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

2290

**Results Review and Resources Request
Regional Program
FY 1997 - 1998**

April 1996

Central America Regional Program RESULTS REVIEW AND RESOURCES REQUEST FY 1997 - 1998

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* For OE and staffing information, please refer to the USAID/Guatemala Bilateral R4.

OVERVIEW

Poverty is high throughout the seven nations comprising Central America, with most countries having poverty rates approaching or exceeding 75 percent. In order to effectively combat poverty and promote sustainable development in Central America, substantially higher rates of economic growth rates are required on a sustained basis. While not a sufficient condition to reduce poverty, increased growth is absolutely essential; real growth of 6-7% per year is needed to provide increased demand for the productive use of labor and, thereby, increase family incomes.

Opening markets, expanding hemispheric economic integration and promoting sustainable development are key areas of U.S. interest in Central America. In 1994, Central American imports from the U.S. totalled \$6.6 billion, and are estimated to have increased 5-8% in 1995. Central America also contains over 7% of the earth's biodiversity on less than 1% of its surface area, including 19,000 species of plants. But annual forest losses in the region continue to range from 1.6% to 2.6%. El Salvador, for example, has only 3% forest cover remaining. With political stability returning to the region, efforts can be increasingly directed at the fragile areas which are located in areas most affected by the conflict, as well as toward recovery of the estimated 13,000 hectares of land in Central America which is suitable only for forestry but now used in a different manner.

Recognizing the enormous challenges facing the region, in 1994 the Central Americans formed the Alliance for Sustainable Development, and presented an action plan focused on increased trade and more sustainable management of the region's rich biodiversity. The series of Presidential summits held twice each year has proven to be a highly effective coordination mechanism, unifying the Central American vision for improvements needed to ensure stable democracy, sustained broad-based economic growth, a reduction in the region's poverty and improved management of the regions natural resources. Regional and national level institutions have been strengthened to support policy development and implementation in these areas. The Summit of the Americas, and the Convenio Central America - U.S.A. (CONCAUSA) signed by President Clinton and the region's six Presidents and Belize's Prime Minister, promising U.S. technical support for the implementation of the Alliance's Action Plan, provide the overall framework for the Central America regional program.

SUMMARY OF USAID STRATEGY

Our current strategy includes two Strategic Objectives and two Special Objectives, which will provide support for Central American efforts to attain:

Increased Central American Participation in Global Markets, through support for improving trade policies and other preparatory steps for integration in the Free Trade Area of the Americas;

Effective Regional Stewardship of Key Natural Resources, by consolidating a Central American system of protected areas and reducing key environmental threats;

Enhanced capacity to respond to the HIV Crisis, by strengthening NGO prevention activities throughout the region, improving policy, and establishing a self-sustaining, private sector social marketing program for condoms; and

Increased Investment in Private Sector Energy Services, through improvements in the regulatory and legal framework to permit private sector participation and provides incentives for more efficient energy technologies.

OVERVIEW OF PROGRAM PERFORMANCE

Preparations for integration into the Free Trade Area of the Americas have accelerated, with the region's leaders participating actively in Trade Ministerial's held in 1995 and 1996. Three Central American countries now chair working groups: Costa Rica, on investment; El Salvador, on market access; and importantly, Honduras, on intellectual property rights (IPR). The latter should help to further accelerate ongoing USAID-supported efforts of the Permanent Secretariat of the General Treaty of Central America Economic Integration Secretariat (SIECA) to design a medium term program to strengthen IPR protection and enhance Central America's ability to honor its commitments in such sensitive areas as cable TV programming and cassette reproduction rights.

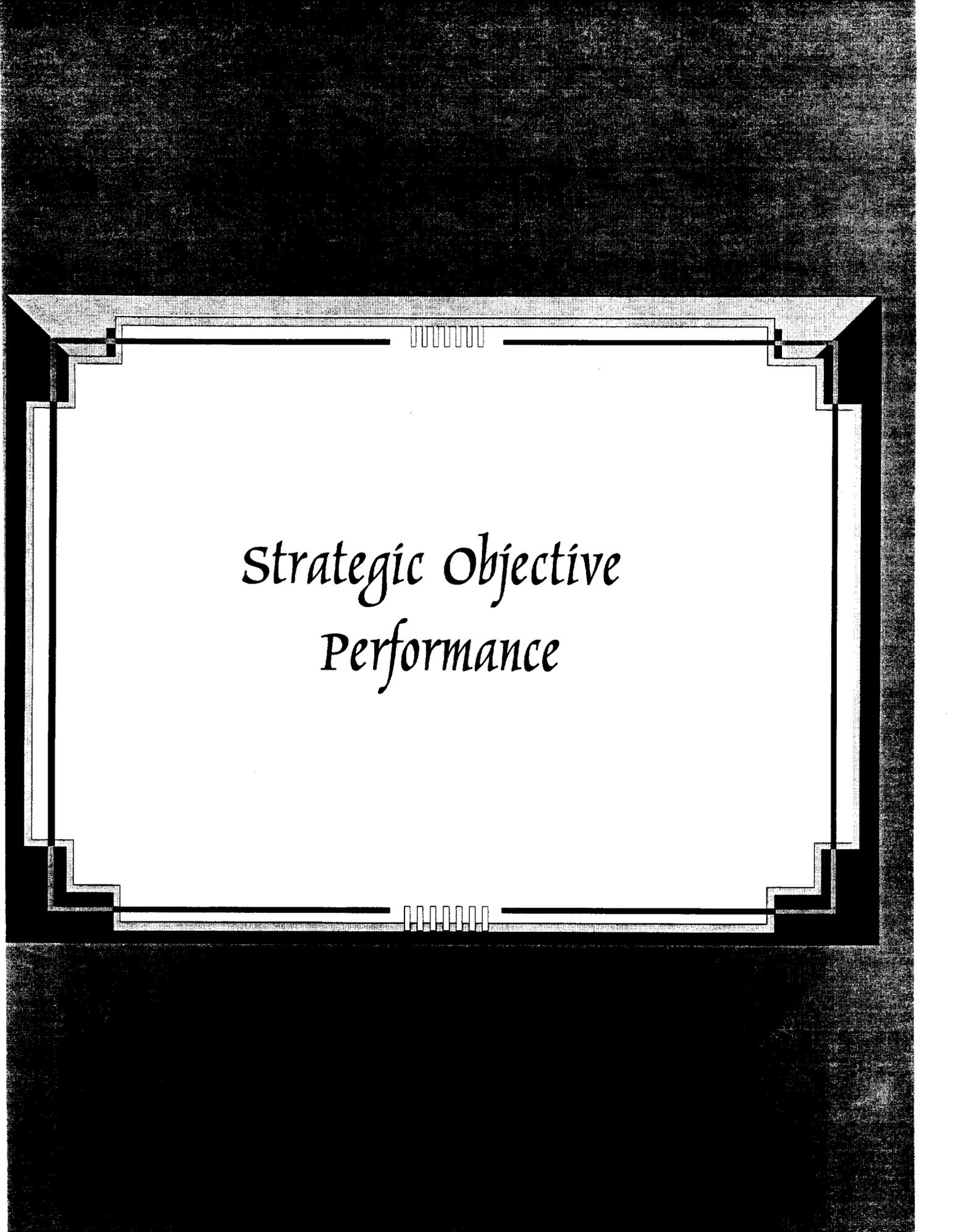
Regional integration has been strengthened in the process, with agreement of all countries to follow El Salvador's lead and gradually narrow the common external tariff band to 1-15 percent (1% on production inputs/15% on finished products). Guatemala has lowered tariffs on capital imports to 1%, and will complete the tariff reductions by the end of 1996. Costa Rica has agreed to complete the process by 1999. With USAID's support, SIECA has drafted model regional agreements on rules of origin, unfair trading practices and dispute settlement procedures, and is now facilitating efforts of the countries to ratify these agreements. Once in effect, these agreements will contribute both to greater economic integration and efficiency within the region and enhance Central America's preparedness to enter into hemispheric free trade agreements. Additionally, at the request of the region's Ministers of Labor, USAID is assisting in a medium term program to harmonize and modernize labor legislation.

In the area of environment, previous USAID investment in this sector, notably our 1989 Central America Inventory and Strategy and the work of the Paseo Pantera, have provided the unifying vision for an impressive Central America strategy for protecting biodiversity. The focus is on creating a biological corridor throughout the region, composed of a network of key ecosystems interconnected through terrestrial and marine biological "corridors". Under the leadership of the Central American Commission for Environment and Development (CCAD), this concept has unified research, advocacy, protection and development efforts throughout the region. Eight national parks and reserves, collectively forming the heart of the corridor, have been strengthened through USAID's regional program.

Our revised results framework for the environmental area incorporates a new focus on urban waste and reduced levels of key pollutants. The analysis of a comparative risk assessment conducted in early 1996, identifying waste water, solid waste, and pesticides as major risk factors for Central America, is now underway, providing a basis for promoting the upward harmonization of environmental legislation and enforcement practices in furtherance of commitments made at the Miami Summit.

Compared to other regions in Latin America, there has been very little progress in Central America in the establishment of regulatory frameworks for electricity that would promote private sector participation vigorously. However, rapid progress is being made in several countries. Through USAID/G-CAP and bilateral Mission support, draft laws have been prepared in El Salvador, Guatemala, and Honduras, and we are beginning a series of activities to prepare countries for the implementation of the modern regulatory frameworks. Basically, the idea is to be ready for implementation as soon as the required legislation is enacted. Recognizing the U.S.'s comparative advantage, our assistance is also emphasizing the promotion of renewable energy, clean technologies and energy efficiency measures.

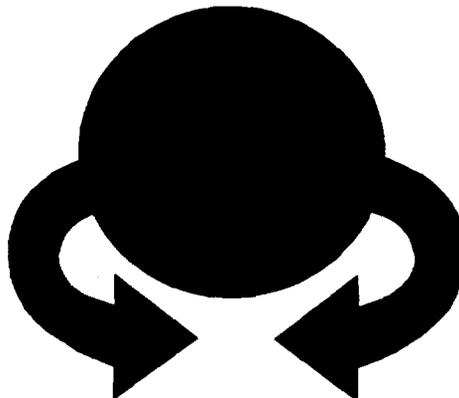
Although reliable data on the incidence of HIV/AIDs in Central America is difficult to obtain due to under-reporting, estimates are that over 225,000 Central Americans are infected with the disease. Given the extensive sub-regional migration, expectations are that the virus will spread rapidly. Improving the Central American's capacity to deal with this emerging crisis is the focus of USAID's newest regional initiative. Activities are just now beginning, but include development of an NGO network throughout the region and collection of all available data on which to base our policy reform actions. The condom social marketing program is scheduled to begin in late 1996.



*Strategic Objective
Performance*

Strategic Objective One: Increased Central American Participation in Global Markets

Our regional program supports efforts by Central American to strengthen regional integration and prepare for integration in the Free Trade Area of the Americas (FTAA). Activities are, therefore, supportive of Summit objectives and the Agency's specific objective of **Strengthening Markets (1.1)** as a means for achieving **Broad Based Economic Growth**. In addition to the significant progress of the region on the trade priorities identified in the Summit Action Plan, summarized in the Overview, other indicators of progress against this Strategic Objective are:



✓ **Central American Trade as a Percentage of GDP:** Central America's trade performance in 1995 was strong, reflecting improved overall economic policies and performance throughout most of the region, sharply higher international prices for coffee, and continued strong growth in the U.S. (the region's principal export customer). Exports surged 30% in 1995, following two consecutive years of 10% growth. Lower tariffs and higher rates of economic growth contributed to a 17% jump in imports. As a result, trade as a percent of GDP rose to 48% in 1995, up from 45% in 1994.

Two-way trade between Central America the United States rose 16 percent in 1995. Central American imports of U.S. products increased 12% to \$6 billion while Central American exports to the U.S. surged 20 percent to \$5.8 billion. However, while Central America shows sharply improved trade performance, there is growing evidence that with NAFTA in effect, the region is losing its relative competitiveness vis-a-vis Mexico. In particular, the region's maquila industry appears to be adversely affected by Mexico's improved access to the U.S. apparel market.

✓ **Composite Score on Readiness Indicators¹:** In 1992, Central America's average score on this index was 2.7 out of a maximum score of 5. Individual country scores range from El Salvador's 3.7 to Nicaragua's 1.6. These scores compare to 3.9 for Mexico and 4.7 for the United States. Group scores for CARICOM and the Andean Pact members were 3.7 and 3.4 respectively. USAID estimates show that Central America's score increased to 2.9 in 1993 and remained at that level in 1994.

¹ This index was developed by Gary Hufbauer and Jeffrey Schott and is intended to show a country's/region's relative level of preparedness to enter into free trade agreements such as NAFTA or the FTAA. It measures performance in the following areas: price stability, budget discipline, external debt, currency stability, market oriented policies, reliance on trade taxes, and functioning democracy.

■ Intermediate Result 1.1: Improved Trade Policies

- Upwardly Harmonized Legislation for WTO Requirements: All Central American governments have ratified their accession to the World Trade Organization (WTO) with the exception of Panama, which continues its accession negotiations. In addition, Honduras and Nicaragua have signed bilateral investment treaties with the U.S.; serious talks continue with Costa Rica and El Salvador. Also, negotiations on bilateral IPR agreements advanced with Honduras, Nicaragua and El Salvador. IPR talks with Costa Rica, which had been stalled, are ready to resume shortly. There are indications that the new government in Guatemala may seek initiation of BIT and BIPRA negotiations soon. Our target was to see progress in these negotiations during 1995, leading to the negotiation of three treaties (1 in each area in 1996), which seems likely.
- Market oriented policies supportive of freer intra-regional trade: All Central American countries have approved a plan to gradually narrow the common external tariff band from 5-20% to 1-15% (1% on production inputs/15% on finished products). El Salvador has already adopted a 1-15% band. Guatemala lowered tariffs on capital imports to 1% on December 15, 1995 and recently announce it would adopt the 0-15% range by the end of 1996. Costa Rica published its schedule to reach the 0-15% regime by the end of 1999. Along with this measure, the number of product categories not eligible for intra-regional free trade has been reduced from 11 to 9, exceeding our target. Intra-regional trade as a percentage of GDP rose from 7.2% in 1994 to 7.6% in 1995.
- Environment legislation harmonized: This indicator was included in this results framework during the design phase of the regional trade project. However, the Central American countries have now developed their strategy for the environment, described in the following section, which gives priority to environmental legislation based on its importance to biological diversity and sustainable development. Therefore, data on this indicator will now be tracked and reported on under our regional environment SO.

■ Intermediate Result 1.2: Regional Capability to Implement Trade Reforms Strengthened²

- Regional Institutions Strengthened: SIECA and FEDEPRICAP have carried out a comprehensive study on the current status of legislation and enforcement of intellectual property rights (IPR) legislation in each of the Central American countries. Based on the results of the study and request of Central American Ministers of Trade, SIECA has designed a medium-term program to strengthen

²This is a new Intermediate Result.

IPR protection in the region. Related to this, SIECA has just signed a Memorandum of Understanding with the U.S. PTO to collaborate jointly in strengthening IPR protection in Central America. SIECA has also drafted model regional agreements on source of origin unfair trading practices (approved and effective January, 1996), rules of origin (approved and effective January, 1996), technical norms (under technical analysis), phytosanitary norms (approved by the Ministers of Agriculture and under analysis by the economic cabinets), safeguard agreement and emergency measures (under analysis), and Central American agreement on dispute resolution (under analysis); it is now facilitating efforts of the Central American governments to finalize the analyses of these agreements, build regional support for them and get them ratified.

■ Intermediate Result 2.3: Better Enforcement of Labor Codes

- Several Central American countries continue to be on the GSP Watch List because of allegations of failure to provide adequate protection of internationally recognized workers rights and charges of infringement of intellectual property rights. These countries risk losing GSP and CBI trade preferences, having a devastating impact on the region's rapidly growing nontraditional exports and the hundreds of thousands of workers currently and potentially gainfully employed in this sector. Based on a regional study, the Central American Ministers of Labor are identifying priorities for strengthening the protection of internationally recognized worker rights, improving labor-management relations, and strengthening the region's export competitiveness through better functioning labor markets. While there remains interest in upgrading the region's labor codes, primary attention is being focussed on enhancing their enforcement. Therefore, our provisional indicator of "labor codes harmonized" has been eliminated, and the Mission is developing alternative indicators for this intermediate result to support the Central American's emphasis on enforcement.

B. USAID ROLE IN PROMOTING CHANGE

At the Summit of the Americas in December 1994, Central America's leaders, along with the those of the hemisphere's other democracies, united in pursuing greater hemispheric prosperity through open markets, hemispheric integration and sustainable development. They signed the Summit of the Americas Declaration of Principles and Action Plan, including a pledge to complete negotiation of the Free Trade Area of the Americas (FTAA) by 2005. While fully supportive of Summit objectives, Central America's ability to participate in the FTAA is severely limited by its lack of technical expertise in areas related to implementing the existing trade agreements and commitments, dismantling trade barriers and enhancing the region's competitiveness. Reflecting this, the Summit Action Plan pledged that technical assistance would be provided to facilitate the integration of the smaller economies and increase their level of development. USAID's program is designed to support this commitment in Central America.

Technical assistance, training and research in support of Central American's efforts to reform its regional trade regime has contributed importantly to the adoption of a more outward-oriented regional integration model, characterized by lower external tariffs, accelerated implementation of GATT/World Trade Organization (WTO) commitments, and reductions in both intra- and extra-regional non-tariff trade barriers. USAID also contributes to strengthening the protection of internationally-recognized workers rights, through improving and simplifying labor legislation, as appropriate, and upgrading the region's enforcement capabilities. Regional workshops and national seminars emphasize: (a) the relationship between increased trade and better wages and the higher levels of competitiveness and productivity required to succeed in hemispheric markets; (b) workers rights and their relationship to trade preferences; and (c) models of labor-management cooperation that contribute to both increased productivity and higher wages. Technical experts also assist and enhance Central American participation in the Summit FTAA working groups.

We also maintain close coordination with the most active donors and international financial institutions supporting Central America's trade policy reforms and stronger protection of workers rights. However, other than the IDB through its hemispheric integration activities and through its Multilateral Investment Fund (MIF), there is little other donor support for trade programs at the regional level. A tripartite commission comprised of the IDB, the OAS' Special Committee on Trade, and the UN's Economic Commission for Latin America and the Caribbean (ECLAC) is providing technical and logistical support to the FTAA working groups, of which Central American countries chair three. While lacking resources to provide direct technical assistance to the region, ECLAC's Central American Office in Mexico City has supported outward oriented economic integration through the development and dissemination of in depth economic and trade analysis. The International Labor Organization (ILO) and the Spanish Government are supporting labor relations activities. In early 1997, the IDB expects to conduct a consultative group meeting of donors and IFIs to coordinate, and seek funding pledges for, regional activities supporting Central America's economic integration, improved environmental protection, and human resource development.

Close collaboration with the IDB has resulted in USAID expanding interim support to regional efforts in the areas of facilitating trade in services and improving competition policies, while the IDB develops its own programs in these areas. USAID's interim support was essential in maintaining strong momentum achieved in these key areas, where previous USAID-funded activities played a major role. Also, as a result of this coordination, USAID is concentrating on areas such as IPR, labor rights and investment protection, areas in which the IDB does not plan major involvement. This will free up IDB resources for areas such as providing advanced training to Central America's trade negotiators, a more appropriate area for a multilateral donor.

D. RESULTS EXPECTED IN FY 1997 AND FY 1998

Further improvements in Central America's trade policy framework are expected to contribute to additional gains in trade as Central America accelerates its integration into hemispheric and world markets. With Central American countries chairing three, and participating actively in

all, of the 11 FTAA working groups, the region's support for the FTAA is expected to grow. This should reinforce efforts to advance the trade policy agenda and should contribute to the successful negotiation of 1-2 additional Bilateral Investment Treaties and up to three Bilateral International Property Rights Agreements by the end of 1998. It is expected that the Central American remaining country will meet WTO accession requirements, including tariffication of non-tariff barriers and implementing the trade related aspects of intellectual property (TRIPS) measures.

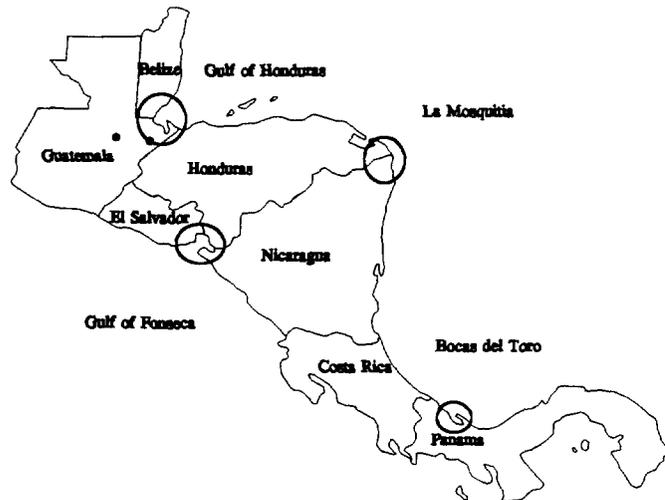
Further trade liberalization and a better investment climate will stimulate additional investment in export industries. Total regional trade as a percent of GDP should reach 48 percent by 1998³ about equal to that achieved during the 1995 coffee boom. Intra-regional trade is expected to grow to 7.75 percent of GDP.

It is expected that over the next two years far more effective tripartite dialogue, between labor, business and government will be established in Central America. Moreover, increased awareness and enforcement of workers rights and better labor management relations will contribute to Central America trade competitiveness and higher wages for workers.

³ The targets for 1996 and 1997 are lower than that realized for 1995, as the relatively large increase in 1995 was due to a temporary surge in world prices for coffee.

Strategic Objective Two: Effective Regional Stewardship of Key Natural Resources

This Strategic Objective melds the experience, visions and capabilities of the Offices of Environment and Natural Resources (ENR) and Regional Housing and Urban Development (RHUDO) to address the Agency Goal, Environment Managed for Long-Term Sustainability, and Agency objectives of **Biological diversity conserved (4.1), Sustainable urbanization promoted and pollution reduced (4.3), Sustainable natural resource management (4.5).**⁴ The SO builds on and supports, the Central



American Alliance for Sustainable Development and the Alliance's Action Plan for conservation, biodiversity, environmental legislation, and sustainable economic development. These four focus areas were set out in the CONCAUSA agreement signed by President Clinton and the region's leaders during the December 1994 Miami Summit. The activities are also supportive of the Action Plan for the Miami Summit.

FY 1996 is a major transition year for this Strategic Objective. Specifically, USAID's six-year, \$50 million Regional Environmental and Natural Resources Management (RENARM) Project has come to a conclusion, while the new Central American Regional Environmental Project (PROARCA) has become operational. The transition has built new synergy between activities previously supported under our More Effective and Democratic Local Governance Strategic Objective and PROARCA, in recognition of the important role of local authorities in the stewardship of key natural resources.

A. PERFORMANCE

The Central America Protected Areas System is envisioned as a network of key natural areas which are interconnected through terrestrial and marine biological "corridors". The critical ecosystems within these natural areas constitute the backbone, of the regional system that is comprised of 162 protected areas, or just over 10% of the land area of the isthmus. An additional 71 limited use buffer zones, when combined with the protected areas, represent a total of 16% of Central American territory. Although representing just 0.5% of the world's territory,

⁴Agency Indicators being addressed include official protected areas, access to safe water and sanitation, land use, sustainable agriculture, and community-managed resources.

Central American contains 7% of its biodiversity, including 19,000 species of vascular plants. The aim is to improve the conservation and effective management of threatened ecosystems within a regional system of priority protected areas, through protection of the nucleus zone and promotion of compatible land uses in the buffer zones. As reflected in our results framework, our approach will focus on environmental, urban pollution, and local empowerment concerns, working through the principal legally-constituted and authorized administrative units operating in these areas, including municipalities and park authorities, as well as NGOs and communities.

Progress achieved to date against our Strategic Objective indicators is as follows:

✓ **Reduced Degradation/Contamination of Key Natural Resources⁵**: Real progress has been made along the scale from "no park" to "paper park" to real management, leading to a reduction in deforestation and loss of biodiversity. Eight national parks and reserves in Belize, Costa Rica, Guatemala and Honduras, collectively forming the heart of the region's biological corridor, have been strengthened through USAID regional programs. As noted in last year's Action Plan, over 100,000 Central American farmers are planting multi-purpose, fast growing trees as a result of the USAID/Tropical Agricultural Research and Education Center (CATIE) supported forestry extension network, thereby reducing the need to harvest from adjacent protected areas. As many as 25,000 hectares and 25 million trees are estimated to have been planted to date.

✓ **Clients Indicating Positive Behavior Change⁶**: Independent evaluations and other studies of USAID/G-CAP regional activities cite several major successes in the adoption of appropriate practices by target populations. Attitudinal changes and behavior patterns have been affected by an increased awareness of environmental issues. Examples include: enhanced understanding of pesticide labeling, reduced forest fires, increased local enforcement by residents for the protection of the Hol Chan Marine Reserve and the Baboon Sanctuary in Belize, and increased awareness of the need to protect sea turtles throughout Central America.

In the PACA (CARE/The Nature Conservancy) program in the Cusuco-Merendon watershed in Honduras, nearly 2,500 participating farmers in 15 communities have adopted a wide range of soil conservation and fertility enhancement techniques, such as living barriers, cover crops/green manure, use of treated natural coffee husk fertilizer, and the elimination of slash and burn methods. Agroforestry activities also include the successful introduction of trees as a cash crop, shade trees for coffee, fast growing trees for firewood, orchards, and vegetable gardens.

⁵This new indicator combines and replaces the former SO indicators of deforestation trends in selected protected areas, and reduced degradation of selected coastal areas and watershed resources. Since PROARCA project areas have just started, there is no data yet on coastal zones. We are working with our partner agencies to develop more appropriate indicators for this SO. Also, the term protected area as used throughout includes both land and marine/coastal zone parks.

⁶This is a new indicator, added so as to monitor impact on our clients. Appropriate indicators and targets are being discussed with our partner agencies.

Similarly, the USAID/CATIE Watershed Management activity has led to improved land use techniques that increase agricultural production while reducing chemical contamination and pesticide use, soil erosion and run-off of surface water. Adoption rates range from 44-90% for key practices. Overall, since 1990 more than 70,000 Central Americans have received training through USAID/Partner initiatives, including CATIE, the Pan American Agricultural School (Zamorano), CARE, and INCAP. Women constitute approximately 25% of this total.

Given the recent initiation of activities under this SO, we have little data on our new performance indicators at the intermediate result level; therefore, what follows is a description of data available, or other information which suggests progress toward the result.

■ **Intermediate Result No. 2.1⁷: Central American Protected Areas System Developed and Consolidated**

- **Improved management of target areas:** In response to partner and client input, USAID's new initiatives are focussed extensively on four cross-border areas. A preliminary agenda for improved management within parks and protected areas and municipalities in these geographic areas has been developed for the Gulf of Honduras, the first of the four cross-border areas targeted.
- **People in buffer zones applying improved management resources:** Compatible uses such as ecotourism, shaded coffee, organic agriculture, or natural forest management will be promoted through small grants to local NGOs and communities. Pilot activities will demonstrate the economic viability and desirability of compatible uses in buffer areas, and will provide mechanisms for involving communities and will assist in developing market options and niche markets.
- **Cross-border conflicts resolved:** Four terrestrial or marine cross-border resource use conflicts will be identified, mediated and resolved by 1998. Specific conflicts will be identified strategically through a participatory process and will include such issues as trafficking in illegal timber and endangered species, illegal fisheries and cross-boundary human migration. Information on conflict resolution and lessons learned will be disseminated through a developing network of NGOs, stakeholders and decision-makers.

⁷For this and all subsequent Intermediate Results, we are presenting new indicators replacing last year's, which, with only two exceptions, had no baseline nor targets established. These changes have resulted from participation of our partner agencies in the formulation of our Results Framework. All data on prior year indicators are included where available. Indicators 2.5.1 and 2.5.2 related to the CONCAUSA Energy Program are discussed as a Special Objective.

● **Intermediate Result No. 2.2: Increased Local Empowerment for Stewardship of Natural Resources in Target Areas**

- Local government control of natural resources established: Based on previous work done by USAID/G-CAP and bilateral Missions, central government authorities in Central America are gradually decentralizing authorities to local governments, including in some countries authority to manage and control the natural resources within their jurisdictions. Our partners, including FEMICA and national municipal associations, are now actively taking the lead in promoting the necessary political, financial and administrative reforms required to effectively empower local governments to exercise these authorities. Environmental NGOs are forming innovative partnerships to assist municipalities to operationalize their newly gained authorities. As we merge municipal activities supported through the LOGROS project under this regional SO, emphasis will be placed on demonstrating municipal effectiveness in addressing environmental issues in 40 municipalities in targeted areas.

● **Intermediate Result No. 2.3: Reduced Levels of Contamination by Key Pollutants in Target Areas**

- Municipalities with Pollution Mitigation Systems in Place: With support from PRIDE/Chemonics, CCAD has completed the first part of a regional environmental comparative risk assessment (CRA) to assist each country and the region to identify and prioritize the most serious environmental risks. This highly participatory process, which identified three key pollutants in the region -- waste water, solid waste and pesticides -- is laying the foundation for a regional risk management strategy and action plan that will serve as the basis for technical assistance and training interventions from EPA to reduce the levels of contamination of key pollutants. The CRA will also serve as the basis for promoting the upward harmonization of environmental legislation and enforcement practices, as the centerpiece of the environmental protection commitments agreed to at the Miami Summit. Five (5) pilot community-based programs to reduce contamination from solid waste have been initiated.

Significant USAID-supported progress under RENARM in reducing, and making safer, pesticide utilization in Central America have been previously reported to USAID/W. Major programs in integrated pest management and pesticide management have trained more than 45,000 extensionists, trainers, farmers, and medical personnel. Evaluations and survey results indicate enhanced awareness (e.g., 68% of homemakers trained understood pesticide labeling, as opposed to 16% in control group) and reduced and safer pesticide usage among target populations.

Our approach to natural resource policy on a regional level has evolved from a prescriptive, content orientation whose centerpiece was model policy recommendations, to a process in which stakeholders learned to analyze the probable effects of various policy elements. Central Americans were involved in developing tools (notably, the Green Book), which enables them to demonstrate how a whole spectrum of laws and policies -- economics, trade, and monetary policies, as well as agriculture, environment and forestry -- would affect forests or fisheries or water quality. Regional application of the Green Book established the springboard for initial work in the Gulf of Honduras.

Both the prior and current Strategic Objectives have focused strongly on gender issues and the Regional Customer Service Plan will emphasize impact by gender. There was significant involvement of women in the RENARM Project at both the program management and beneficiary/participant levels. Among the major examples are female enrollment in the Zamorano B.S. program in Integrated Pest Management, the CATIE sustainable agriculture and University of Idaho environmental education M.S. programs, the TNC Fellowship program, the PACA (CARE/TNC) environmental education training, and the Zamorano Rational Pest and Pesticide management courses for female extensionists. As noted earlier, one in every four participants were women.

Additionally, the regional program has long given special emphasis to the participation and empowerment of indigenous peoples in environmental and natural resource management. For example, under a cooperative agreement with RENARM, Cultural Survival (CS) worked together with indigenous groups on matters that combined development, environmental and humans rights issues. The now-famous CS/National Geographic map demonstrated the co-existence of indigenous peoples and forest cover in Central America. That focus is continued under the SO, notably in the Coastal Zone Management component in which two of the targeted areas --Mosquitia Coast and Bocas del Toro-- are heavily populated by indigenous peoples. We will continue to measure project effects on indigenous people through the Regional Customer Service Plan.

B. ROLE OF USAID IN PROMOTING CHANGE

Given USAID's long experience and pioneering work in the environmental field, we continue to play a lead role in setting priorities in the region. For instance:

- USAID supported the development of the Paseo Pantera biological corridor concept, which unified research, advocacy, protection, and development efforts within the overall goal of establishing both land-based and marine biological corridors. The biological corridor now constitutes the underlying vision for CCAD, and will be addressed through major coastal and terrestrial conservation efforts.
- Environmental awareness is higher now in Central America than ever before. Although PACA and Paseo Pantera were only two among many public and private influences, they

contributed significantly through training and the production of didactic materials and exhibits for parks and for general in-school and extracurricular use. The Nature Conservancy developed a methodology for rapid ecological assessment (REA) and carried out assessments with USAID support in Belize, Guatemala, Costa Rica, and Honduras. In the zones surrounding protected areas, community development efforts have supported terracing and agro-conservation techniques, agroforestry and reforestation, ecotourism, and community credit. These proven models will be replicated as appropriate in the coastal and terrestrial undertakings.

■ Through the Mesoamerican Biodiversity Legal Project, USAID enabled the development of legal tools for biodiversity conservation. The regional program helped to create a regional environmental law network composed of nongovernmental organizations, working to overcome the lack of regional environmental legal norms as well as to facilitate better enforcement of existing laws. This legal dimension, along with other developed policy tools, will be instrumental to the success of the establishment and/or strengthening of the core protected areas and buffer zones of the biological corridor.

Regional priorities articulated by the Central Americans, and influenced through USAID, coincide with those set forth by the Alliance for Sustainable Development and CONCAUSA. USAID/G-CAP continues its efforts to address natural resource activities of regional scope, i.e., those having significant economies of scale, cross-border impacts, or that are perhaps risky but with potentially high payoff. These activities promote partnering, developed new approaches, and provide the context for transferring information, institutional and technical learning.

Our ongoing efforts draw upon the lessons learned from relevant past efforts, employing strengthened versions of the most applicable and focused efforts for the future, and adding a new and catalytic role for USAID in the area of urban pollution prevention. Additionally, based on the need for tighter focus, the new SO focuses biodiversity conservation on critical pristine or near-pristine sites and surrounding areas, and directs sustainable use efforts toward ameliorating threats to those sites.

USAID/G-CAP has been working effectively with other donors, most recently at coordination meetings in Mexico and Honduras, to develop an integrated environmental strategy for Central America, leveraging an estimated \$150 to \$200 million in support for the regional environmental agenda of the Alliance and CONCAUSA. This includes assisting in the design of the IDB/GEF \$40 million Central American Environmental Development Fund, the \$23 million UNDP proposal to support the biological corridor throughout Central America; the \$16 million European Economic Community Sustainable Agriculture Project targeted for sustainable use practices in the buffer zones of six key regional transboundary parks; and the \$8 to 10 million German (GTZ) project for regional biodiversity conservation.

C. EXPECTED RESULTS IN FY 1997 AND FY 1998

Agreement will be reached with CCAD and CCAB-AP (the Central American Commission for Forests and Protected Areas) on the protected areas (PAs) to be included in the regional system,

and existing information on PAs and buffer zones assembled and recorded in compatible GIS format. This will enable CCAD to prepare a protected area/buffer zone monitoring strategy. Best sustainable management practices for protected areas and buffer zones will be developed through regional fora and the coastal resources small grants program, thereby addressing issues of increased rural income and reduction of poverty. Four regionally significant natural resource-based, cross-border conflicts will be identified, analyzed and solutions proposed; regional agreement on a standardized approach to control of illegal trafficking in biodiversity will be endorsed by CCAD.

We expect that four new marine protected areas will be designated and an overall protected areas management framework will be adopted.

During FY 97 and 98, six cumulative legislative reforms will have been passed transferring to local governments authority to collect revenues and manage services/resources; two of these will deal directly with the provision of water services by municipalities. Based on the comparative risk assessment, we expect the pollution prevention action plan to have led to a strategy on environmental legislation and enforcement regulations, with some 40 cumulative local governments/community-based organizations/NGO partnerships using improved methods of environmental risk assessment and environmental planning. And, by FY 1998, we expect a total of 75 loans will have been provided through private banks to municipalities in Central America to construct or improve environmentally sound public works and/or services.

Harmonized legal and regulatory systems will be in place for key pollutants in three countries, and a demonstration monitoring system will be in place.

Strategic Objective Three: More Effective and Democratic Local Governance

Since 1992 USAID in conjunction with our principal partners, the bilateral Missions and the Central American Federation of Municipalities (FEMICA), have created a new visibility and political prestige for local government. Our major project, Local Government Regional Outreach Strategy (LOGROS), has contributed to the passage of legislation in almost all the countries of the region, increasing the sources of revenue for local government, giving recognition to its new political status, and promoting the devolution of authorities and responsibilities,



including that of being an essential channel for social and environmental investment at the municipal level. Activities supported contribute to achievement of the Agency goal, **Sustainable Democracies Built**, and the Agency Objective of **More transparent and accountable government institutions** (2.4).

With USAID bilateral municipal development projects operating now in four of the six Central American nations, and other donors such as the GTZ playing an aggressive role on municipal development, our focus has shifted to incorporating local government as a principal institutional actor in achieving environmental goals for the region, especially in the area of urban pollution. Thus, in this and future strategic documents of USAID/G-CAP, the results of our continuing municipal development activities will be discussed in the context of the regional environmental strategic objective. The following paragraphs summarize achievements related to the democracy objectives presented in prior USAID documents.

A. PERFORMANCE

At the Strategic Objective and Intermediate Results levels, we have been monitoring the following performance indicators:

✓ **Legislation enacted and implemented devolving a broader range of fiscal and administrative authorities to local government:** Through regional policy dialogue workshops and direct lobbying efforts with national municipal associations, FEMICA has played a catalytic role in the passage of 11 major legal or constitutional reforms that politically and financially strengthen local governments. Another 20 proposed laws are currently under consideration in the region's legislatures.

✓ **Legislation enacted and implemented which expands citizen participation in local governance:** Through its regional democracy and decentralization network and foras, FEMICA

has played an instrumental role in recent years in promoting the political empowerment of municipalities and their citizens. These efforts have contributed to constitutional or legislative reforms that now permit not only the direct election of mayors, but also increased opportunities for participation through town meetings and other forms of participation in the decision making process. At this time, six Central American nations have directly elected mayors.

● **Intermediate Result No. 3.1: More Effective Advocacy Efforts of Regional and National Municipal Associations in Regional and National Policy Fora**

- Adoption of a policy/program for municipal development and decentralization by regional network members: FEMICA has consolidated its regional democracy and decentralization advocacy role among the region's principle organizations, including SICA and the periodic Central American Presidential Summit meetings. They have also established a very proactive and participatory network of the principle regional and national actors influencing policy decisions affecting local governments. In total, 12 targeted organizations have adopted improved policies or revised action plans supporting local government empowerment. Also during the period more Central American countries have moved toward direct election of mayors and the requirement for increased citizen participation through *cabildos abiertos* (town meetings).

● **Intermediate Result No. 3.2: Municipal Access to Financing for Local Infrastructure Expanded**

- Commercial financing for local infrastructure institutionalized in three countries. The first HG borrowing of \$7 million under CABEI's PROMUNI program has been undertaken for 13 municipal infrastructure projects in Guatemala and Costa Rica, valued at \$9 million. Another 50 projects valued at \$17 million are in different stages of development, and a second, and perhaps last, HG borrowing of \$13 million is expected to take place in 1996. In all, a total of 11 commercial financial institutions in two of the three target countries are engaged in the lending programs. An evaluation of PROMUNI has been scheduled for May that will focus on finetuning the implementation of the program and laying out a strategy for CABEI to institutionalize PROMUNI with follow up financial support from other donors.

■ **Intermediate Result No. 3.3: Authority and Efficiency of Municipalities in Delivery of Selected Public Services Increased**

- Increased coverage/cost effectiveness of targeted services in ten pilot projects: As a result of the joint G/CAP and USAID/El Salvador pilot project in San Miguel, a policy decision to devolve the water authority in El Salvador to municipalities has been adopted as part of the government's restructuring strategy for the water and sanitation sector. Similarly, Honduras has just formalized the transfer of the water authority to 2 municipalities and the government has now prepared a plan to devolve this service to another 22 municipalities. And, jointly with UN HABITAT, plans to implement municipal cadastre systems to increase municipal revenues for infrastructure investments are being put in place in Honduras, Costa Rica and Guatemala.

B. ROLE OF USAID IN PROMOTING CHANGE

Given the delicate political/structural challenges to strengthening municipal autonomy in the region, USAID's approach has been to work through the national-level municipal associations to promote policy reform and, once enacted, to facilitate the effective exercise of new authorities to enhance public services. Synergy developed with bilateral municipal development projects has contributed to significant progress in the political empowerment of municipalities and the effective exercise of newly acquired democratic rights. The role and prestige of local governments vis-a-vis other levels of power and decision making within the national political scene in Central America has been achieved, and our successes have complemented initiatives of other donors focussed on improving technical skills of municipal officials.

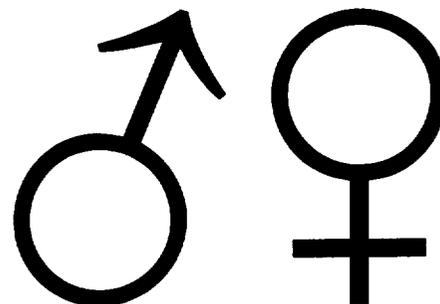
Our regional Housing Guaranty program has also been on the cutting-edge of municipal service financing, extending access to commercial financing to municipalities in three countries. We understand the IDB is considering additional financing for this program.

C. EXPECTED PROGRESS IN FY 1997 AND FY 1998

With the phasing out of democracy funding for the Central America Regional Program, the focus of our support for municipal strengthening will be on the critical role of local government in pollution prevention and stewardship of the natural resources. Indicators and progress against these intermediate results are described in the Mission's SO2.

Special Objective One: Enhanced Central American Capacity to Respond to the HIV Crisis

Policy and NGO strengthening activities supporting this Special Objective were only recently initiated, in September 1995, with the award of a cooperative agreement with a consortium composed of the Academy for Educational Development, the Futures Group and the International Planned Parenthood Federation/Western Hemisphere Region (IPPF/WHR). The social marketing activities are scheduled to begin prior to the end of 1996. This document presents the results framework developed for the initiative, as developed with our partner agencies. Due to the recent initiation of activities, we do not yet have data to report against intermediate results or Strategic Objective performance indicators. But, as shown below, this activity, when fully implemented, will contribute to achievement of the Agency's human health goal, and specifically a **sustainable reduction in STD/HIV transmission among key populations**, Agency objective 3.4.



A. Performance

The PERFORMANCE LEVEL INDICATORS for this Special Objective are:

- ✓ Amount and type, by sector, of regional resources allocated for HIV/AIDS/STD prevention;
- ✓ Number of HIV/AIDS/STD prevention interventions implemented per target population that meet best practices standards.

Efforts are underway to develop baseline information on these two indicators, which will form the basis for establishing targets based on a consultative process with our partner agencies.

We will also be tracking achievement of three key intermediate results:

- **Intermediate Result No. 4.1: Improved Regional Policy Environment to Support HIV/STD Policies and Programs**

During the first year the project expects to complete summaries of existing research studies in Panama, Guatemala, El Salvador, Nicaragua and Honduras. At least two country workshops to determine research priorities will be held in the first year, and three subcontracts will be awarded to conduct new research based on the priorities for new information identified. Furthermore, key informant interviews and inventories of

public/private leaders active in issues will be conducted and analyzed in all of the same five countries during the first year. Perhaps the most interesting data collection activity in this area will be the development of a Policy Environment Score (PES) for each country and the region as a whole. The dimensions of the policy environment that will form the components of the PES include: political support; policy formulation; organizational structure; resources; evaluation and research; and legal and regulatory. Specific strategies for the improvement of each component of the index will be developed, thus improving the possibility for achieving positive results.

● **Intermediate Result No. 4.2: Improved NGO capacity to deliver HIV prevention programs**

Activities initiated include: the development of a roster of existing and potential NGOs working in HIV/AIDS/STD prevention; a needs assessment of programmatic skills; a needs assessment of management and fund-raising skills; and an assessment of communications skills. This information, once analyzed, will become the foundation for the programming of project interventions in these topical areas, and a checklist for rating NGOs in these areas (according to best practices criteria) will be created and established.

● **Intermediate Result No. 4.3: Sustainable and Effective Private Sector HIV/AIDS Condom Social Marketing Program (CSM)**

Activities under this component have not yet begun. We expect an RFA to be issued by May 1, with award of a cooperative agreement prior to the end of FY 96. Estimated annual condom sales of 26.3 million will be achieved by year 7 (2002).

B. ROLE OF USAID IN PROMOTING CHANGE

With the termination of the WHO Global Program on AIDS (GPA) there is currently a financial and leadership gap in the response to HIV/AIDS in the Americas. UNAIDS is still in its infant stages, has almost no programmatic support funds available, and it is still unclear what the role of the various member agencies will be. The World Bank has begun a regional project (SIDALAC); however, they are contributing only \$1 million of their own resources for all of the Americas. The Dutch have provided some support to an NGO network in the region and the Nordic countries have provided some support for the country-level Medium Term Plans through PAHO. More recently, the European Union, GTZ and IDB have also entered the arena, mostly in Honduras. The World Bank has included funds for HIV/AIDS/STDS in their bilateral loan to Honduras, but have not done so in other countries.

USAID/G-CAP is uniquely positioned to fill the leadership gap in these area and to work with our sister agencies in developing a joint vision for HIV/AIDS in the sub-region under which each agency can identify where it can best contribute. Furthermore, as a representative of

UNFPA put it, they look to us to take the leadership on CSM and private-sector involvement. This is an area where we are uniquely positioned to make a contribution which could lead to a people-level impact in our target populations.

USAID Takes Leadership Role in Regional Donor Coordination

The dissolution of the WHO Global Program (GPA) of AIDS in anticipation of the new multi-agency (WHO/PAHO, UNICEF, UNDP, UNFPA, UNESCO, and World Bank) has left a technical and financial leadership vacuum in the region during the transition period. National AIDS Control Programs (NACPs) are in the process of losing national advisors and a major part of their program resources. The NGO community does not know where to look for support and other donors lack a well-defined umbrella mechanism for coordinating their support.

UNAIDS has established country "Theme Groups" in the countries with representatives of the member agencies. However, they still largely lack a clear sense of their mission; the respective roles of the member agencies; resources available (either their own or through Geneva); and how they should relate to other agencies. Their dynamic within the country depends more on the personal characteristics and styles of the individuals involved, than the member agency guidelines and policies.

USAID/G-CAP recently met with the regional office of one of the agencies involved. They had received general instructions that they were supposed to get involved in HIV prevention from their home office, but had no idea as how to implement these directives. Furthermore, they did not believe that they had any funds which could be used for HIV purposes. They then outlined their four priority areas, and we were immediately able to identify two in which there was considerable overlap. We are now working on concrete joint programming activities.

We have also met with the UNAIDS country Theme Group. We were immediately able to identify a number of common agendas, such as joint criteria and a unified screening process for a grants program. We will soon meet to work out the details. During a recent visit by a team from UNAIDS/Geneva and PAHO/Washington to Guatemala, we were able to elaborate on these themes, and it now appears that UNAIDS will locate a regional advisor in Guatemala to take advantage of the opportunities for joint programming.

C. EXPECTED RESULTS IN FY 1997 AND 1998

In the policy area during these two years, seven new research studies will be underway, 100 dissemination events will be carried out, and 100 media placement of research findings. It is also expected that by the end of FY 1998 the AIDS Policy Environment Score will be updated, that mid-project key informant interviews will be conducted in five countries, that there will be a 40% increase in intersectoral leaders, that there will be an increase in Policy Support and

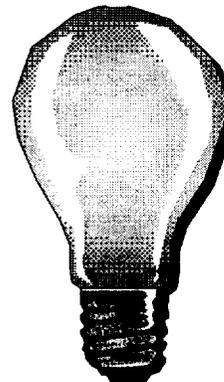
Public Awareness in the AIDS Policy Environment Score, and that there will be a significant increase in public support for specific policies and programs in five countries.

In the area of NGO Strengthening, during 1997/98 the project expects to provide at least 280 person days of technical assistance. A local organization will house and maintain a database of skilled consultants will be identified. An increase of 40% in the number of NGOs implementing HIV/STD prevention programs is expected; at least 30% of the NGOs identified as targets in the first year will meet management/fund-raising criteria and 40% of these programs will be based upon proven best practices. Three documentation centers/collaborating institutions will be established during this period of time; 10 policy statements will be made by the regional NGO consortium, and networking activities will have enhanced NGO prevention activities throughout the region.

Expected results for the Condom Social Marketing Component for these two years are: the signing of a Cooperative Agreement for project implementation; the hiring of key personnel and the establishment of their offices; market research conducted and the identification and introduction of an umbrella brand in 4,000 outlets (traditional and non-traditional). Furthermore, market needs and opportunities for cross-subsidy products will be established and identified.

Special Objective Two: Increased Investment in Private Sector Energy Services in Central America

The CONCAUSA Declaration signed in December, 1994, commits the U.S. and Central American governments to work together on policy and regulatory reform to increase private sector participation in the electricity subsector and promote investment in energy efficiency and renewable energy. USAID/G-CAP and USAID/G/ENV/EET are jointly managing a set of activities designed to support the energy commitments of the CONCAUSA agreement. These activities also respond to point number 12, Energy Cooperation, of the Summit for the Americas Action Plan.



Building on earlier USAID and other donor financed activities, this program will result in the establishment of energy policy and regulatory frameworks in at least three countries, the identification and promotion of numerous energy efficiency and renewable energy investment opportunities, and the mobilization of tens of millions of dollars in private sector investments. Initial activities under the program will focus on policy and regulatory reform and the implementation of approved laws. Activities in support of the other two results will begin on a country-by-country basis, as soon as pricing, competition, subsidies and other critical policy and regulatory issues have been adequately addressed. The Program will contribute to achievement of the **Agency Objectives of Increased Provision of Environmentally Sound Energy Services (4.4) and Strengthened Markets (1.1)**

The results framework presented here was developed by USAID with our partners earlier this fiscal year; activities were initiated in September 1995, so while there are no results yet to report on, we are using this format to present the results framework and discuss activities carried out to date.

A. PERFORMANCE

We have one indicator at the Special Objective level:

✓ **Investment in private sector energy services**

As a result of very limited funding provided by USAID through WINROCK International, the Solar Foundation, a Central American NGO based in Guatemala, was able to leverage approximately \$1.7 million in investment from private sector groups in renewable energy projects and rural development in Guatemala.

The Environmental Enterprises Assistance Fund (EEAF), another of the grantees under the program, hired a Guatemalan business student to review environmental investment opportunities

in Guatemala and as a result of this, a \$100,000 loan to Genesis, a solar Photovoltaic (PV) company, was approved and will start to be disbursed in December 1995. EEAFF also approved a \$300,000 loan to Northern Electric Company of El Salvador for the establishment of a 5 MW cogeneration facility on an existing sugar cane plantation. \$50,000 of this financing will go to establishing a biomass growing operation.

Representatives from the National Hydropower Association (NHA) to discuss aspects of the proposed legislation for regulation of the power sector, with specific reference to provisions governing small hydro developers. The NHA has also identified excellent prospectives for U.S. investment in hydropower projects which are expected to be materialized once a sound regulatory framework is in place.

Hagler, Bailly Inc., reviewed the status of the energy efficiency program being implemented in Costa Rica under an IDB loan, developed a workplan for the national utility, and developed a program specific to the industrial sector.

A workshop on Joint Implementation was held with funding from USAID and DOE. Nearly 300 representatives from the private and public sectors participated, including President José Figueres of Costa Rica and U.S. Secretary of energy Hazel O'Leary. During this seminar, the Governments of the U.S. and C.A. signed a "Statement of Intent for Sustainable Development Cooperation and Joint Implementation of Measures to Reduce Greenhouse Emissions". The JI mechanism could result in a significant amount of investment in private energy projects in the region; so far, the Costa Rican experience with JI has been very successful with a \$20 million investment under consideration by U.S. utilities.

■ **Intermediate Result 1: Policy and Regulatory Frameworks (national energy management programs) Established in at least three Central American Countries**

- USAID participated in the regional meeting of the members of the Central American Council for Electrification, held in Managua in April 1996, where decisions were made to move forward the Central American Interconnection Project to be supported by the IDB. Based on contacts made during this event and other consultations and analyses, our focus will be on improving the policy and regulatory frameworks, including private sector competition and incentives for energy efficiency investment, in Guatemala, El Salvador and a third country to be selected.

● **Intermediate Result 2: Attractive Renewable Energy and Energy Efficiency Investment Opportunities Identified and Promoted**

- Work has begun to update the energy efficiency studies carried out in Guatemala, Costa Rica and El Salvador. Hagler, Bailly Inc., one of the contractors under the program, will continue to work with national utilities to identify priority interventions and provide them technical assistance to prepare energy efficiency packages to be included in sectoral loan proposals to be presented to the MDBs.
- In the area of renewable energy, the financial support for preinvestment studies will continue to be made available through the Renewable Energy Support Office (REPSO) managed by the Solar Foundation. Financial support for the development of projects will continue through the Environmental Enterprises Assistance Fund. A series of other activities to promote investment from U.S. industries will continue through the U.S. Export Council for Renewable Energy (USECRE), another cooperating agency under the program.

● **Intermediate Result 3: Financial Resources Mobilized for Private Sector Investments**

- Private sector participation in electrical generation/transmission is essential for substantial levels of investment to be mobilized. In the interim, USAID supported technical assistance will focus on helping to overcome obstacles in the implementation of energy efficiency components of the already approved IDB loans in El Salvador and Costa Rica.
- The Environmental Enterprises Assistance Fund (EEAF) has announced a joint effort with the Multilateral Investment Fund/IDB to establish the Environmental Financing Corporation, funded by the MIF at \$4.8 million, with EEAF soliciting an equal amount from other donors around the world. This corporation will be dedicated to investment in environmental and energy businesses and projects in Central America, and will be managed by Empresas Ambientales de C.A., an EEAF subsidiary office partially supported by USAID under the CONCAUSA program.

B. USAID Role in Promoting Change

USAID/G-CAP believes that the CONCAUSA-inspired energy program, which the Mission co-manages with G/ENV/EET, is important to the region for reasons of both substance and timing. This program is providing assistance on critical policy reform issues at a time when the political receptivity of these governments is at an all-time high. At the same time, the program is beginning to have an important effect on project-specific technology choices that have serious

implications for the environment -- principally the adoption of more efficient technologies and renewable energy.

C. EXPECTED RESULTS IN FY 1997 AND FY 1998

The funding provided for this program came from the Environmental Initiative for the America. As shown herein, it is an ambitious program, proceeding on track, meriting continued USAID funding if additional resources over proposed levels could be identified.

Policy and regulatory frameworks (national energy management programs) established in at least three Central American countries.

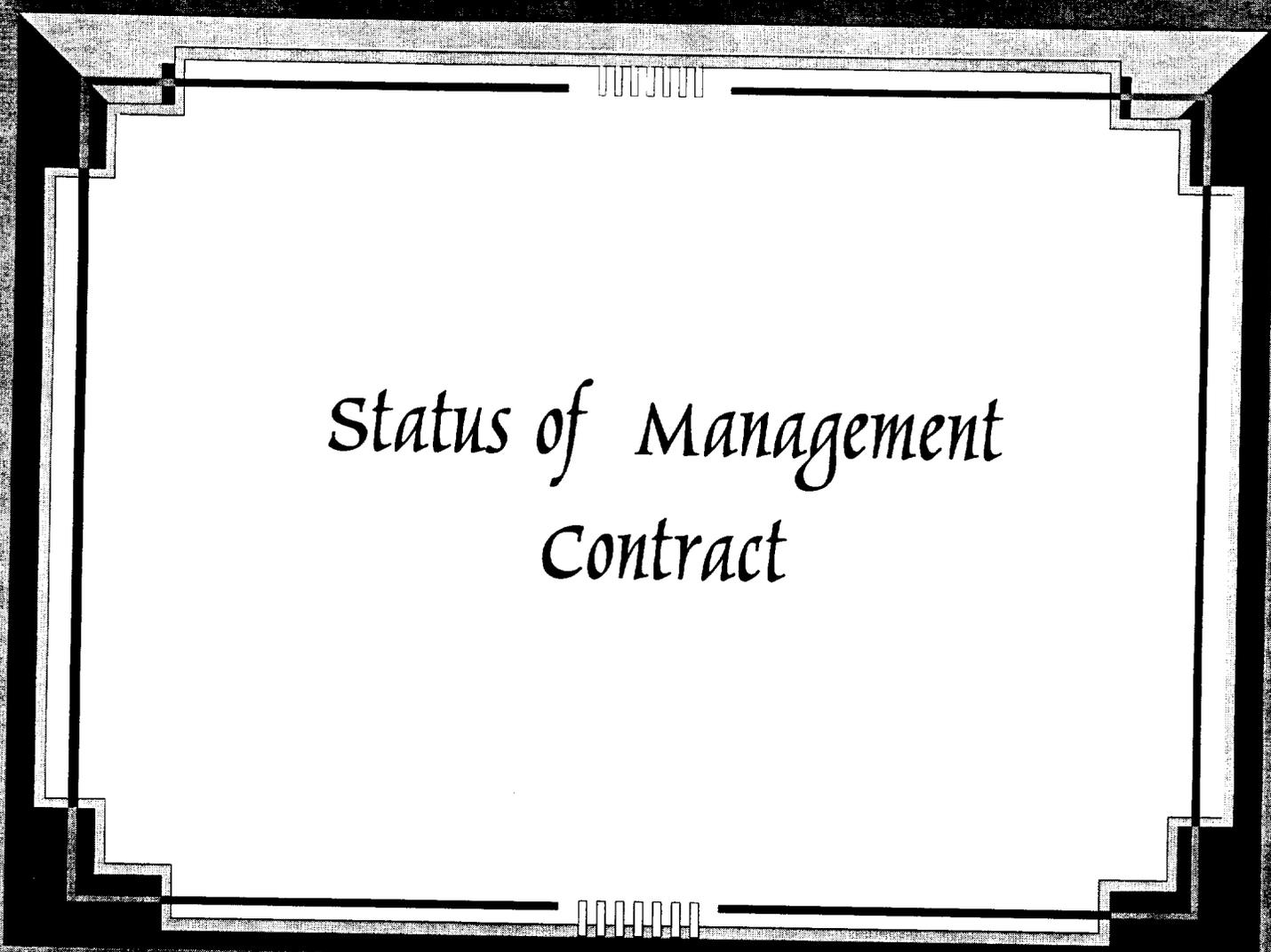
- New electricity laws have been approved.
- Required new entities have been established, funded and staffed.
- Required new regulations have been drafted and approved.
- New laws and regulations have been implemented.
- Electricity tariffs have been adjusted/changed as required/permitted by new laws/regulations.
- Measures to provide incentives for energy efficiency have been developed, approved, and implemented.

Attractive renewable energy and energy efficiency investment opportunities identified and promoted.

- Information has been developed and disseminated concerning the likely impact of the new electricity laws and regulations on energy prices.
- Opportunities for improvement of local energy efficiency markets (new products, suppliers, service companies and finance) have been identified and promotional information widely disseminated.
- USAID funded DSM and other energy efficiency studies and related activities in Guatemala, Costa Rica and El Salvador have been up-dated and made available in Spanish to potential investors, ESCOs, PVOs, and relevant government officials and financial institutions.
- Solid collaborative and complementary relationships have been established with the IDB, World Bank, CABEL, local private banks and PVOs to disseminate information concerning energy waste and energy efficiency investment opportunities.
- Pre-investment studies for renewable energy projects have been supported (at least eight pre-investment studies will be supported by the end of 1997).
- U.S. industry will improve its knowledge of renewable energy markets in Central America (at least 20 U.S. companies in three years).

Financial resources mobilized for private sector investments.

- Obstacles have been overcome and implementation of energy efficiency components of already approved IDB loans in El Salvador and Costa Rica has started, mobilizing at least \$9 million by the end of 1997.
- Sales of key energy efficiency equipment and devices such as variable speed motors, lighting and appliances has increased substantially.
- All or elements of existing power systems are privatized, mobilizing an estimated \$50 to \$200 millions in private investment by the end of 1997.
- Commitments are made concerning investments in independent power plants and/or privatized power distribution and transmission companies.
- Special energy efficiency funds have been authorized/established and additional IFI loans for energy efficiency have been designed/approved. Local financial institutions have increased funding for energy efficiency measures.
- The number of ESCOs and ESCO contracts has increased, paving the way for establishment of a permanent infrastructure for the promotion and design of energy efficiency projects.
- Lending for renewable energy projects by MBD's will be increased, mobilizing at least \$20 million in three years.



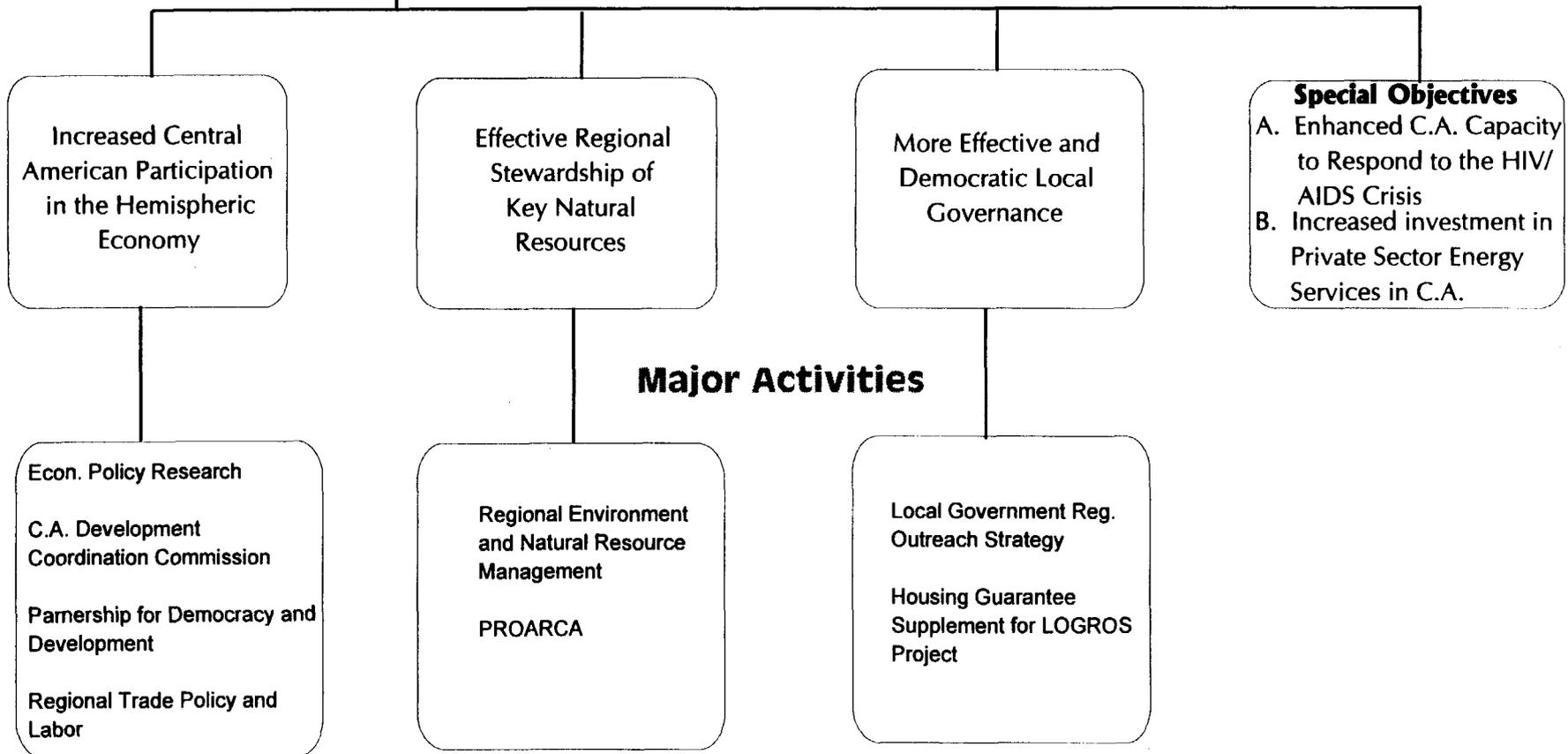
*Status of Management
Contract*

USAID/G-CAP REGIONAL PROGRAM FY 1996

Agency Goals:

- 1) Broad-Based Economic Growth
- 2) Environment Managed for Long Term Sustainability
- 3) Sustainable Democracy Built

Regional Strategy Objective Program Areas



VISION for 1997 - 2002

Agency Goals:

- 1) Broad-Based Economic Growth
- 2) Environment Managed for Long Term Sustainability
- 3) Sustainable Democracy Built

Regional Strategy Objective Program Areas

Increased Central American Participation in the Hemispheric Economy

Effective Regional Stewardship of Key Natural Resources

Special Objectives

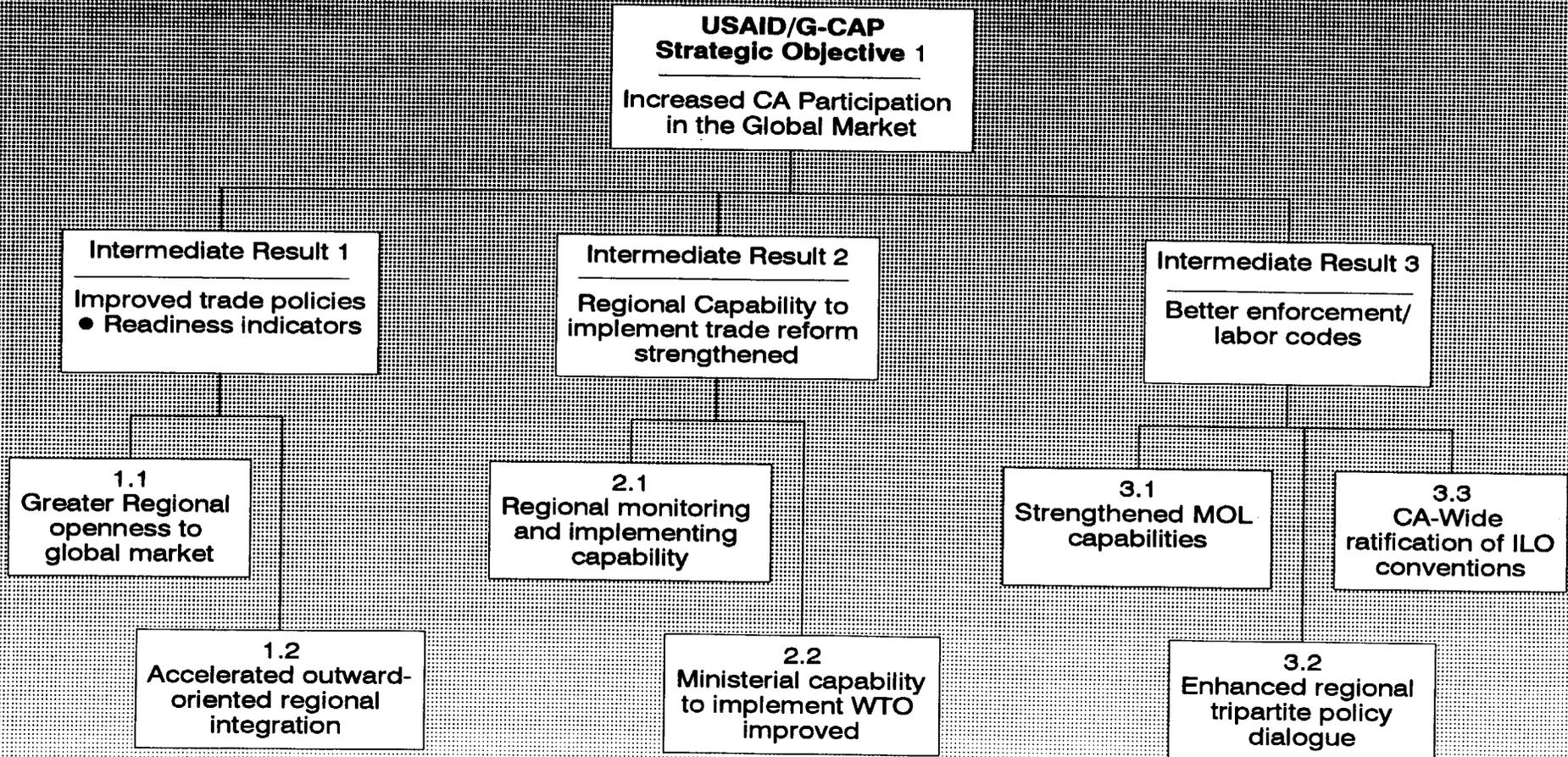
- A. Enhanced C.A. Capacity to Respond to the HIV/ AIDS Crisis
- B. Increased investment in Private Sector Energy Services in C.A.

Major Activities

Regional Trade Policy and Labor Relations Program (PROARCA)

Regional Natural Resource Management Program (PROARCA)

Results Framework



SO 1: Increased Central American Participation in Global Markets

Development Hypothesis - Summary of Results Framework

Poverty is high throughout Central America with most countries having poverty rates approaching or exceeding 75 percent. In order to effectively combat poverty and promote sustainable development in Central America, significantly higher economic growth rates are required on a sustained basis. While not a sufficient condition to reduce poverty, increased growth is absolutely essential; real growth of 6-7% per year is needed to provide increased demand for the productive use of labor and thereby increase incomes for working families. Activities under the Mission's Strategic Objective promote equitable economic growth in Central America through **strengthening national and regional markets, and accelerating Central America's readiness to integrate into hemispheric and global markets**. As such, it represents a key component of USAID's strategy for combatting poverty in the region, and also complying with U.S. commitments under the Summit of the Americas Action Plan.

USAID/G-CAP's program is designed to support Central America's efforts to both satisfy NAFTA- and FTAA-type eligibility requirements and, thereby, gain access to additional markets (the demand side), and concurrently to improve the region's export competitiveness (the supply side) to enable it to take full advantage of such access to new markets. This is being pursued through **improvements in the trade policy regime (IR1)** to increase Central America's openness to outside markets, and improve the allocative efficiency of the regional economy through support for WTO-consistent, trade-creating Central American economic integration. In addition, **regional and national institutions supporting competitive markets will be strengthened (IR2)**. The capabilities required at the regional level to monitor and coordinate trade policy performance, and at the national level to implement trade policy reforms, will be enhanced.

This strategic objective also seeks **better enforcement of national labor codes (IR3)** protecting fundamental workers rights. Strengthened capability to enforce labor codes and improved labor relations support Central America's ability to participate in global markets both through improving the region's ability to satisfy entry requirements, such as those under the Generalized System of (trade) Preferences, and by contributing to greater worker productivity, and in turn, to the region's ability to compete. Moreover, stronger protection of worker rights supports other USAID objectives related to democracy, human rights and better quality of life.

Other components of the strategy, supported through other regional and bilateral USAID Strategic Objectives include investment in human resources, strengthening environmental protection and the sustainable use of natural resources, and the creation of effective social policy, along with strengthened democratic institutions and enhanced protection of human rights.

Responsibilities

Our principal partners in achieving this Strategic Objective are SIECA, SICA, and the Ministries of Labor and Economy in the region. We also hope to work more closely with AIFLD and the

regional federation of labor groups on the issue of labor rights. SIECA is also negotiating a contract with the U.S. Patent and Trademark Office to provide technical assistance.

Critical Assumptions

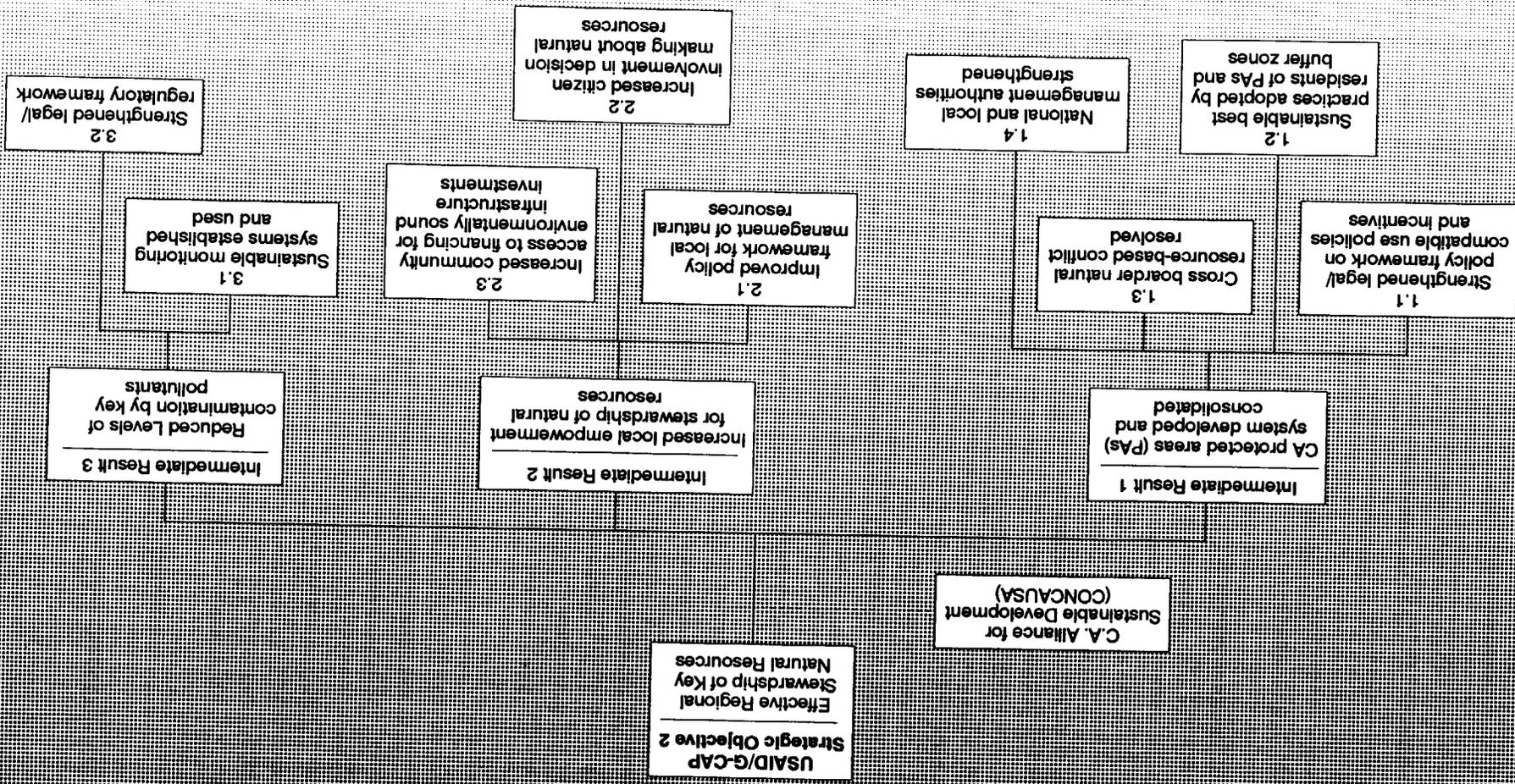
The region is currently strongly supportive of trade liberalization and investment, and we assume will continue to be so. We also assume that regional labor organizations are willing to cooperate with Central American governments working on the parallel priorities of improving labor relations and economic growth.

Tools and Tactics

Funds are obligated using a handbook 3 agreement format, but signed with the appropriate Ministers of the region. Technical assistance contracts and/or PASAs are then let to provide the coordination for each of the four topical areas: investment, trade policy, IPR, and labor. Our approach builds upon the momentum created in the Miami summit, and we are working closely with the Central American countries chairing the hemispheric working groups to accelerate these reforms in the Central American region.

Total estimated life of SO Cost is \$10 million, from FY 1995 through FY 1999.

Results Framework



SO 2: Effective Regional Stewardship of Key Natural Resources

Development Hypothesis - Summary of Results Framework

Although representing just 0.5% of the world's territory, Central America contains 7% of the earth's biodiversity, including 19,000 species of plants. Despite two decades of intensified efforts and investment, Central America's natural resource base continues to deteriorate, with the latest national deforestation data showing annual forest losses in Central American countries ranging from 2.6% to 1.6%, impacting adversely on social and economic well-being. Regional estimates are that 416,000 hectares per year are lost to deforestation. The steepness of the curve, however, is beginning to lessen in areas within the region where political stability has returned after years of civil war, and where USAID regional and bilateral activities have targeted their resources. One notable example is the Maya Biosphere Reserve in Guatemala.

Biodiversity conservation and stewardship of the region's natural resource base remains key to fulfilling critical societal support functions and guaranteeing long-term social well-being and development in Central America. From a regional perspective, this development hypothesis mandates: (i) the **expansion and consolidation of a regional system of protected areas** and the gradual ecological restoration and management of multiple use zones surrounding them (IR1), (ii) **local empowerment over natural resource decision making** (IR2), and **reduced contamination of the region's water and soil resources from key pollutants** (IR3).

Our hypothesis assumes that it is economically and ecologically feasible to conserve a significant portion of the biological wealth of Central America through a system of core protected areas and associated multiple use zones. Operationally, however, "blanketing" the region with development projects is not feasible, nor sustainable. Thus, any intervention under the regional SO must be carefully chosen for its strategic and catalytic power to support the protected areas system. Strategic in that interventions address the highest priority issues both substantively and geographically, and catalytic in that they achieve maximum leverage of resources and dissemination of results. Institutionally, interventions must complement and reinforce bilateral initiatives while focusing only on those activities which are intrinsically regional and cross-boundary. Key regional constraints and proposed solutions are noted below:

Public awareness: Life sustaining supplies of food, fuel and other products from the region's natural resource base continue to decline steeply. Public awareness of this problem and consensus on how to reverse the trends are shared by a small but growing segment of the population. However, for most of Central America, survival driven, short-term solutions relying on slash and burn agriculture, unsustainable cattle production, and heavy use of pesticides remain the norm. Our approach to reversing this trend is to increase public awareness, but also more importantly, to increase local communities role in the management of resources on which their and their children's livelihood depend.

Centralized, non-responsive governance: The regional SO clearly identifies decentralization of environmental authority with increased public input into decision making as a key result for

sustained progress in the environmental sector. Increasingly, municipalities are delegated these authorities, including, in some cases, the power to raise revenues. USAID's investment is encouraging partnerships between local government and NGOs with environmental management expertise to improve municipalities exercise of their authority over the natural resources in their geographic purview.

Transboundary resource and policy conflicts: Continuing resource use conflicts in the Gulfs of Fonseca and Honduras and growing transmigration are clear examples of issues extending beyond national boundaries, underlying the need to provide venues for national partners to jointly plan and implement lasting regional solutions. In recognition of this fact, four important transboundary areas are targeted for special attention.

Financial commitment: CONCAUSA marks a significant shift in political recognition and commitment to protecting the region's natural resource base. Donors, including the U.S., have promised roughly \$150 million in development assistance to implement sustainable solutions in pollution prevention, and to support the vision of a biological corridor. The regional program exerts a strong influence in leveraging new funds, and maximizing the effectiveness of existing activities.

Effective legal frameworks and enforcement: As Central America moves toward trade integration and industrial development, one by-product has been increased contamination of the region's natural resource base. In response, the SO sets out an approach for developing a legal framework for environmental protection which is harmonized throughout the region and which provides for public access to decision making.

Responsibilities

Partners in this endeavor include: the Central American Commission on Environment and Development (CCAD), our principal regional counterpart; the institutional contractor chosen to implement the regional protected areas system component; the consortium of The Nature Conservancy, the World Wildlife Fund, and the University of Rhode Island working in the four cross-border target areas; the U.S. Environmental Protection Agency for pollution prevention and harmonization of legal frameworks; FEMICA, providing support through the national municipal associations for decentralization and greater municipal autonomy; CHF, PRIDE/Chemonics and municipalities working together to develop local environmental management plans; and the Central American Bank for Economic Integration (BCIE) providing commercial financing for municipal infrastructure projects.

Critical Assumptions

Continued Central American leadership and political commitment to CONCAUSA, with a concomitant support for decentralization of authority to the municipal/community level.

Tools and Tactics

The regional program will continue to encourage and support Central American leadership, skills transfer, and reliance on Central American experts and institutions for technical assistance. The approach must also be actively coordinated among donors, to capture synergy and insure lessons learned are shared as widely as possible and to avoid working at cross purposes. Initiatives such as joint regional bilateral customer surveys, GIS formats and data, and combined or complementary donor monitoring programs are being considered as ways for enhancing impact.

Customer Focus

A criticism of earlier regional work was that it was not sufficiently focussed or strategically implemented to move beyond local successes to the level of regional impact. A regional customer service plan is, therefore, being designed to clarify program focus by identifying distinct groupings of clients of regional importance for each activity under the SO. Client and partner identification will go beyond the traditional conservation target groups to include the private sector, local congressional members, municipalities and key Ministries.

Total life of SO costs are estimated at \$28.5 million from FY 1995 through FY 1999.

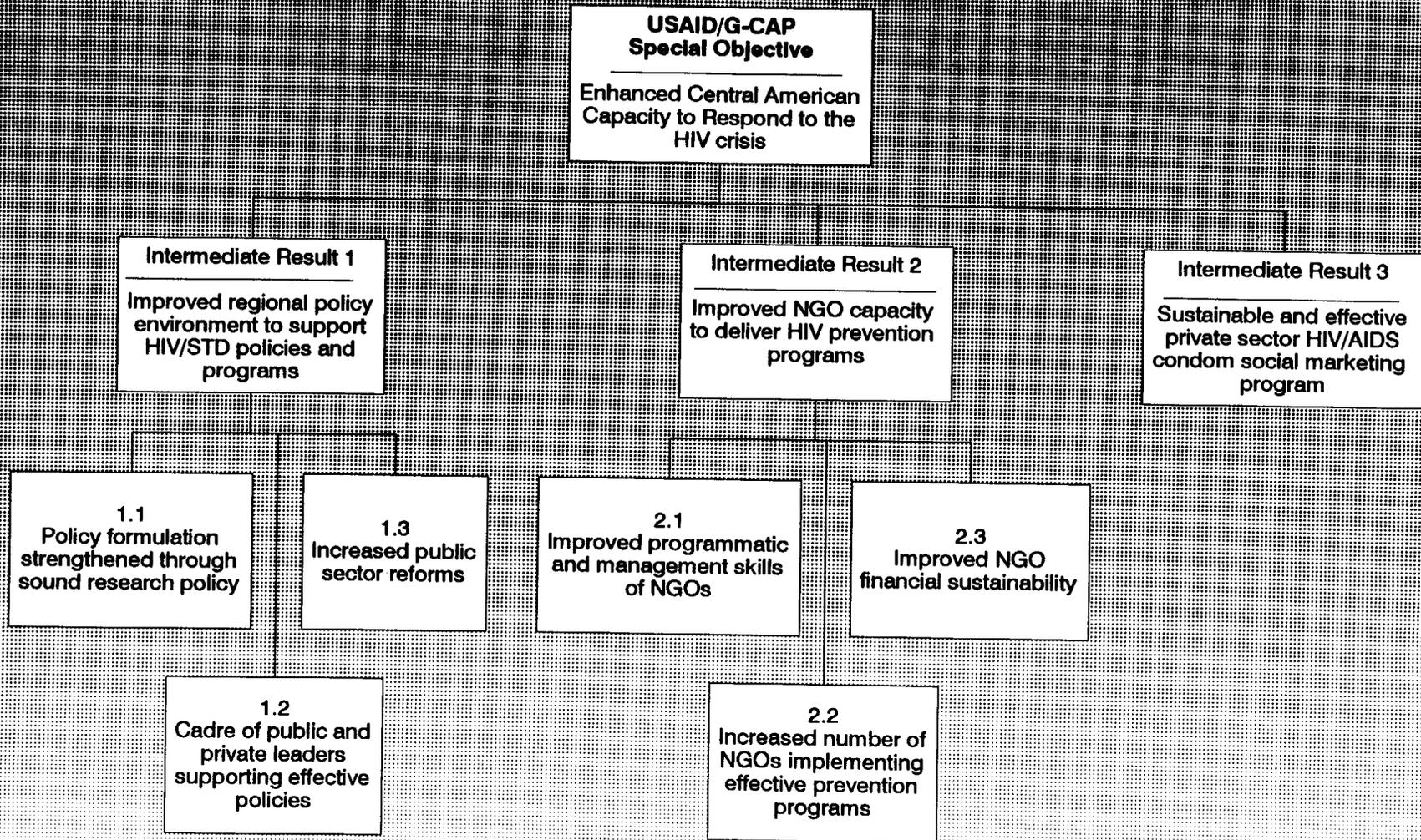
SO 3: More Effective and Democratic Local Governance**Development Hypothesis - Summary of Results Framework**

Over the past four years the basis and focus of this regional strategic objective has been from a democratic initiative perspective to empower local governments in Central America. The empowerment of local governments affords citizens the opportunity to become agents, as well as beneficiaries, of development by their participation in the decisions which affect their daily lives. By localizing the decision-making process, local governments are prioritizing their needs and deciding how resources should be allocated. In response to the expressed needs of citizens, local governments are building an institutional capacity to effectively deliver services, improve the quality of life of their communities, and consolidate participatory democracy. The process of politically and financially enfranchising local governments is still at an early stage in Central America. USAID, along with other donors, has supported and continues to support a process that empowers people and constitutes the foundation for future development in Central America.

Decentralization is essentially about power. Legislative changes to increase local fiscal autonomy and to provide for more representative and more participatory democratic systems have begun to shift the balance of power in the region from the central to the local governments. This decentralization process in Central America is still in its infancy. With many reforms being enacted within the last couple of years, not enough time has elapsed since their inception to make significant conclusions or judgments about the benefits of these changes. There is no doubt, however, that a new spirit can be found in local government leadership, which is quickly becoming aware of its new responsibilities and power. Evidence is also mounting throughout the region that many democratically elected local governments are capable of managing more responsibly, effectively, and in most cases more efficiently than central government.

As USAID is becoming more constrained by limited funding, decisions have been made to redirect this regional DI strategic objective into the regional environment strategic objective because of the emerging linkages between local governance and the environment. Even though some efforts will continue to support the on-going decentralization trend to empower local governments, most emphasis will now be placed on the mitigation of environmental risks at the municipal level through application of decentralized local authorities. As a result of a recent regional environmental comparative risk assessment, two of the three major environmental risks identified by the Central Americans (waste water and solid waste) require direct attention by local governments. This emphasis is now reflected in the revised regional environmental SO incorporating the municipal linkage to the environment.

Results Framework



Special Objective One: Enhanced Central American Capacity to Respond to the HIV Crisis

Development Hypothesis - Summary of Results Framework

The graphic results framework illustrates the relationship between the three essential intermediate results of our Central American HIV/AIDS initiative. An enhanced Central American capacity to respond to the HIV crisis will result from the establishment of favorable policies and local organizations capable of independently carrying out effective interventions to the target populations. Moreover, one of the potentially most effective interventions currently available to reduce HIV/STDs transmission is consistent and correct condom usage by the target populations. Increased condom usage can only come about by increasing the perception of risk in the target groups and making an affordable condom widely available at the appropriate place and time.

The first intermediate result, an improved regional policy environment to support **HIV/STD policies and programs (IR1)** depends upon the achievement of three interrelated lower-level results: policy formulation strengthened through sound research policy; a cadre of public and private leaders developed that actively support effective policies and programs; and 3) increased general public support for effective policies and programs. The formulation of good policies depends upon the availability and use of sound information about the magnitude (present and potential) of the problem and the range of potentially effective interventions. For these reasons, USAID's approach seeks to: broaden participation in setting the research agenda; increase the conduct and dissemination of research findings by local organizations; and make more decision makers aware of key research findings. Furthermore, the establishment of improved policies depends upon the development of an advocacy network of committed public and private sector leaders as well as increased public awareness, appreciation, and support for effective policies and programs.

However, policies on paper will do little to improve the situation if institutions capable of delivering effective interventions do not exist. From the beginning of the HIV/AIDS epidemic worldwide and within the region, NGOs have been at the forefront in providing services and prevention programs, particularly to the core transmitter groups which are the project's principal customers. Our approach to **strengthening NGO capacity to deliver HIV prevention programs (IR2)** is to improve programmatic and management skills of NGOs, increase the number of NGOs that implement "science-based" prevention interventions; and improve NGOs management and financial sustainability.

Activities to achieve our third intermediate result, **sustainable and effective private sector HIV/AIDS condom social marketing program** are in the final stage of design, but in addition to creating a viable program, they will support an improved policy environment through the media campaign's impact on awareness of the HIV problem, and also provide NGOs a source of affordable condoms for their prevention programs.

Responsibilities

In September 1995, USAID/G-CAP entered into a Cooperative Agreement with a consortium headed by the Academy for Educational Development (AED) with the Futures Group and International Planned Parenthood Federation/Western Hemisphere Region (IPPF/WHR) for the implementation of the policy/public awareness and NGO strengthening activities. Since then, we have been in close contact with sister agencies (JICA, the Swedish, the European Union and the Norwegians), host country national AIDS control programs, the representatives of the new UNAIDS program and its constituent members (PAHO, UNICEF, UNDP, UNFPA, UNESCO and the World Bank), and local NGOs and NGO networks to expand our partners in this initiative. We are also assisting the UNAIDS program in the development of a true regional coordination with a shared vision, objectives and resource allocation including possible joint grants programs and criteria. Since the regional program lacks the necessary resources itself to guarantee people-level impact, the ability to leverage other donor participation will be key to the ultimate success in preventing HIV transmission in the region.

Assumptions

The success of the Policy Component is based upon some assumptions. One is that there are individuals and organizations that are willing to learn more about HIV/AIDS and its potential impact on the entire Central America. The saliency of the issue, on both personal and community levels, is critical in an environment where leaders are presented with competing priorities for which their advocacy support is needed. Therefore, it is assumed that the urgency of the HIV epidemic will take on a priority concern once leaders realize the comprehensive impact such an epidemic has upon all other critical societal issues.

Another assumption upon which this activity is based is that the general public is unaware of the full ramifications of the HIV epidemic and that, upon better understanding this, will be prepared to show tolerance and support for those efforts which will help ameliorate the potential for devastating impact. While it is unlikely that all sectors of society will change longstanding cultural traditions and beliefs which may not fully condone behaviors most often associated with HIV transmission, it is assumed that a spirit of tolerance for ensuring the availability of HIV prevention services for those whose lifestyles and beliefs differ may be engendered, whether through education alone or accompanied by legislation.

Given the role of the economic sector in Central American development, it is assumed that the private sector will accept a role in leadership when faced with the cost-benefit of such efforts. It, in turn, may be one of the most compelling actors in convincing the public sector to become more fully engaged in the prevention of HIV.

The success of the NGO Strengthening Component is based on additional assumptions. One of the key assumptions is that NGOs and other groups that are not currently involved in HIV prevention and advocacy activities are willing to expand their activities into this area. One activity of the policy dialogue component of the project will be to encourage these new

organizations to join the fight against HIV/AIDS. It will take time to persuade organizations that are not currently working in HIV to take on the challenge.

Tools and Tactics

Risks associated with this activity relate to the potential for public dialogue on such a volatile issue as HIV prevention to present unanticipated backlash upon those who take a public stand on this issue. Because it confronts issues perceived as being taboo or controversial by some, initial efforts could elicit nonsupportive responses from more traditional or conservative segments of Central American society. However, one of the major components of this activity is to articulate the message of HIV prevention in such a way that all sectors of society can not only demonstrate tolerance, but also identify aspects of the comprehensive prevention strategy which are consistent with their beliefs and practices (without actively hindering those efforts which are not).

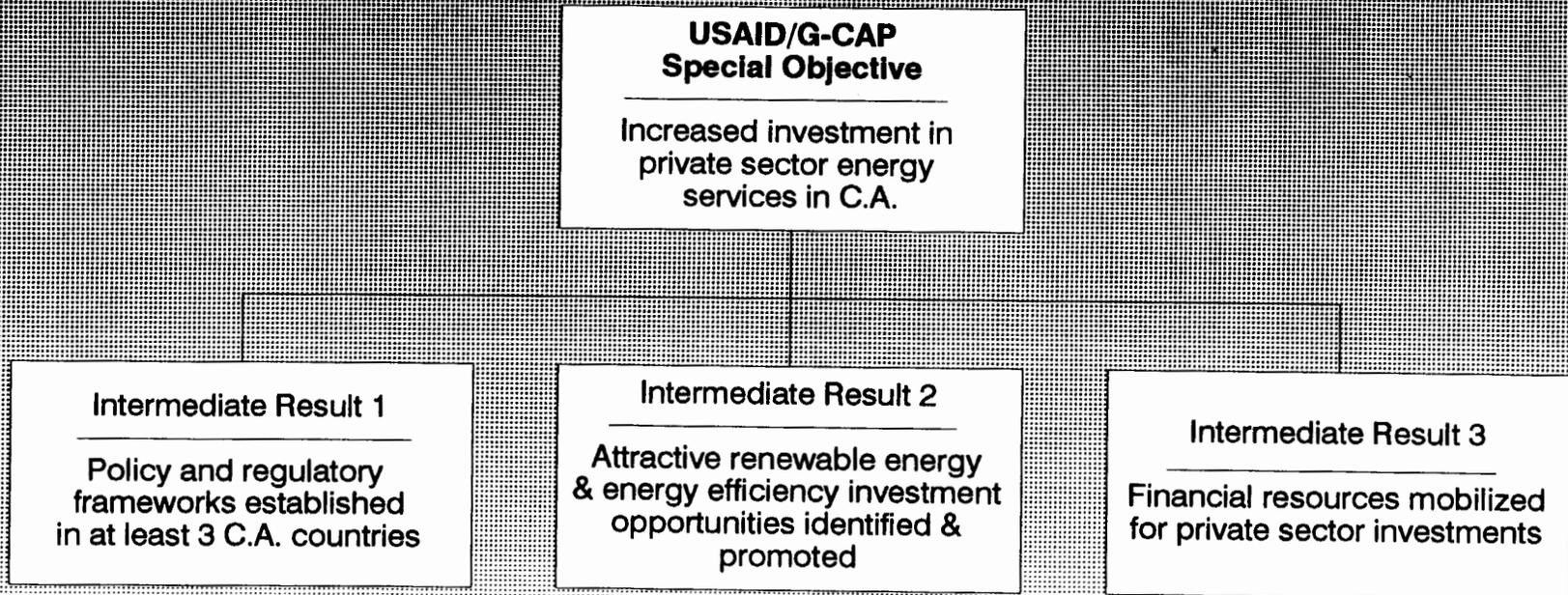
Our principal support is through a cooperative agreement with the AED-led consortium. The consortium, in turn, will coordinate \$1,000,000 in sub-grants over the five years of the project and will also involve and contract local groups in the research activities. In order to derive the most efficient use of the Project's limited resources, and to leverage further resources for HIV prevention as part of a coordinated regional strategy, we have engaged in intensive dialogue with sister agencies under the UNAIDS philosophy with a very positive initial response.

Customer Focus

Due to the regional nature of the project, we will not be as involved in the direct delivery of services to the customers (target populations) as would a bilateral project. However, we will still maintain a customer focus through: an extensive review of existing data and research on the customers; the development and conduct of a research agenda to fill gaps in information on these groups; and constant on-going feedback and coordination with the groups who deal with the customers on a daily basis. The Policy Dialogue Component focuses on regional and national issues which directly affect the customers daily lives as determined by a detailed review and analysis of the legal/statutory framework in each country. NGOs will be supported in their capacity to identify and deliver interventions to the customers based on best practices standards.

Total Estimated Life of SO Costs are \$23 million, from FY 1995 - FY 1999.

Result Framework



Special Objective Two: Increased Investment in Private Sector Energy Services in Central America

Development Hypothesis - Summary of Results Framework

Increased private sector investment in energy services is expected to increase the provision of environmentally sound energy services. The profit motive will cause private investors to favor the more efficient technologies and provide incentives for investments in renewable energy projects that offer a competitive return to capital. We also project the wider availability of reliable and competitively priced electricity will reduce dependence on fuel wood and other less environmentally-friendly energy options such as small emergency gas-powered generators.

All three intermediate results (IRs) -- **improved policy and regulatory frameworks, promotion of renewable energy and energy efficiency investment opportunities, and mobilization of financing** to stimulate private sector investment -- are required to achieve increased private sector investments in energy services. A sound and predictable policy and regulatory framework is critical to attracting and retaining private investment. The global and competitive nature of the energy investment market also requires that investment opportunities be identified and brought to the attention of widely dispersed investors with many investment options. The mobilization of financial resources is the final factor needed to stimulate investment.

Responsibilities

Our principal partners are: the Ministries of Energy, national utilities, local NGOs such as the Solar Foundation, and partners under G/ENV/EET projects: Winrock International, USECRE, the Institute for International Education (IIE), the U.S. Energy Association, and Hagler, Bailly Inc.

Critical Assumptions

That the USG and Central American countries continue to support CONCAUSA objectives, and sufficient political will exists to overcome expected opposition to policy/regulatory reform. Investment by the Multilateral Development Banks and other donors in this sector are also critical.

Tools and Tactics

Funds to support this initiative have been obligated through Global Projects. USAID/G-CAP is playing a coordination role between bilateral missions and G/ENV/EET. Since several of the grantees/contractors that are participating in the implementation of the CONCAUSA energy program had important on-going activities at the time when the program initiated, G/ENV/EET has worked closely with them to ensure that all their field activities are managed in an integral manner to achieve the results defined for the whole program.

Total estimated life of SO cost is \$1.5 million, all of which was obligated in FY 1995.



Resource Request

RESOURCE REQUEST - REGIONAL PROGRAM

A. Program Funding Request and Global Bureau Field Support

The Mission is presenting three separate scenarios with respect to resource availability, the two requested by AIDW in the R4 guidance message, and one additional scenario developed by the Mission to better illustrate the trade offs between SOs at different funding levels.

Scenario	FY 1996 DA	FY 1997 DA	FY 1998 DA
1	11,474	OMB = 15,250	OMB = 15,250
2	11,474	OMB = 15,250	OMB-10% = 13,725
3	11,474	OMB-30% = 10,675	OMB-30% = 10,675

The implications of each scenario on the results and implementation of the Mission's SOs follow, supported by Annex 2:

Scenario 1

In this scenario, our **TRADE SO1** would receive a total of \$7.73 million in FY 96-98, which would enable us to expand our support for further trade liberalization, improving labor relations and labor markets, and support for improving the trade environment (e.g., telecommunications, trade-related tax reform, etc.). This level of funding would also enable us to provide specific support to help countries address specific problems holding back regional integration.

Our **regional environment SO2** would receive a total of \$16.5 million. This would enable the Mission to continue activities as planned.

Our **HIV/AIDS special objective** would receive a total of \$18.244 million. This would enable us to continue activities as planned..

Scenario 2

In this scenario, the regional program would be cut 10% or \$1.525 million in FY 98, reducing support for SO2 and the HIV/AIDSs by \$500,000 and \$1.025 million respectively. Support for SO1 would be maintained at the same level as scenario 1, in order to sustain momentum achieved.

Scenario 3 (OMB-30% or straightlining of program at FY 96 DA levels):

In this scenario, all three of our objectives would be cut. We would reduce the amount of support for SO1 by \$1.0 million over the three years, limiting our ability to support new activities in the area of trade policy and specific assistance to countries where the lack of progress is impeding regional integration efforts.. The Environment SO2 would be reduced by nearly \$3 million, requiring us to scale back the regional policy component. And, our support for the HIV/AIDs program would be cut most significantly, by over \$5 million to a level of \$13.094 million, requiring us to scale back support for the NGO strengthening component in FY 97, while protecting the social marketing component.

**Annex 1
All Resources Table
USAID/Regional Program (596)
(000)**

Funding Category		FY 1997	FY 1998	
	FY 1996	Base	Base	Base - 10%
Development Assistance/ ESF/Food Aid				
Economic Growth	2,230	2,500	2,500	2,500
Population/Health (AIDS)	4,744	6,750	6,750	5,725
Environmental	4,500	6,000	6,000	5,500
Democracy	0	0	0	0
 PL-480				
Title II				
GRAND TOTAL - DA	11,474	15,250	15,250	13,725

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**Annex 1
All Resources Table
USAID/Regional Program (596)
(000)**

Scenario 3

Funding Category	FY 1996	FY 1997		FY 1998	
		Base	Base - 30%	Base	Base - 30%
Development Assist./ ESF/Food Aid					
Economic Growth	2,230	2,500	2,000	2,500	2,000
Population/Health (AIDS)	4,744	6,750	4,175	6,750	4,175
Environmental	4,500	6,000	4,500	6,000	4,500
Democracy	0	0	0	0	0
 PL-480					
Title II	0	0	0	0	0
 GRAND TOTAL	11,474	15,250	10,675	15,250	10,675

TABLE 4

CENTRALLY AND REGIONALLY FUNDED PROJECTS IN G/CAP BY STRATEGIC OBJECTIVE					
PROJECT NUMBER	PROJECT NAME	CATE-GORY*	1996 FUNDING	PART OF MISSION RESULTS PACKAGE	COMMENTS/STATUS
			MISSION MECHANISMS**		
936-3038	Central Contraceptive Procurement	A	OYB Transfer	Yes	Ongoing
936-3030	INOPAL III	A	Buy-in/OYB	Yes	Ongoing
936-3055	Family Planning Management Development	A	OYB Transfer	Yes	Ongoing
936-3051	Contraceptive Social Marketing	C	Buy-in	No	Ongoing
936-3038	Family Planning Logistics Management	A	OYB Transfer	Yes	Ongoing
036-3069	JHPIEGO	A	Buy-in (FY93)	Yes	Ongoing
936-3068	AVSC	A	Buy-in (FY93)	Yes	Ongoing
936-3023	DHS	A	Buy-in (FY94)	Yes	Ongoing

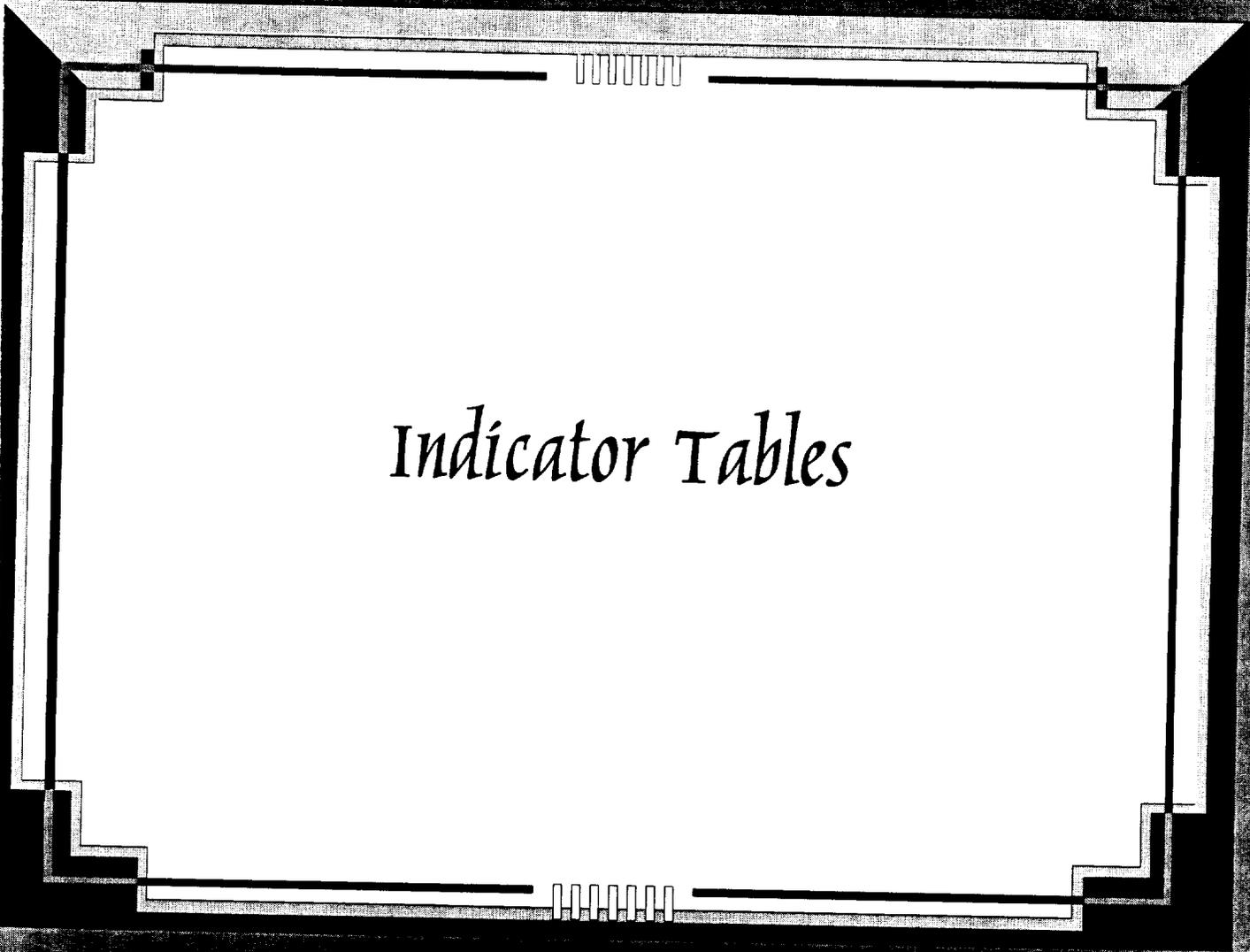
TABLE 4

CENTRALLY AND REGIONALLY FUNDED PROJECTS IN G/CAP BY STRATEGIC OBJECTIVE					
PROJECT NUMBER	PROJECT NAME	CATEGORY*	1996 FUNDING	PART OF MISSION RESULTS PACKAGE	COMMENTS/STATUS
			MISSION MECHANISMS**		
936-3078	Policy Project	A	OYB Transfer	Yes	Ongoing
936-3024	Pop Tech.	A	OYB Transfer	Yes	Ongoing
936-5966.07	Mother Care II	A	Buy-in/OYB	Yes	Ongoing
936-6006.01	BASICS	A	OYB Transfer	Yes	Ongoing
936-5994.01	Environmental Health Project	C	Buy-in/OYB	No	Ongoing
936-5974.07	Initiatives	A	Buy-in/OYB	Yes	Ongoing
598-0791	RTAC.II	C	Other	No	PACD will be August 22, 1996
936-0583	IEQ	B	Buy-in	No	
Regional Programs					
940-1008	Mayors Conference and Solid Waste Workshop	A	OYB transfer from G/ENV/UP	Yes	Yes
	WRI	A	Buy-in	Yes	Intermediate Result No. 1

* A. Supports Mission SO and is within Mission capacity to manage.
 B. Supports Mission SO but is beyond Mission capacity to manage.
 C. Does not support Mission SO.

** Buy-in, OYB Transfer, None, Other.
 *** Project Number, EX-G, G Research, Other. This column identifies source for 1996.

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Indicator Tables

TABLE 2.1: STRATEGIC OBJECTIVE PERFORMANCE

Regional				
USAID STRATEGIC OBJECTIVE NO. 1 Increased Central American Participation in the Hemispheric Economy				
Indicator: Total Central American trade with the Western Hemisphere as a percentage of GDP				
Unit: Percentage		Year	Planned	Actual
Source: Central American Monetary Council	Baseline			
<p>Comments: Projections are based on an increase of one half of one percent for the first year and one percentage point thereafter.</p> <p>The target for 1996 is lower than that realized for 1995, as the relatively large increase in 1995 was due in large part to a temporary surge in world prices for coffee, Central American principal export.</p>		1994	--	45.2
		1995	--	48.0
		1996	46.5%	
		1997	47.0%	
		1998	48.0%	
		1999	49.0%	
	Target	2000	50.0%	
Indicator: Composite score on readiness indicators				
Unit: Average of Central American countries' score		Year	Planned	Actual
Source: USAID/G-CAP staff calculations	Baseline	1992	--	2.74
<p>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.</p>		1993	--	2.91
		1994	---	2.93
		1995	2.96	
		1996	3.00	
		1997	3.05	
		1998	3.15	
		1999	3.30	
Target	2000	3.50		

INTERMEDIATE RESULT: 1.1 Improved Trade policies

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	--	--	
<p>Comments: The goal by the year 2000 is 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. , and (b) provide adequate protection to national and foreign patents, copyrights and trademarks, both of which the pre-requisites for entering into a free trade agreement with the U.S.</p>		1994	--	0	
		1995	0	0	
		1996	BIT	1	
			BIPR	1	
		1997	BIT	2	
			BIPR	2	
		1998	BIT	3	
			BIPR	3	
		1999	BIT	4	
			BIPR	4	
		Target	2000	BIT	6
				BIPR	6
Indicator: Intra-regional trade as a percentage of GDP					
Unit: Percentage		Year	Planned	Actual	
Source: USAID/G-CAP calculations based on SIECA data	Baseline	1993	---	7.22%	
<p>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.</p>		1994	3.00%	7.22%	
		1995	3.00%	7.63%	
		1996	7.65%		
		1997	7.70%		
		1998	7.75%		
		1999	7.85%		
		Target	2000	8.00%	

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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	9
		1996	10	
		1997	9	
		1998	9	
		1999	8	
	Target	2000	8	
INTERMEDIATE RESULT NO. 1.3 Better enforcement of labor codes				
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: While interest continues in upgrading Region's labor codes, primary attention is now being focussed on enhancing their enforcement. Therefore, we are developing alternate indicators to support CA emphasis on enforcement.		1994	---	0%
		1995	0%	0%
		1996	20%	
		1997	40%	
		1998	60%	
		1999	80%	
		2000	100%	

TABLE 1. 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	9
		1996	10	
		1997	9	
		1998	9	
		1999	8	
	Target	2000	8	

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TABLE 2.2: STRATEGIC OBJECTIVE PERFORMANCE

Regional				
USAID STRATEGIC OBJECTIVE NO. 2 Effective Regional Stewardship of Key Natural Resources				
Indicator: Increased % of Clients Indicating Positive Behavior Change				
Unit: Percent clients in customer survey responding positively		Year	Planned	Actual
Source: USAID Customer Survey	Baseline	1996	Est. Baseline	
Comments: Customer survey to be conducted in 1996-97 to establish baseline. The regional CSP (Customer Service Plan) to be designed May/June 96, will set parameters and implementation guidelines. Percent increase to compound annually over base.		1997	5%	
		1998	10%	
		1999	10%	
	Target	2000	10%	
Indicator: Reduced Degradation/Contamination of Key Natural Resources				
Unit: Percent change in population of indicator species in selected areas		Year	Planned	Actual
Source: Monitoring under PROARCA Component II	Baseline	1996	Est. Baseline	
Comments: PROARCA will establish indicator species monitoring baselines in selected coastal and marine areas. Species under consideration are those which react to changes in upland watersheds and/or contamination levels.		1997		
		1998		
		1999		
	Target	2000		

Intermediate Result 2.1: C.A. Protected Areas System Develop and Consolidated				
Indicator 2.1.1: Administrative Units (parks, protected areas or reserves) under Improved Management within target areas				
Unit: Number of Administrative Units with Improved Management		Year	Planned	Actual
Source: PROARCA Components I and II	Baseline	1996	5	
Comments: A participatory planning process for each of the four target areas is being conducted which will identify key "units" for strengthening. Currently a baseline of five parks have been declared, ratified and are under improved management.		1997	8	
		1998	11	
		1999	14	
	Target	2000	17	
Indicator 2.1.2: Number of People in Buffer Zones Applying Improved Management Resources within PROARCA target areas				
Unit: Percent of Target Population Adopting Improved Management Practices		Year	Planned	Actual
Source: USAID Monitoring /CCAD	Baseline	1996	Est. Baseline	
Comments: Baseline target population to be established in FY 96 in each of 4 cross-bounders target areas under PROARCA Component II.		1997	5%	
		1998	10%	
		1999	10%	
	Target	2000	10%	
Indicator 2.1.3: Resolution of cross-border conflicts				
Unit: Number cross-border conflicts resolved				
Source: PROARCA/CCAD		Year	Planned	Actual
Comments: Cross-border natural resource based conflicts, such as trafficking of illegal timber or endangered species in a major focus of PROARCA.	Baseline	1996	0	
		1997	1	
		1998	4	
		1999	7	
	Target	2000	10	

Intermediate Result 2.2: Increased Local Empowerment for Stewardship of Natural Resources in Target Areas						
Indicator 2.2.1: Local government control of its natural resources (cumulative)						
Unit: No. of municipalities		Year	Planned		Actual	
Source: FEMICA/USAID records	Baseline	1995			5	
Comments: Targets end in FY 1998, which is the current PACD for the LOGROS project.		1996		18		
		1997		33		
	Target	1998		40		
Intermediate Result 2.3: Reduced Levels of Contamination by Key Pollutants in Target Areas						
Indicator 2.3.1: Municipalities with Pollution Mitigation Systems in Place (cumulative)						
Unit: No. of municipalities		Year	Planned		Actual	
Source: FEMICA/USAID records	Baseline	1995	ww	0		
			sw	5		
Comments: ww = waste water sw = solid waste Targets end in FY 1998 at PACD of the LOGROS project.		1996	ww	2		
			sw	7		
		1997	ww	10		
			sw	13		
	Target	1998	ww	20		
			sw	20		

To: LASP@bans00034.usaid.gov
Cc:
Bcc:
From: The Cable Room <cablerrm@uxns0003.usaid.gov>
Subject: [A]FY 96-97 ACTION PLAN FOR GUATEMALA
Date: Wednesday, June 28, 1995 at 5:47:50 am EDT
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APPROVED BY: AID/AA/LAC:MSCHNEIDER
AID/LAC/DAE:EZALLMAN AID/LAC/DPB:DCHIRIBOGA (DRAF
AID/LAC/CEN:LAYALDE (DRAFT) AID/LAC/SPM:JWEBER
AID/LAC/RSD:SEPSTEIN (DRAFT) STATE/ARA/CEN:PWILLINGHAM (D
AID/GC/LAC:SALLEN (DRAFT) AID/PPC/PC:MRUGH (SUBS)
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FM SECSTATE WASHDC
TO AMEMBASSY GUATEMALA
INFO AMEMBASSY BELIZE
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY PANAMA
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: FY 96-97 ACTION PLAN FOR GUATEMALA

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REF: GUATEMALA 01077

1. THE FY 96-97 ACTION PLAN FOR USAID/GUATEMALA-CENTRAL AMERICA PROGRAMS (USAID/G-CAP) WAS REVIEWED ON JUNE 2, 1995. THE DAEC WAS CHAIRED BY AA/LAC MARK SCHNEIDER. IN ATTENDANCE WERE REPRESENTATIVES FROM G, GC, LPA, M, AND ALL APPROPRIATE LAC OFFICES. THE AA/LAC COMPLIMENTED THE MISSION ON THE QUALITY OF THE ACTION PLAN. USAID DIRECTOR STACY RHODES, DEPUTY DIRECTOR BAMBI ARELLANO AND PROGRAM OFFICER MARGARET KROMHOUT DESCRIBED THE CURRENT POLITICAL AND ECONOMIC CONTEXT IN GUATEMALA AND PRESENTED THE ACTION PLAN. THE ACTION PLAN WAS APPROVED BY THE BUREAU, SUBJECT TO THE GUIDANCE AND IN ACCORDANCE WITH THE CLARIFICATIONS DESCRIBED BELOW.
2. CONCERNING THE PRESENTATION OF PROGRAM PERFORMANCE AND SOCIAL SECTOR INDICATORS, AA/LAC REQUESTED THAT THE MISSION TRY TO FIND WAYS TO MEASURE PROGRESS TOWARD REDUCING SOCIAL AND ECONOMIC INEQUITY BETWEEN LADINO AND INDIGENOUS POPULATIONS IN GUATEMALA. HE ALSO ASKED THAT DATA BE PRESENTED ON GOVERNMENT OF GUATEMALA (GOG) EXPENDITURES IN THE HEALTH AND EDUCATION SECTORS, WITH

DISAGGREGATION BY GEOGRAPHIC AREA (AS A PROXY FOR LOW INCOME AND INDIGENOUS BENEFICIARIES) AND BY TYPE OF EXPENDITURE (UNIVERSITIES VS. PRIMARY SCHOOLS AND CURATIVE (HOSPITALS) VS. PRIMARY HEALTH CARE PROGRAMS). THE MISSION AGREED TO PROVIDE THIS INFORMATION IN THE NEXT ACTION PLAN. FINALLY, HE REQUESTED THAT FUTURE SUMMARIES OF PROGRAM ACCOMPLISHMENTS BE PRESENTED BY STRATEGIC

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OBJECTIVE, RATHER THAN BY CROSS-CUTTING "THEMES," AS IN THIS ACTION PLAN.

3. PERFORMANCE INDICATORS. ON THE QUESTION OF PERFORMANCE INDICATORS MORE GENERALLY, THE MISSION WILL SEEK TO ESTABLISH REALISTIC ANNUAL TARGETS FOR SOS AND POS IN ORDER THAT LAC/W CAN BETTER DETERMINE PROGRESS IN ACHIEVEMENT OF USAID/G-CAP'S OBJECTIVES. WHERE THE MISSION HAS EXCEEDED ITS STATED TARGETS SEVERAL YEARS IN ADVANCE, IT HAS COMMITTED TO REVIEWING THOSE TARGETS TO DETERMINE IF ADJUSTMENTS ARE NECESSARY.

4. BUDGET. USAID/GUATEMALA MADE THE CASE THAT IT IS FINDING IT INCREASINGLY DIFFICULT TO IMPLEMENT ITS LONG-TERM STRATEGY IN SUSTAINABLE DEVELOPMENT IN THE FACE OF SIGNIFICANT REDUCTIONS IN OVERALL FUNDING LEVELS IN THE PAST FEW YEARS, ESPECIALLY IN LIGHT OF THE INCREASING DEGREE OF RESTRICTIONS ON FUNDS THAT ARE AVAILABLE. THE MISSION ADVISED THAT, WITHOUT RELIEF ON UNRESTRICTED FUNDING, THEY MAY BE FORCED TO PHASE OUT OF THE ECONOMIC GROWTH STRATEGIC OBJECTIVE IN THE BILATERAL PROGRAM, AND THE DEMOCRACY STRATEGIC OBJECTIVE IN THE CA REGIONAL PROGRAM. THE AA/LAC EMPHASIZED THAT IT WAS NOT A CONCLUSION OF THIS REVIEW THAT SUCH PHASE-OUTS ARE APPROVED BY THE BUREAU.

5. THE FOLLOWING ISSUES WERE DISCUSSED AT THE DAEC:

A. GOG FISCAL CRISIS. THE FIRST DAEC ISSUE TO BE DISCUSSED WAS HOW USAID CAN BEST RESPOND TO GUATEMALA'S FISCAL CRISIS. THERE IS A LACK OF BROAD SOCIETAL AGREEMENT

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SUPPORTED BY SUFFICIENT POLITICAL POWER TO INCREASE TAX REVENUES; YET, WITHOUT ADDITIONAL GOVERNMENT REVENUES, FEW GOG OR DONOR-SUPPORTED INVESTMENT PROGRAMS CAN MOVE FORWARD. MOST SERIOUS IS THE CLEAR NEED FOR SUBSTANTIALLY INCREASED GOVERNMENT REVENUES AND EXPENDITURES TO SUPPORT THE PEACE PROCESS AND TO MEET THE COMMITMENTS CONTAINED IN THE PEACE ACCORDS.

THE MISSION POINTED OUT THAT GOG REVENUE PERFORMANCE HAS, IN FACT, IMPROVED OVER THE LAST YEAR DUE TO THE TAX REFORM

THAT WAS ACHIEVED BY THE DE LEON ADMINISTRATION LAST DECEMBER. WHILE THE GOG RAN A FISCAL SURPLUS OF ABOUT DOLS 70 MILLION IN THE FIRST QUARTER OF CY 1995, REVENUES REMAIN BELOW TARGET AND EXPENDITURES REMAIN INSUFFICIENT TO MEET PRESSING NEEDS. THE MISSION OUTLINED ITS APPROACH OF CONCENTRATING SOME MODEST AMOUNTS OF "UNRESTRICTED" FUNDING AVAILABLE FOR ECONOMIC GROWTH ACTIVITIES AS SEED MONEY TO PROVOKE PRIVATE AND PUBLIC SECTOR DEBATE, POLICY DIALOGUE AMONG THE MOST CRITICAL ACTORS, AND TARGETED TECHNICAL ASSISTANCE IN TAX ADMINISTRATION. IN ADDITION, THE MISSION USES ITS PARTICIPATION IN DONOR COORDINATION FOR THE PEACE PROCESS TO STRESS THE NEED FOR FISCAL CONDITIONALITY. THE MISSION ALSO DESCRIBED OTHER EFFORTS TO ADDRESS THE PROBLEM. THESE INCLUDE A BROAD POLICY DIALOGUE (THROUGH THE EMBASSY), DRAWING ON THE LESSONS FROM NEIGHBORING EL SALVADOR WHICH IN RECENT YEARS HAS SIGNIFICANTLY INCREASED GOVERNMENT REVENUES AS A PERCENTAGE OF GDP. HOWEVER, THE MISSION POINTED OUT THAT USAID'S LEVERAGE IN GUATEMALA IS HAMPERED BY THE MINIMAL RESOURCES IT CAN BRING TO BEAR ON THE PROBLEM, ESPECIALLY

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WHEN COMPARED WITH THE PROGRAM IN EL SALVADOR.

THE AA/LAC ASKED THAT THE MISSION DEVELOP A STRATEGY FOR INCREASING GOG REVENUES IN WHICH THE USG SENDS A CLEAR MESSAGE OF THE NEED FOR PROGRESS IN THIS AREA WITH HARD TARGETS. THE FIRST OPPORTUNITY TO DELIVER SUCH A MESSAGE WAS AT THE JUNE 21 INFORMAL CONSULTATIVE GROUP MEETING ON GUATEMALA. USAID ENLISTED THE FULL SUPPORT OF THE IFIS AND BILATERAL DONORS IN DELIVERING THIS MESSAGE, AND CARRYING OUT A SUCCESSFUL STRATEGY.

REGARDING THE BALANCE IN THE MISSION'S PROGRAM BETWEEN ASSISTING THE GOG TO REFORM ITS POLICIES TO BETTER DELIVER SERVICES AND ASSISTING NGOS TO DELIVER THOSE SERVICES DIRECTLY, THE DAEC AGREED THAT THE CURRENT BALANCE (ABOUT 50 PERCENT OF THE PROGRAM THROUGH NGOS) IS ABOUT RIGHT, BUT THAT THIS ISSUE WOULD BE REVISITED DURING THE NEXT STRATEGIC PLAN FOLLOWING THE ELECTIONS.

B. DEMOCRACY AND HUMAN RIGHTS. THE SECOND MAJOR DAEC ISSUE CONCERNED THE DEGREE OF GOG PROGRESS IN THE DEVELOPMENT OF DEMOCRATIC INSTITUTIONS AND IN PROSECUTING HUMAN RIGHTS CASES. CONCERN WAS VOICED THAT THE GOG LACKS SUFFICIENT POLITICAL WILL TO PURSUE AND SUPPORT DEMOCRATIC REFORMS OR TO INVEST THE NECESSARY HUMAN AND FINANCIAL RESOURCES TO ADEQUATELY INVESTIGATE AND PROSECUTE HUMAN RIGHTS CASES.

WHILE THE MISSION REPRESENTATIVES AGREED THAT PROGRESS HAS BEEN SLOW, THEY NOTED THE ACCEPTANCE BY THE GOG OF THE UNIS MINUGUA OBSERVERS AS A SIGN THAT PROGRESS IN HUMAN

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RIGHTS MONITORING IS IMPROVING. THEY STRESSED, THOUGH, THAT WHILE GREATER INTERNATIONAL ATTENTION IS MAKING A DIFFERENCE AND THE STRUCTURE OF KEY JUDICIAL SECTOR INSTITUTIONS IS ADAPTING TO RECENT REFORMS, GRASSROOTS PARTICIPATION IS STILL DEFICIENT. THE MISSION VIEWS A SUCCESSFUL PEACE PROCESS AS THE KEY TO CHANGE WHICH WOULD EMPOWER CIVILIAN INSTITUTIONS, DEEPEN DEMOCRATIC CULTURE, AND PROVIDE AN ENVIRONMENT IN WHICH RESPECT FOR HUMAN RIGHTS IS ENHANCED.

THE AA/LAC EXPECTS TO SEE MEASUREMENT OF WHAT CONSTITUTES REDUCED IMPUNITY, I.E., QUANTIFIABLE EVIDENCE THAT THERE IS SUFFICIENT POLITICAL WILL BY THE GOG TO JUSTIFY CONTINUED INSTITUTIONAL SUPPORT IN THIS SECTOR. ALSO NEEDED IN THE NEXT ACTION PLAN ARE MEASURES OF INCREASED EFFECTIVENESS OF THE CRIMINAL JUSTICE SYSTEM, AND DEVELOPMENT OF SYSTEMS TO TRACK PROGRESS IN CASES THAT ACTUALLY COME TO TRIAL.

C. THE THIRD ISSUE ADDRESSED AT THE DAEC CONCERNED THE FUTURE IMPLEMENTATION OF THE CENTRAL AMERICA REGIONAL PROGRAM AS REGARDS THOSE COUNTRIES IN THE REGION WHERE USAID IS PHASING OUT (COSTA RICA AND BELIZE). THE ISSUE WAS HOW THE BUREAU SHOULD PROCEED TO OBTAIN AUTHORITY TO APPLY M AND PPC-APPROVED GUIDANCE REGARDING REGIONAL PROJECT ACTIVITIES IN NON-PRESENCE COUNTRIES. THE QUESTION IS WHETHER USAID/G-CAP SHOULD BE DELEGATED THE AUTHORITY TO APPLY M AND PPC GUIDANCE ON ASSISTANCE ACTIVITIES IN NON-PRESENCE COUNTRIES FOR CERTAIN PROJECTS OR PROGRAMS BASED ON ESTABLISHED CRITERIA. THIS APPROACH WOULD PRECLUDE THE NEED FOR CASE-BY-CASE REVIEWS OF WHAT ARE

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EXPECTED TO BE RELATIVELY SMALL ACTIVITIES.

G-CAP DRAFTED AND CIRCULATED AN ACTION MEMORANDUM FROM THE AA/LAC TO THE AA/M CLARIFYING THE SCOPE OF ACTIVITIES IT ENVISIONS UNDERTAKING IN BELIZE AND COSTA RICA AS PART OF ITS REGIONAL PROJECTS (PROARCA, HIV/AIDS AND REGIONAL TRADE). THE CRITERIA WHICH G-CAP PROPOSES ARE FULLY CONSISTENT WITH THAT APPROVED BY M AND PPC FOR ALLOWING PRIORITY REGIONAL ACTIVITIES IN NON-PRESENCE COUNTRIES TO CONTINUE. BASED ON A SUBSEQUENT MEETING OF AAIS WITH THE

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ADMINISTRATOR ON NON-PRESENCE COUNTRY ACTIVITIES, AN INFORMATION MEMORANDUM FROM AA/LAC TO AA/M AND AA/PPC HAS BEEN PREPARED INCORPORATING CRITERIA CONTAINED IN THE G-CAP MEMORANDUM, BUT WITH A MODEST DOLLAR LIMIT ON THE AMOUNT OF ASSISTANCE THAT WOULD BE PROVIDED TO ACTIVITIES WITHIN EACH COUNTRY FROM THE G-CAP PROGRAM. ANY ACTIVITY THAT WOULD RESULT IN TOTAL ASSISTANCE IN EXCESS OF THIS LEVEL WOULD NEED TO COME BACK TO LAC/W, PPC AND M FOR

APPROVAL. LAC WILL ADVISE THE MISSION OF PPC AND M'S RESPONSE.

6. THE FOLLOWING ISSUES WERE RESOLVED PRIOR TO THE DAEC.
A. PHASE OUT OF TRADE AND LABOR RELATIONS. AN ISSUE WAS RAISED WHETHER IT IS PREMATURE FOR THE BILATERAL PROGRAM TO PHASE OUT OF ITS TRADE AND IMPROVED LABOR RELATIONS STRATEGIC OBJECTIVE (SO 4) BY THE END OF FY 1998. THE ACTION PLAN NOTES THE IMPORTANCE OF THE TRADE LIBERALISATION AGENDA AND THE POLITICAL WILL BEHIND IT, THE RELATIONSHIP TO THE SUMMIT OF AMERICAS OBJECTIVE OF HEMISPHERIC FREE TRADE, AND THE NEED FOR CONTINUED
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PROGRESS ON ECONOMIC INTEGRATION IN CENTRAL AMERICA. USAID/G-CAP ADVISED THAT, TO THE EXTENT UNRESTRICTED FUNDS ARE AVAILABLE, THE OBJECTIVES OF SO 4 WILL BE PURSUED AS PART OF THE NEW REGIONAL TRADE POLICY PROJECT.

B. TOURISM. THE MISSION WAS ASKED WHY NEITHER THEIR BILATERAL OR REGIONAL STRATEGY MAKES PROVISION FOR TOURISM DEVELOPMENT, SPECIFICALLY ECO-TOURISM. BOTH THE REGIONAL AND BILATERAL NATURAL RESOURCES MANAGEMENT ACTIVITIES SUPPORT ECO-TOURISM IN BUFFER AND MULTIPLE USE ZONES, WITH DAY TRIPS INTO PROTECTED AREAS. GIVEN USAID G-CAP'S LIMITED RESOURCES, THIS WAS THE EXTENT TO WHICH THEY CAN ADDRESS THIS SECTOR. EXAMPLES WERE GIVEN OF AREAS WITH SIGNIFICANT ARCHAEOLOGICAL SITES AND EXTENSIVE BIOSPHERES.

C. ENVIRONMENTAL STRATEGIC OBJECTIVES. A QUESTION WAS RAISED ABOUT THE APPARENT LACK OF RESOURCES BEING APPLIED TO "BROWN" ISSUES IN THE ACTION PLAN. THE MISSION POINTED OUT THAT RESOURCES ARE BEING DEVOTED TO WASTE DISPOSAL AND OTHER URBAN POLLUTION PROBLEMS IN GUATEMALA THROUGH REGIONAL MUNICIPAL DEVELOPMENT ACTIVITIES. ONE REVIEWER POINTED OUT THAT ALTHOUGH THERE IS A REGIONAL PROGRAM OUTCOME IN RENEWABLE ENERGY (PO 2.5), NO RESOURCES ARE IDENTIFIED TO SUPPORT IT. THE MISSION ADVISED THAT ACTIVITIES IN RENEWABLE ENERGY WILL BE FUNDED WITH DOLS 1.5 MILLION IN ENVIRONMENTAL INITIATIVES FOR THE AMERICAS (EIA) MONIES, AND ARE UNDERTAKEN IN RESPONSE TO USG COMMITMENTS UNDER THE CONCAUSA AGREEMENT. ONCE THE EIA FUNDS ARE EXPENDED, AN INCREASE TO THE MISSION'S OYB WILL BE REQUIRED TO CONTINUE ACTIVITIES IN THIS SECTOR.

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D. POSSIBLE EXPANSION OF THE PETEN PROGRAM. THE MISSION WAS QUERIED ABOUT ITS APPARENT INTENTION TO EXPAND THE SUCCESSFUL ENVIRONMENTAL INITIATIVE IN THE PETEN REGION TO OTHER PARTS OF THE COUNTRY. THE MISSION REPRESENTATIVES CLARIFIED THAT THEY CURRENTLY HAVE NO PLANS TO REPLICATE THE ACTIVITIES ELSEWHERE IN THE COUNTRY UNLESS ADDITIONAL

FUNDING BECOMES AVAILABLE. FOR NOW, THE FOCUS IS ON THE PETEN.

E. CATIE. CONCERN WAS EXPRESSED ABOUT THE FUTURE OF CATIE NOW THAT USAID WILL NO LONGER BE PROVIDING CORE INSTITUTIONAL SUPPORT. CATIE IS A KEY DEVELOPMENT INSTITUTION FOR THE AGRICULTURAL AND NATURAL RESOURCES SECTORS OF CENTRAL AMERICA, PANAMA AND OTHER LAC COUNTRIES. THE MISSION REPRESENTATIVES EXPECT THAT CATIE WILL RECEIVE FUTURE FUNDING FROM USAID IN GUATEMALA AND FROM OTHER MISSIONS IN THE REGION, BUT AS A PROVIDER OF SERVICES ON A COMPETITIVE BASIS. AS FOR CORE INSTITUTIONAL COSTS, AFTER DECADES OF USAID ASSISTANCE THE MISSION FEELS IT IS TIME FOR CATIE TO FINANCE CORE FUNCTIONS ON ITS OWN

FROM SOURCES OTHER THAN USAID. THEY ARE HELPING CATIE MAKE CONTACT WITH OTHER DONORS TO OBTAIN SUCH FUNDING. IN FACT, 75 PERCENT OF CATIE'S CORE OPERATING EXPENSES WERE FINANCED FROM NON-USAID SOURCES LAST YEAR.

F. MAYA BIOSPHERE MAD: INCREASE IN LOP. IN A SIDE MEETING USAID/W AND MISSION PERSONNEL DISCUSSED THE INCREASED LOP FUNDING TO DOLS 27 MILLION. THIS INCREASE FROM THE MAD LOP LEVEL OF DOLS 18 MILLION APPROVED IN LAST YEAR'S ACTION PLAN WAS PROPOSED IN GUATEMALA 1077 AND WOULD ENABLE THE

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MISSION TO FOCUS AND AMPLIFY NGO ACTIVITIES IN THE PETEN FOR ENVIRONMENTAL ACTIVITIES. THIS CHANGE IN LOP AMOUNT WAS FURTHER DISCUSSED AT THE DAEC. THE ISSUE RAISED AT THE DAEC WAS WHETHER THE ADDITIONAL ENVIRONMENTAL FUNDING MIGHT BE MORE EFFECTIVELY UTILIZED IN SUPPORTING SUSTAINABLE AGRICULTURE ACTIVITIES CONSISTENT WITH THE ENVIRONMENTAL NATURE OF THE FUNDING. THE MISSION REPLIED THAT IT HAD CONSIDERED SEVERAL OPTIONS CONSISTENT WITH THE ENVIRONMENTAL DIRECTIVE AS UNDERSTOOD BY THE MISSION. THE CONCLUSION OF THE DAEC WAS THAT THE MISSION CAN PROCEED TO DEVELOP AND AUTHORIZE THE PROJECT AS PROPOSED AT THE INCREASED LOP. THE MISSION WILL EXPLORE OPTIONS FOR AGRICULTURE RELATED USES OF ENVIRONMENTAL FUNDS.

G. STRATEGIC OBJECTIVE CONGRESSIONAL NOTIFICATION. AS A COUNTRY EXPERIMENTAL LAB (CEL), USAID G-CAP HAS UNDERTAKEN TO DEVELOP, OBLIGATE AND IMPLEMENT ITS ENTIRE HEALTH AND POPULATION PROGRAM (SO 2) USING THE REENGINEERED OPERATING SYSTEM. ONE ELEMENT OF THE REENGINEERED SYSTEM IS TO OBLIGATE THE FUNDS BY STRATEGIC OBJECTIVE. SINCE THERE IS NO AGREED FORMAT FOR NOTIFYING CONGRESS THAT SUCH AN OBLIGATION IS PLANNED, AND THE PLANNED OBLIGATION OF THIS ASSISTANCE IS FY 95 THE MISSION SHOULD PROCEED TO NOTIFY CONGRESS USING ESTABLISHED PROCEDURES FOR UMBRELLA PROJECTS, THE CLOSEST PROXY TO AN SO PROGRAM. THE MISSION SHOULD ALSO INFORM THOSE RESPONSIBLE FOR REENGINEERING IN THE M BUREAU THAT THEY WERE BEING FORCED BY CIRCUMSTANCES TO PROCEED IN THIS LESS-THAN-FULLY REENGINEERED FASHION.

H. GENDER CONCERNS. USAID/G-CAP WAS LAUDED ON ITS
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PERFORMANCE IN ADVANCING THE STATUS OF WOMEN AND GIRLS IN THEIR EDUCATION, PARTICIPANT TRAINING, HEALTH AND POPULATION PROGRAMS. HOWEVER, THE PROGRAMS IMPACT ON WOMEN IN THE ENVIRONMENT, DEMOCRACY AND ECONOMIC GROWTH AREAS WAS LESS MANIFEST. DURING THE PERFORMANCE REVIEW MEETING AND THROUGH SEPARATE CORRESPONDENCE, THE LAC WID ADVISOR SUGGESTED SEVERAL WAYS THE MISSION COULD BETTER DEMONSTRATE CURRENT IMPACT ON WOMEN AND INDIGENOUS GROUPS ESPECIALLY WHEN SO AND PO TABLES DO NOT PROVIDE A FULL PICTURE. THESE RECOMMENDATIONS SHOULD BE REFLECTED IN THE NEXT ACTION PLAN.

I. STAFFING. REVIEWERS NOTED THAT THE DROP IN PROJECTS OVER THE ACTION PLAN PERIOD (FROM 27 IN 1994 DOWN TO 14 IN 1997) WAS NOT MATCHED BY A SIMILAR REDUCTION IN APPROVED USDH POSITIONS WHICH REMAIN AT 21 OVER THE PLANNING PERIOD. IN RESPONSE THE MISSION REPRESENTATIVES POINTED TO THE DRAMATIC DROP IN OVERALL STAFFING LEVELS IN THE PAST YEARS (BOTH USDH AND FSN), NOTING THAT THE CURRENT LEVELS ARE ALMOST EXACTLY ONE-HALF OF TOTAL STAFFING LEVELS FIVE YEARS AGO (PRE-MERGER). THE MISSION REPRESENTATIVES ALSO NOTED THE ACTUAL INCREASE IN REGIONAL SUPPORT FUNCTIONS IT HAD ASSUMED AS SOME BILATERAL MISSIONS PHASE OUT (COSTA RICA, BELIZE) AND OTHERS REDUCE STAFF SIZE. THE BUREAU AGREED TO RESERVE JUDGMENT ON THE USDH LEVEL PENDING DECISIONS ON ADDITIONAL REGIONAL SUPPORT RESPONSIBILITIES FOR THE MISSION AND THE DEVELOPMENT OF A NEW COUNTRY STRATEGIC PLAN DURING 1996 WHICH WILL BE REVIEWED IN EARLY 1997. TWENTY-TWO USDH POSITIONS IS CONSISTENT WITH THE PLANNING LEVELS PROVIDED BY USAID/W.

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7. PROGRAM BUDGET. THE CURRENT DPB PLANNING LEVELS FOR THE USAID/G-CAP BILATERAL PROGRAM, INCLUDING GLOBAL FIELD SUPPORT, ARE DOLS 20.534 MILLION IN FY 95 AND DOLS 27.7 MILLION IN FY 96 AND IN FY 97. FOR THE REGIONAL PROGRAM THE LEVELS ARE DOLS 8.9 MILLION IN FY 95 AND DOLS 15.855 IN FY 96 AND IN FY 97. THESE LEVELS VARY ONLY SLIGHTLY FROM THE AP REQUEST AND NO ADJUSTMENTS WERE INDICATED. THE PL 480 REQUEST IS BEING REVIEWED, BY BHR AND WILL BE THE SUBJECT OF A SEPARATE CABLE WHEN ALL PL 480 REQUESTS HAVE BEEN REVIEWED.

8. REGIONAL TRADE PROMOTION PROJECT. THE PROJECT PAPER FOR THE REGIONAL TRADE PROMOTION PROJECT (596-0178) WAS REVIEWED DURING ACTION PLAN WEEK. REVIEWERS AT THE ISSUES MEETING REACTED FAVORABLY TO THE PROJECT PAPER AND HAD THE

FOLLOWING GUIDANCE FOR PROJECT IMPLEMENTATION: 1) A FRAMEWORK SHOULD BE DEVELOPED WHICH LAYS OUT THE RESPECTIVE ROLES OF THE USG ORGANIZATIONS INVOLVED IN FTAA ACCESSION AND HOW THIS PROJECT FITS IN, AND 2) IMPLEMENTORS NEED TO LOOK AT A WIDE RANGE OF EXISTING TECHNICAL ASSISTANCE MECHANISMS FOR INDIVIDUAL PROJECT ELEMENTS. THESE WOULD, FOR EXAMPLE, INCLUDE G FIELD SUPPORT MECHANISMS AND 632 TRANSFERS. THE MISSION AGREED THAT TO THE EXTENT APPROPRIATE MECHANISMS EXIST IN THE G OR LAC BUREAUS, IT WOULD SEEK TO UTILIZE THOSE MECHANISMS BEFORE CONDUCTING A SEPARATE PROCUREMENT PROCESS.

IN A SEPARATE MEETING WITH THE AA/LAC, IT WAS DECIDED THAT THERE WERE NO ISSUES REQUIRING A DAEC. HOWEVER, THE AA/LAC INDICATED THAT THE MISSION SHOULD ENSURE THAT BROAD

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PARTICIPATION OF NGOS BE INCLUDED IN THE RELEVANT POLICY FORA CARRIED OUT UNDER THE PROJECT REGARDING HARMONIZATION OF LABOR, TRADE AND ENVIRONMENTAL CODES AND REGULATIONS. THIS WOULD INFORM THE GENERAL DISCUSSIONS ON FREE TRADE AND LEAD TO GREATER INVOLVEMENT OF SMALL BUSINESS IN THESE DISCUSSIONS. THE AA/LAC ALSO INDICATED THAT THE LINKAGE WITH TRADE RELATED ENVIRONMENTAL POLICY UNDER THE PROARCA PROJECT SHOULD BE MADE MORE EXPLICIT AND THAT ENVIRONMENTAL IMPACTS OF TRADE SHOULD ALSO BE PART OF THE DISCUSSIONS UNDER PROARCA. THE MISSION AGREED TO REVISE APPROPRIATE SECTIONS OF THE PP AND TO BE GUIDED BY THESE CONCERNS DURING PROJECT IMPLEMENTATION. ANY ACTIVITIES PROPOSED FOR PHASE-OUT COUNTRIES ARE SUBJECT TO THE GUIDANCE PROVIDED IN PARA 5.C. ABOVE.

SUBJECT TO THE GUIDANCE PROVIDED ABOVE, MISSION IS HEREBY AUTHORIZED TO FINALIZE THE RTP PROJECT PAPER AND AUTHORIZE THE PROJECT.

9. BASED ON DISCUSSIONS AMONG LAC/RSD, G AND MISSION PERSONNEL OUTSIDE THE FORMAL REVIEW PROCESS, OTHER CLARIFICATIONS WERE PROVIDED AND ADJUSTMENTS WILL BE MADE TO PERFORMANCE MEASUREMENT INDICATORS AS SUGGESTED.
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