6,000 connected in existing distribution network. 2,557 users (22% women) have begun using electricity for productive purposes. Women's income have increased because they can continue weaving at night in their own homes.

- PL 480 Title II programs serve over 280,000 mothers and children in mainly rural Guatemala.

- The Ministry of Education funded a scholarship program for girls awarding 6,000 scholarships in what is probably the only public program of its kind in the world.

- USAID supported trade policy reform and export diversification have led to an average 64% annual growth in non-traditional products since 1986 to reach $666 million in 1994. These exports support more than 163,000 direct and indirect jobs and that more than 130,000 new jobs have been created as a result, primarily among the poorest 25% of the population.

- Approximately 80,000 mainly indigenous people in the extremely poor and war-ravaged western highlands now derive their principal source of income from export vegetables.

- Cooperatives under the Small Farmer Coffee Improvement project have invested in systems for organic coffee production and research for integrated pest management which led to a 200 to 500% increase in asset value for 11 coffee processing mills.

- More than 40,000 people in critical biodiversity areas are using improved natural resources management techniques.

- Over 840,000 acres of natural cover conserved to date by preventing conversion to agriculture in the Maya Biosphere Reserve (MBR). 44% (18,000 people) of the total MBR population has now adopted improved natural resources management techniques and over 20 new environmentally sound value-added processes provide employment to over 250 families in the MBR area.

Access/Decentralization/Empowerment:

- Key justice sector institutions are implementing oral trial proceedings, a public defenders program and other elements of the new criminal procedures code, thus contributing to greater transparency and efficiency in the criminal justice process.

- Ministry of Health operations decentralized to departmental levels integrating vertical programs in immunization, diarrheal disease and acute respiratory infections.

- All three of the USAID supported pilot classroom interventions (Girls' Education, Bilingual Education and Nueva Escuela Unitaria) are managed at the regional level. Hiring of teachers is now done with local input.

- 33.3% of students entering school in 1994 complete 6th grade, compared to 27.8% in 1991.

- Four business-oriented federations and 36 agricultural cooperatives supported with technical assistance and capitalized to ensure long-term viability in providing services to their members. 40% of the 38,386 (15,354) credit union members are women.

- USAID purchased 6,184 hectares, provided $6.2 million in credits and transferred 1,315 land titles to farmers.

- Private sector began training activities at the firm level in labor-management relations, participated in tri-partite (labor, management and government) training courses and signed a tri-partite agreement to cooperate on labor-management training activities.

- More than 941 participants (508 male and 433 female) have been trained locally and in the U.S., under the Guatemala Peace Scholarships Program exceeding the 40% target for women participants required by USAID/W.

- Of the more than 900 labor disputes handled by the Ministry of Labor's inspectors during 1994, nearly 15% were resolved through mediation, avoiding the need to pursue the case in the court system.

- 640 farmers previously receiving USAID-subsidized technical assistance now are able to pay for services.

Participation

- USAID/G-CAP moved forward with a new strategy to support local NGOs efforts in broad-based civic education.

- Leadership training of 33 judges and 136 delegates of the Supreme Electoral Tribunal, including a total of 49 women, increased access to a modern judicial system and encouraged increased involvement of the populace in the democratic process.

- As a Country Experimental Lab (CEL) testing obligation at the S.O. level in the health sector, USAID has engaged a broad range of customers, and development partners (contractors, NGOs, public sector implementators) in designing results packages.

- 150 health facilitators were trained in areas with lowest indicators/access to health care; they in turn trained 1,200 health workers who will deliver services in their own communities.

- USAID financed the participation of 83 Guatemalan medical professionals to the 9th International Congress of the Society for Advancement of Contraception (SAC) held in Guatemala in March 1995.

- As a result of USAID's policy dialogue efforts with the Ministry of Health and the Secretariat of Economic Planning, public finances directed towards the support to the MOH Reproductive Health Unit increased from zero in 1992 to $252,000 in 1995 and projected $860,000 in 1996.

- USAID/Guatemala-CAP implements its PL-480 Title II Program through four US PVOs: CARE, SHARE, FTC and CRS who in turn work through more than 100 local community groups and NGOs to reach the client population.

- Over the past 13 years, USAID's Special Development Fund (SDF) has financed approximately 565 community self-help project benefiting 80,000 to 100,000 rural poor. As much as 60-70% of the project cost is contributed by the communities (in labor, local building materials) and other donors including municipal governments and NGOs.

- Under the Community Natural Resource Management project, community organizations and municipalities are developing and implementing natural resource management programs in 85 rural communities in Guatemala.

1 USAID/Guatemala-CAP: Regional Central America Program Accomplishments

Improved Quality of Life for the Poor:

- From 1987 to 1994 the CIF value of exports generated by 421 Central American businesses receiving technical assistance increased from $250,000 to over $36 million. Eighteen percent of the nearly 8,350 people trained from 500 companies engaged in non-traditional agricultural exports were women.

- The NRECA/CARES productive uses of electricity program supported numerous microenterprises throughout the region. The model is being replicated by many NGOs with their own resources.

- Markets have been identified for non-timber and secondary forest products to make natural forest management a financially attractive alternative in the region.

- The adoption by participating small farmers of new techniques in Integrated Pest Management (IPM) had a positive economic impact especially among melon, snow pea and coffee producers. IPM programs have reduced chemical contamination of the environment and reduced pesticide-related threats to human health throughout the region.

- More than 100,000 small to medium farmers have undertaken reforestation activities, and natural forest management techniques have been applied to up to 60,000 hectares of forest lands.

- More than 20 projects to improve municipal infrastructure all benefitting below-median income families, are in the final stages of analysis to be funded with combined CABEI resources and a USAID loan guaranty.

Access/Decentralization/Empowerment:

- A policy and program agenda developed by USAID-supported Central American Federation of Municipalities (FEMICA) on decentralization and local government strengthening efforts was implemented by all the key players in the region's municipal sectors in 1994.

- The devolution of revenues derived from land taxes to local governments was won in Guatemala (1994) and Nicaragua (1995) with similar proposals under discussion in the legislatures in Costa Rica and El Salvador. In Guatemala, local governments' share of the national budget was increased from 8 to 10% and, beginning in 1996, municipalities will also share a portion of the value added tax (1%).

- FEMICA helped municipal authorities and legislators in Nicaragua and Costa Rica to

formulate legislative proposals to provide for the direct election of mayors. A similar reform proposal providing for the direct election of mayors was enacted and implemented in Panama in 1994.

Participation:

- Representatives from labor unions in the region participated in a key analysis of labor legislation and enforcement capacity.

- To engender a far more participatory process for setting national agendas in those areas in which USAID/G-CAP's regional environmental project is active, USAID assisted in strengthening numerous local environmental NGOs.

- The policy handbook or "Green Book" prepared under RENARM was initially tested in Belize, Honduras, Guatemala, Costa Rica and El Salvador to introduce participants to policy analysis and participatory approaches in applying the book.

- Pilot activities addressing constraints to the decentralization of key services have contributed to reforms devolving administrative authority over water and education in Nicaragua (1994), giving municipalities a role in the naming of teachers in Guatemala (1995), and in six municipalities being given authority for management of a potable water distribution system in El Salvador (1995).

B. Food Security

Socio-economic conditions for the majority of Guatemalans are very precarious as reflected in the UNDP Human Development Index which places Guatemala in 113th position, one of the lowest in Latin America. The country has the highest level of chronic undernutrition and the second highest index of child mortality. Unemployment and underemployment affect more than 40% of the economically active population. The number of families that live in poverty has increased considerably in the last decade. Extreme poverty is encountered particularly in the rural areas with the highest concentration of indigenous populations, landless "campesinos" and subsistence farmers.

The problematical food-nutrition situation of most Guatemalans is complex and related to many development issues --employment, education, health, and agriculture, among others. The Guatemalan Constitution recognizes the integral nature of the problem and indicates that: "actions oriented to improve food security should consider all the individual factors which impact on it"; that is, an integrated approach is mandated.

The food-nutrition status of the most vulnerable sectors of the population has been seriously harmed by the economic decline in the decade of the 80s, and more by the crisis proportions of the fiscal situation in the last few years which has rendered the Government of Guatemala incapable of attending to these at-risk populations. Inflation has also hit the poor the hardest raising the cost as a basic food basket beyond the reach of nearly 55% of all Guatemalans. National food availability and the household food accessibility is very limited for most of the rural poor. Food utilization is inadequate especially among vulnerable groups such as children, pregnant and lactating women.

Grave food insecurity affects especially the poor, mainly indigenous people living in Guatemala's "poverty belt" stretching from the western highlands through the northern tier of departments bordering on Mexico. This is the same area which was the most affected by thirty years of armed conflict that left approximately 100,000 widows and 250,000 orphans. Socio-economic indicators for these areas of Guatemala are worse even than many African countries.

USAID/Guatemala's PL-480 Title II program carefully targets the geographic areas, and the populations which face the greatest food insecurity. Activities focus on improving nutrition, especially of children and mothers, and on alleviating the causes of hunger through increased agricultural productivity, market access, income generation, and community participation. The Mission has encouraged the PVO Cooperating Sponsors to take both a focussed and an integrated approach to improving food security for Guatemalans. Each addresses those factors -- availability, access, utilization-- where they have a proven comparative advantage, and sufficient resources to make a difference.

In an effort to maximize the impact of the PL-480 Title II assistance, the PVOs have dedicated the largest part of their resources to activities which improve food utilization (Maternal Child Health programs (MCH), and water and sanitation projects, for example), and less so to

activities which address issues of food access and availability. This emphasis fits well with the Mission's strategic objective of promoting "smaller, healthier families" as an essential building block to achieve broad-based sustainable development in Guatemala. Not only does our assistance strategy seek equity, but also a level of development high enough to alleviate poverty and hunger for nearly 8 million of Guatemala's more than 10 million people.

The Mission has gone a step further in integrating the Title II resources with other development assistance resources to assure that food security is being addressed within and across the framework of Mission strategic objectives.

Increased emphasis is being given to measuring the impact of the Title II programs and the Mission monitors expected results of food aid supported programs within its overall performance measurement system. One example of measured impact comes from a recent impact evaluation of the CARE/Guatemala MCH component. The evaluation focused on the nutritional impact of the MCH component on children under the age of three; the use of food as an incentive; and the impact of MCH on food security especially in terms of family income. Preliminary results have clearly demonstrated that there is a significant improvement in the nutritional status of those children who enter the program before 3 months of age and participate for more than 18 consecutive months. Another key finding of this study is that Title II commodities allow recipients to complement their diet with local food stuffs purchased with the money they would otherwise spend on the donated Title II food. The CARE impact study clearly demonstrates that when Title II commodities are available at the household level there is a measurable positive impact on family food security.

The Mission will continue to scrutinize the use of scarce food aid resources in order to achieve the highest level of impact on improving the lives of Guatemala's poor through improved food security. We believe that the strongest case can be made for continuing the current levels of food assistance to Guatemala both from the point of view of greatest need and demonstrated impact.