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**USAID/PERU RESULTS REVIEW AND
RESOURCES REQUEST**

R4

FY 1996 - FY 1999

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ANNEX 1: PERU ANNUAL TITLE II RESULTS REPORT FOR FY 1996

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ACRONYMS

ADEX	<i>Asociación de Exportadores</i> (Association of Exporters)
ADP	Alternative Development Program
ADS	Automated Directive System
AIDS	Acquire Immuno Deficiency Syndrome
CARE	Cooperative for American Relief Everywhere
CFR	Code of Federal Regulations
CG	Comptroller General
CONAM	<i>Consejo Nacional del Ambiente</i> (National Environmental Council)
CYP	Couple-Years of Protection
CRA	Comparative Risk Assessment
CRS	Catholic Relief Services
CPR	Contraceptive Prevalence Rate
DA	Development Assistant
DAC	Development Assistance Committee
DHS	Demographic and Health Survey
EDPYMES	<i>Entidades de Desarrollo para la Pequeña y Microempresa</i> (Development Entities for Small and Microenterprise)
EFF	Extended Fund Facility
ENRS	Employment and Natural Resources Sustainability
EPI	Expanded Program on Immunization
EPS	<i>Entidades Prestadoras de Servicios</i> (Service Provision Entities)
ESF	Economic Support Fund
FAAS	Foreign Affairs Administration Support
FBO	Foreign Building Overseas
FONCODES	<i>Fondo Nacional de Compensación y Desarrollo Social</i> (National Fund for Social Compensation and Development)
FSN	Foreign Service National
FY	Fiscal Year
GC	Office of General Counsel (AID)
GDP	Gross Domestic Product
GoJ	Government of Japan
GoP	Government of Peru
GTZ	Agencia de Cooperación Técnica Alemana
HIV	Human Immuno-deficiency Virus
IBRD	International Bank for Reconstruction and Development (World Bank)
ICASS	International Cooperative Administrative Support Services
ICI	Intermediate Credit Institution
IDB	Inter-American Development Bank
IEE	Initial Environmental Evaluation
IMF	International Monetary Fund
IMR	Infant Mortality Rate
INADE	<i>Instituto Nacional de Desarrollo</i> (National Development Institute)
INCF	International Narcotics Control Fund
INDECOPI	Instituto de Defensa de la Competencia y la Propiedad Intelectual
INEI	<i>Instituto Nacional de Estadística e Informática</i> (National Institute of Statistics and Data Processing)
INL	International Narcotics and Law Enforcement
INRENA	<i>Instituto Nacional de Recursos Naturales</i> (National Institute of Natural Resources)
IR	Intermediate Results
ISO	International Standard Organization
JICA	Japan International Cooperation Agency
JNE	<i>Jurado Nacional de Elecciones</i> (National Elections Board)
LAC	Latin America and Caribbean
MIBANCO	<i>El Banco de los Microempresarios</i> (The Microenterprise Bank)
MITINCI	Ministry of Industry, Tourism, and International Commerce

C

MoE	Ministry of Education
MoH	Ministry of Health
MRTA	<i>Movimiento Revolucionario Tupac Amaru</i> (Tupac Amaru Revolutionary Movement)
MSP	Microenterprise and Small Producers Support
MT	Metric Tons
NAS	Narcotics Affairs Section
NGO	Non Governmental Organization
NMS	New Management System
NOB	New Office Building
ODA	Overseas Development Administration
OE	Operating Expenses
OECD	Organization for Economic Co-operation and Development
OGEI	<i>Oficina General de Estadística e Informática</i> (General Office of Statistics and Data Processing)
ONDCP	Office of the National Drug Control Program
ONPE	<i>Oficina Nacional de Procesos Electorales</i> (National Office of Electoral Processes)
OYB	Operational Year Budget
PAPI	Project Analysis, Planning and Implementation
PASARE	<i>Programa de Apoyo a la Salud Reproductiva</i> (Reproductive Health Support Plan)
PMP	Performance Monitoring Plan
PROMPEX	<i>Comisión para la Promoción de Exportaciones</i> (Comission for Export Promotion)
PVO	Private Voluntary Organization
R4	Results Review and Resource Request
RNIEC	<i>Registro Nacional de Identidad y Estado Civil</i> (National Registry Office)
SENATI	<i>Servicio Nacional de Adiestramiento de Trabajo Industrial</i> (National Industrial Training Service)
SENREM	Sustainable Environmental and Natural Resources Management
SHIP	Strengthening Health Institutions Project
SO	Strategic Objective
SoAg	Strategic Objective Agreement
SpO	Special Objective
STD	Sexually Transmitted Disease
SUNAD	<i>Superintendencia Nacional de Aduanas</i> (National Customs Superintendency)
TRF	Total Fertility Rate
UNDCP	United Nations Drug Control Programme
UNFPA	United Nations Fund for Population Activities
USAID	United States Agency for International Development
USDH	United States Direct Hire
USG	United States Government

I. OVERVIEW AND FACTORS AFFECTING PERFORMANCE

Broader Development Context

During the past year the government of Peru (GoP) continued to make significant progress in building economic, political and social stability, and in alleviating poverty. The government, however, has much more to do if it expects to achieve its ambitious long-range development goals. The Peru of today is governed by a constitutionally elected government, which has shown bold leadership in stimulating economic growth; and in bringing inflation, terrorism, and narcotrafficking under control. Moreover, the rate of change in opening the economy and expanding citizen participation appears to be accelerating.

Much remains to be done, however, for Peru's development to be widely shared by all its citizens. Wealth is concentrated along the coast, while citizens residing in the interior share little in the country's prosperity. Per capita income is slightly above \$2,000 (1995),¹ but income inequality is among the worst in Latin America, resulting in approximately one-fifth of the population living in extreme poverty with average incomes of under \$200 per year, and other key social indicators are among the least advanced in South America.

The hostage crisis, precipitated by the MRTA (*Movimiento Revolucionario Tupac Amaru*) takeover of the Japanese Ambassador's residence in December 1996, initially raised concerns about political stability in Peru. It has failed, however, to shake investor confidence and appears to have had little impact on the political system. A vast majority of Peruvians continue to support democracy as the preferred form of government. Nevertheless, only 35 percent say they are satisfied with how democracy functions in Peru, most do not believe that their basic rights are adequately protected, and nearly 80 percent believe that more needs to be done to establish democracy.

USAID-financed surveys indicate that over 80 percent of Peruvians see economic issues as the most pressing problems facing the country. Peruvians' support for their government's economic and social development policies, however, as reflected in a recent survey,² shows that nearly 60 percent -- the highest percentage among all Latin America countries -- believe that the country's development shows real progress. Second only to Brazil, nearly a quarter of Peruvians believes that the situation in the country is better than it was a year ago, and 30 percent are optimistic that Peru will be better off a year from now. Compared with most other countries in the region, Peruvians are more likely to believe that their families will be better off over the next 12 months. Also, Peru ranks high in the degree to which its residents believe that health, education and housing access have improved over the past five years.

To ensure that the economic benefits of its policies are widely shared among all socio-economic strata in Peru, the Fujimori administration has made poverty alleviation a central priority of the GoP's development goals. The GoP's priorities are consistent with the OECD Development Assistance Committee (DAC) targets. Nevertheless, fiscal pressures brought on by debt service obligations, the GoP's desire to avoid increasing public-sector indebtedness, and modest economic growth projections may weaken the GoP's ability to address the backlog of infrastructure and social sector investments in the short term. To achieve its ambitious goal of reducing extreme poverty by nearly 50 percent by 2000, the GoP will need to maintain its market-based economic policies, encourage greater private sector investment in infrastructure, and improve the efficiency and effectiveness of public sector operations and investments. Otherwise, its inability to meet the public's expectations for improved living standards may further erode confidence in government and lead the GoP to introduce more populist policies that might undermine the sound macro-economic policies the government has been pursuing.

Political Developments

Peru's constitution provides for three separate branches of government -- the executive, the legislative and the judiciary. Although the president's supporters control the congress, there are growing signs that key institutions are beginning to exercise some degree of independence from the executive branch. For instance, the congress rejected the president's proposal to lower the percentage of the population required to register a political party, and denied the executive's request that it be delegated certain legislative authorities. Similarly, the National Election Board (JNE) overruled a law designed to quash a referendum on whether Alberto Fujimori could run for a third

consecutive term. These actions demonstrated a nascent independence from the executive. This may be due in part to the increased role of the media in fostering debates on current political issues.

While the functioning of a democracy depends on the ability of institutions to exercise their authorities and perform effectively, a vibrant democracy also depends on the legitimacy of the institutions in the eyes of the country's citizens. The majority of Peruvians believe that democracy is the preferred system of government, but nearly two-thirds are dissatisfied with how the system works.³

This sentiment is reflected in the generalized distrust Peruvians have of many of their governmental institutions. In a recent USAID-financed survey, only 12 percent of Peruvians said they had a high degree of confidence⁴ in the judicial branch and only 15 percent expressed a similar level of trust in the congress.⁵ This contrasts with the trust Peruvians have in the Catholic Church (65 percent). There are, however, signs that Peruvians have relatively greater confidence in what might be called watchdog institutions -- the *Defensor del Pueblo* (Ombudsman's Office), the Constitutional Tribunal, the National Election Board, the Controller General, and the Attorney General -- compared with the confidence they appear to have in the congress and the judiciary.⁶ The low level of confidence in certain governmental institutions appears to be rooted in Peruvians' concerns about the effectiveness of those institutions.

Most Peruvians understand their rights in a democracy. Overall, while more than half the population states that it understands its rights, most do not believe the current system protects those rights. Thus, for example, while nearly 80 percent know they have the right to free expression, only 42 percent believe that this right is protected. Similarly, over 85 percent do not believe that the judicial system would guarantee them a fair trial.

According to the Department of State, although the human rights situation improved somewhat during 1996, serious problems remain. Even though official repression affects relatively few people, security forces were responsible for extrajudicial killings, disappearances, torture, and beatings. In spite of the fact that individual prison directors made some efforts to improve conditions in their own prisons, overall prison conditions remain extremely harsh, particularly for prisoners jailed for terrorism offenses. Arbitrary detention, accountability, lack of due process, lengthy trial delays, and prolonged pretrial detentions remain problems. The authorities at times infringed upon citizens' privacy rights. Violence against women and children and discrimination against the disabled, indigenous people, and minorities are continuing problems.⁷

In April 1996 a public defender (Ombudsman) was sworn in, and in August congress established an *ad hoc* commission to review and recommend for presidential pardon those unjustly detained for terrorism or treason. Congress, however, extended yet again "faceless" tribunals, considered a major reason for the unjust imprisonment of more than 1,000 individuals on terrorism and treason charges. It also extended the processing by military judges of civilians accused of the most serious terrorism offenses.⁸

USAID has supported the Ombudsman's Office, in its constitutional capacity as well as in its role as the head of the Pardon Commission. In the former capacity, the office is at the forefront of educating citizens about their rights and is actively involved in redressing human rights abuses. As head of the Pardon Commission, the Ombudsman's Office has secured the release of 110 people as of this writing. USAID has also been at the forefront of supporting NGOs working to obtain the release of those incarcerated unjustly for terrorism, and of supporting legal clinics to provide alternative dispute resolution and other legal services to many of those groups cited by the Department of State as the primary victims of abuse and neglect by the judicial system.

Furthermore, the GoP is attempting to strengthen and reform key institutions in the judicial sector. For example, the justice sector is in the midst of a major reform effort that began in November 1995 with the creation of an Executive Commission with broad powers to institute reforms. While technically limited to administrative reforms, the Commission has defined its mandate broadly and has laid out plans for significant changes in the justice system. It is clear that more is planned than simply organizational changes. This includes substantive changes in the quality of judges and prosecutors, the role they play and the services they provide. The initial phase of the reform period lasts until the end of 1998 and encompasses key justice sector institutions, including the Judiciary Council (selects judges and prosecutors), Judicial Academy (trains judges and prosecutors) and the Public Ministry (with its own

Executive Commission to begin reforms). While it is too early to see any lasting results or say what will come of this effort, both the World Bank and the Inter-American Development Bank are sufficiently convinced of its importance to have decided to provide significant support to it.

There are signs that the GoP is gaining a greater understanding of the need to provide mechanisms for its citizens to participate in the political life of the nation. Recent USAID-supported debates on alternative legislative bills to modify the single national district congressional representation scheme to provide for at least some district level representation indicate the heightened awareness of this issue. Similarly, the congress asked the executive to resubmit its proposed state modernization bill with modifications that would permit consideration of the measure together with legislative proposals for decentralization. If these developments lead to greater district level congressional representation and increased fiscal and administrative authorities for local governments, then prospects for broadening participation in the political process will be greatly enhanced.

Economic Performance

Growth

With strong support from the IMF, World Bank, IDB, and USAID the Fujimori administration has moved aggressively since 1990 to stabilize Peru's currency, reduce state intervention and reintegrate the country into the international financial system. Fed by burgeoning foreign investment, Peru's economy grew at an annual rate of nearly 9 percent during 1993-95. In the same period inflation fell to just above 10 percent. After the external accounts position deteriorated in 1995, Peru tightened monetary and fiscal policy and economic growth moderated, posting a 2.8 percent increase in 1996. What might appear as a sluggish annual figure masks the dynamism the Peruvian economy showed after a first semester recession. Notably, GDP grew by 5.1 percent in the second half of the year. With GDP expected to grow at approximately 5 percent in 1997 and 1998, it would appear that the stage has been set for more sustainable growth over the medium- to long-term.

The GoP continued Peru's transformation into a market economy, with sectoral reforms playing an important part in the country's economic recovery. During the past six years, the government has privatized nearly \$6 billion dollars in state enterprises. It has eliminated non-tariff trade barriers and restrictions on movement of foreign exchange, while at the same time creating one of the most open foreign investment regimes in the world. These economic policies have resulted in the Peruvian economy having relatively fewer distortions compared with other Andean Pack countries. This proved to be a stumbling block in the GoP's negotiations on full reintegration with the Pact, and ultimately led to the GoP decision in April 1997 to not continue as a member. The GoP continues to be interested, however, in negotiating entry into APEC, as well as an eventual Western hemisphere free trade agreement.

Four years into Peru's privatization effort, the program is having the profound impact intended. Although still far from complete, GoP divestitures and openings to the private sector are already responsible for expanding utilities, communications, finance, retailing, mining, and transportation. Foreign and domestic firms have paid over \$7 billion for privatized firms, concessions, and so forth. Investors have contractually committed to invest \$2.5 billion in association with privatized properties and plan to spend almost \$5 billion in additional non-required investments. The privatization program has led to noticeable improvements in the quality of services and has made thousands of working-class and middle-class Peruvians shareholders -- and stakeholders -- in the market economy, which in turn should contribute to increased political stability.

Under a 1996-1998 Extended Fund Facility (EFF) with the International Monetary Fund (IMF), the government has committed to eliminating its fiscal deficit by the year 1998. After reaching 2.7 percent of GDP in 1995, the fiscal deficit fell to about 1.3 percent in 1996. Plans call for the deficit to be reduced still further to 0.6 percent of GDP in 1997. The government has restrained expenditures while increasing tax collections.

The Peruvian government's recent successful negotiations of Paris Club and Brady Plan agreements have permitted Peru to fully re-enter international financial markets and can be expected to bolster investor confidence in Peru. The Paris Club agreement reschedules a total of approximately \$7 billion in external debts. Additionally, it calls for Peru to maintain a long-term commitment to IMF monitoring, protects creditors' interest by accelerating

payments if growth and debt servicing capacity exceed current expectations, and includes provisions for debt-for-development swaps. The agreement reflects the credibility the GoP has earned through its commitment to sound economic reform and management and government's concern for its credit worthiness.

With the March 1997 closing of its Brady Plan deal, Peru slashed its commercial bank debt by more than one half, from \$10.6 billion to \$4.9 billion. Commercial bank creditors agreed to substantial, unprecedented concessions on overdue interest to make the restructuring possible. The deal clears the way for the government of Peru to return to world capital markets. However, indications are that the GoP is not anxious to test the waters in the near term and would prefer to rely on debt swaps and concessional lending from foreign donors, limiting itself to the World Bank and the Inter-American Development Bank for non-concessional loans. Thus, most analysts expect the deal to benefit primarily the private sector by improving access to more and cheaper capital. Indeed, interest rates started to decline shortly after the Brady Plan closing.

Equity

The GoP's achievements in political stability and its commitment to continue with the macro-economic reforms initiated in the first Fujimori administration augur well for substantial progress in meeting the ambitious poverty reduction targets the GoP established for the 1995-2000 period.⁹ This progress, however, will depend on the GoP addressing effectively some considerable challenges in the remaining years of this decade.

It appears that the economic stabilization and structural reform measures taken to date have resulted in significant reductions in poverty between 1991 and 1996. According to the World Bank, the elimination of serious economic distortions and the re-establishment of public order has produced a significant increase in productivity and personal incomes, which coupled with declining population growth rates, have fostered an increase in per capita income. This improvement in incomes is further corroborated by USAID estimates that real wages in 1995 were 123 percent of the 1990 base level. Among major LAC countries, this was the second highest growth in wages in the region, slightly behind Chile. This economic recovery, together with the GoP strategy of targeting social investments in the poorest districts of the country (i.e., the GoP *Programa de Focalización y la Lucha Contra la Pobreza*), has benefited all regions and activities, especially those areas devastated by a decade of terrorism and isolation, as described below:

In a comparison of incomes and expenditures between 1991 and 1994, a recent World Bank analysis found that, on average, the national increase in expenditure per capita was 29 percent. Not only nationally, but in all regions per capita expenditure increased during this period, with the biggest increases occurring in the urban areas of the Coast (42 percent) and the highlands (47 percent). The 34 percent improvement in the rural highlands was also noteworthy, while expenditure increases in Lima were the smallest. Such average improvements in household expenditures have extended to the lowest income ranges. In fact, at a national level the 32 percent welfare improvements of the lowest quintile surpassed the average (29 percent). In short, vigorous economic growth has not benefited only the small elite, but rather has been shared by most Peruvians.¹⁰

Between 1991 and 1994 the poverty situation in Peru improved greatly. In 1991, the proportion of the population that fell below the poverty line, the proportion of income required to boost that population to the poverty line, and the degree of poverty experienced among them, were alarming. A full 55 percent of the population was poor and 24 percent did not have enough money to buy basic food requirements. The income required to boost the poor to the poverty line (poverty gap) reached 21 percent of the poverty line, and the importance of larger income transfers among the poor grew. By 1994, each of these measures had fallen: the head-count index was 50 percent, extreme poverty was 20 percent, and the 17.5 percent poverty gap index suggested that budget requirements to reduce both absolute and relative poverty also decreased.¹¹

Although national poverty rates remained largely unchanged between 1994 and 1996,¹² there was a significant reduction in rural poverty. The percent of the rural population living in extreme poverty dropped from 43.6 percent in 1994 to 37.9 percent in 1996, and the percent of the population that was not poor increased significantly from 31.8 percent to 35.5 percent. Over the same period, poverty rates in the Lima metropolitan area remained

unchanged, while poverty in other urban areas increased significantly from 44.5 percent to 49.5 percent. By 1996, 57.3 percent of the nation's extremely poor lived in rural areas, dropping from 63.7 percent in 1994.

In addition between 1991 and 1996, there have been significant, and sometimes dramatic, improvements in health and demographic indicators commonly used to measure well-being. The USAID-financed Demographic and Health Survey (DHS) shows that chronic malnutrition among children under the age of five has declined by a dramatic 21 percent, falling from 34 percent to 27 percent.¹³ Fertility declined from 3.9 to 3.5 births; infant mortality by 22 percent to 43 deaths per 1,000 live births, well below the international benchmark of 50; and child mortality declined by 24 percent to 59 per 1,000 live births.

These important accomplishments attest to the efficacy of the GoP strategy, which encompasses both economic growth as well as improved efficiency and targeting of social investment programs to the poorest areas of the country. In his second inaugural address in July 1995, President Fujimori pledged to continue support for health and education, and to place special emphasis on improving the judicial sector. The GoP's actions and investments in these sectors underscore this commitment. Between 1991 and 1996, over 9,750 schools and 1,100 health centers were built or rehabilitated; the GoP initiated in 1996 a comprehensive judicial reform effort and took concrete steps to improve further human rights. Most of the health and education investments were made in rural areas and smaller urban areas, as the GoP further attempted to address extreme poverty and improve the productive capacity of poor. Nevertheless, the continued ability of the GoP to finance its social sector investments and other development programs will be exacerbated by the nearly \$1.3 billion in combined annual debt service payments required to meet both Paris Club and Brady Plan obligations, the GoP's commitment to IMF fiscal targets, and the government's desire to eschew further indebtedness to finance fiscal deficits and leave room for increased private sector expansion.

Financing the debt service alone will require strong economic and export growth. A number of leading economists estimate that annually exports will need to reach \$12 billion between 1998-2000 to provide the required foreign exchange, and that GDP growth will need to exceed the 5 percent threshold on a sustained basis to raise sufficient revenue to meet these obligations. Moreover, economic growth must be robust enough to out pace population growth to realize gains in per capita income. This growth, coupled with better utilization of GoP fiscal resources, improved effectiveness of the public sector and targeting of investments to the poorest districts, should permit the GoP to meet its development objectives over the longer term.

Strategy for Growth and Poverty Alleviation

In spite of the challenges ahead, the GoP is not without alternative strategies to overcome obstacles to the economic growth needed to make further inroads on poverty. Recently, the GoP has embarked on a twin strategy of further macro-economic reforms coupled with an ambitious program to modernize the public sector. The objective of the state modernization program is to eliminate additional bureaucratic and regulatory obstacles that tend to increase the costs of, or place limits on, private sector activities. The continuation of the privatization program and new regulations to facilitate corporate restructuring will further unleash economic assets, increase private sector investment, and result in a substantial increase in production and productivity. The robust growth seen in the second half of 1996 indicates that Peru has pulled out of its recession. Although growth projections for the short term may be modest, the prospects for sustainable growth over the medium- to long-term reinforce the conclusion that the GoP's economic policies are paying off.

The GoP's recently-announced decision to increase the targeting of investments to promote economic development in some of the less developed areas of the country, and particularly in locating targeted investments in intermediate-size cities serving the poorest rural hinterlands to complement the rural investments under *El Programa de la Lucha Contra la Pobreza*, can be expected to contribute still further to a decentralization of economic activity and to poverty alleviation. Close to 70 percent of Peru's population lives in urban areas, and nearly 60 percent lives in urban places of 10,000 inhabitants or more.¹⁴ Furthermore, urbanization is accelerating. While Peru's annual population growth rate is approximately 1.7 percent, the urban population is growing at 2.6 percent, while the rural population is losing population at the annual rate of 0.3 percent.¹⁵ This demographic shift appears to be mostly the

result of internal migration spurred by relatively better educational and economic opportunities in urban areas. At the same time, this migration may have contributed also to the increase in poverty in urban areas outside of Lima.¹⁶

As a result of the strong and rapid changes that Peru has undergone over the last 15-20 years, there has been strong internal migration to the coast and somewhat to the jungle, and away from the poorest regions of the highlands. This reflects a strong desire for material improvement in living standards by most Peruvians. In 1994, over 40 percent of the population of Lima and of urban areas of the jungle were migrants, while in the highlands the proportion of migrants was about one-third. Moreover, several jungle and highland cities serving some of the poorest areas in Peru, particularly those with coca cultivation hinterlands, are now growing at faster rates than Lima and the coastal cities. Many of these cities are also among the more dynamic economic urban areas in the country.¹⁷ USAID has helped the GoP to develop a strategy to capitalize on the potential role that many of these urban places can play in rural development. As a result, targeted social investments in selected market towns and secondary and tertiary cities will improve the prospects of reducing further rural poverty, and for providing alternative income opportunities to attract farmers away from coca cultivation.

Usually, these centers provide the educational and health services needed by the populations in the surrounding rural areas. The creation of non-farm income opportunities, particularly in agro-industry and microenterprise sectors, that form the backward and forward linkages to agricultural production can lead to improved markets for agricultural products and higher farm-gate prices due to lower transaction and transportation costs. Also, earnings differentials between non-indigenous and indigenous groups are considerably lower in urban areas outside of Lima, compared with rural areas. These earnings differentials increased by 130 percent in Lima between 1991 and 1994, and increased by 50 percent in the rural highlands, while decreasing by 22 percent in the urban areas of the highlands during the same period. Thus, development of urban centers in the interior may have positive impacts on reducing wage disparities among different ethnic, racial and gender groups.

The impact of these urban areas would be enhanced further to the extent that growth centers acquire the fiscal and administrative authorities to permit them to provide the infrastructure and other services needed to support their growing populations and businesses. While the GoP has provided substantial fiscal resources to local governments through the municipal compensation fund, which transfers a portion of municipal taxes back to the district and provincial governments based on poverty levels, these transfers are inadequate to finance the level of needed investments. Decentralized authorities to local governments will not only give them the tools to raise needed revenues, but provide also greater opportunities for citizens to participate in the investment decisions that affect their communities. Moreover, given the pivotal role that poverty plays in the decision of farmers to cultivate coca, implementation of the strategy outlined above may become increasingly important to reducing coca leaf production.

As development progresses, the value of education and experience also tends to increase. Particular skills will be needed to realize the improvements in productivity necessary to produce higher incomes for the poor. According to a World Bank analysis, between 1991 and 1994 the largest increases in the rate of return to education were found in the urban areas, while the return to education actually declined in rural areas. The GoP has embarked on a program to improve the quality of education and to focus more directly on the skills required for the workforce of tomorrow. Moreover, efforts to improve education can be expected to contribute to increased environmental awareness, given the strong correlation between knowledge of these issues and educational attainment.¹⁸ Both the World Bank and the Inter-American Development Bank are providing substantial loans to support access to quality education in Peru. USAID has provided support to NGOs to promote a public debate on educational reform and to UNICEF to improve quality of education, and has provided limited support to the Ministry of Education in its efforts to improve education administration at the regional level, as a part of its educational decentralization efforts. More needs to be done, however, to engage the GoP systematically on educational strategy and quality issues.

Equally important to addressing poverty will be the GoP's ability to provide the coverage and quality of health and family planning services to reduce fertility further, as well as infant and child mortality. In 1995 the GoP sharply increased its political support for family planning, moving from a *laissez-faire* stance to one that explicitly sought to open access to information and services to all Peruvians, but particularly formerly unenfranchised poor Peruvians. In an effort to carry out this policy, the GoP used its own financial resources to underwrite outreach activities that were not financially sustainable and that heightened risks to quality of care. Should quality of care be compromised

substantially, confidence in family planning services could be undermined. This would have consequences for continued progress in reducing fertility, especially in rural areas, where it is most needed.

To reduce this risk, USAID has supported the expansion of a larger public-sector program predicated on the development in the medium term of sustainable services based on quality, and emphasizing such key elements of quality of care as client-centered informational materials on all methods, counseling and other interpersonal skills for providers, gender perspective and continuity of care.

The GoP's strategy to target infrastructure and social sector investments to complement the burgeoning private sector economic activity of these emerging market towns and smaller cities can be expected to accelerate poverty reduction and make further improvements in other key welfare indicators. In particular, investments are needed in rural electrification and roads to connect rural agricultural areas to major urban markets. To fund these infrastructure and other social sector investments needed for its strategy to be successful, the GoP has been reordering its budgetary priorities, as well as seeking ways to reduce further its external debt.

While the GoP will need to increase the allocation of resources to cover the higher debt obligations, it is also relying on the private sector to take up a larger share of the financing for infrastructure through concessions, and on donors for support in financing social sector investments. Recently, the GoP received approval for a \$300 million loan from the World Bank and the Inter-American Development Bank to enable the government to continue an adequate level of social sector investment in the short term. GoP reliance on donors, however, to finance these investments is not sustainable over the longer term. The GoP will need to undertake a dynamic institutional reform process that includes reorganization of the national government, and strengthening the role of local governments to overcome the infrastructure, health, education and other service constraints to reducing poverty. Moreover, private sector commitment to undertake the investments needed to improve infrastructure and create employment opportunities will depend increasingly on the ability of the GoP to enter into a constructive dialogue with the private sector over macro-economic and other policy and regulatory issues that affect the economy.

In addition, the GoP has pursued debt swaps with donor countries to further reduce its debt obligations and to finance investments that the private sector is unlikely to undertake, such as investments in alternative development, poverty reduction and the environment. Over the past several years the GoP has successfully negotiated debt swaps with Germany, Switzerland, Finland and Canada, for a total of \$500 million. The most recent debt swap agreement was signed with the Germans for \$125 million, of which there is a preliminary agreement to use \$50 million to support poverty alleviation and alternative development programs. As fiscal pressures mount to service the debt, the GoP may look to use this mechanism aggressively to finance development programs while simultaneously reducing the size of its external debt. The Paris Club agreement provides that creditor countries can enter into a debt swap up to 20 percent of the concessional donor debt.

As the GoP's macro-economic and structural reforms develop further, they should lead to new productive investments coming on line with concomitant increases in production and productivity. It is expected that this will spur economic growth to within the 5 percent to 6 percent range on a sustainable basis beginning in the next couple of years.

Other Significant Developments

Counternarcotics

The GoP continued its strong support for counternarcotics activities, which together with the U.S. counternarcotics strategy, led to a drop of 18 percent in the area under coca cultivation in 1996 -- a ten-year low. The establishment of CONTRADROGAS as the coordinating entity for all GoP counternarcotics efforts bodes well for the continued cooperation of Peru with U.S. counternarcotics efforts. CONTRADROGAS has emerged as a key counterpart institution for USAID-financed alternative development. Headed by a cabinet-level minister, CONTRADROGAS has assumed an increasingly prominent role in donor coordination and recently presented a draft alternative development strategy at a landmark World Bank-sponsored donor conference in Lima. The GoP proposed a 5-year investment program (as part of an overall 10-year strategy) that will provide the framework for

coordinating GoP and donor resources and investments to achieve further significant reductions in coca leaf production. The donors responded positively to the GoP's proposed strategy, and a follow-up meeting among the donors will be held in late June 1997 to discuss how best to coordinate donor assistance to support the program. Peru's stellar performance led to full certification in 1995 and 1996.

Environment

Peru took major steps to improve the policy and regulatory conditions to address environmental issues. The congress reestablished its environmental commission and began work on enabling legislation to improve management of natural resources. The GoP established the first new park since 1986, which will effectively protect some of Peru's most important biodiversity resources. The Ministry of Industry, Tourism, and International Commerce (MITINCI) opened the regulatory process to ensure that civil society, industry groups, local governments, and other GoP ministries were given ample opportunity to comment on proposed environmental norms.

Although these are impressive accomplishments, the low level of public understanding of environmental issues presents a significant challenge to developing the broad public consensus to address these problems. Nearly a quarter of the population has little or no general knowledge or awareness of environmental problems in Peru, and only 20 percent were aware of actions taken to address environmental problems.¹⁹ When it comes to specific environmental problems, the same survey found that 42 percent believe that water use and pollution are serious problems. The vast majority of Peruvians were found to employ basic environmental health measures, including: boiling or disinfecting drinking water, avoiding dumping garbage in the streets, and conserving water. However, most Peruvians do not recycle, report environmental hazards, nor participate in nor support environmental organizations.

Development Partnerships

The USAID program works closely with a variety of U.S. PVOs and Peruvian NGOs. Approximately 60 percent to 70 percent of the Mission's program is managed through PVOs that work on activities related to food security, health and family planning, democracy, and economic growth.

Net official development assistance (ODA) to Peru in 1995 was \$428 million of which the U.S.'s contribution accounted for 19 percent. The U.S. was the principal non-multilateral development donor. Japan, the UN, Germany, and the European Development Fund provided 49 percent of ODA disbursements, directed principally to human resource development, health and social development, economic support, and humanitarian assistance. In addition, the Inter-American Development Bank (IDB) and the World Bank (IBRD) played a major role in the country's development efforts in the areas of economic support, road rehabilitation, education and social development.

Significant progress has been made in USAID's coordination with other donors operating in Peru. USAID worked closely with the World Bank in developing the agenda for a January 1997 donors' conference in which the GoP presented its proposals for poverty alleviation, environment and alternative development.

Discussions continue with the Japanese on the common agenda. A number of high-level meetings were held with JICA representatives. At these meetings, USAID exchanged information with the Japanese on unmet development needs that USAID believes would be good candidates for the Japanese to consider funding. Broader U.S.-Japanese discussions have also occurred in other venues, such as the recent conference in Honolulu. Discussions with the Japanese were suspended in Lima while most of the Japanese delegation was being held hostage by the MRTA. Upon conclusion of the hostage crisis, the Japanese announced that they would continue their plans for providing development assistance to Peru. The Mission is encouraged by GoJ statements that it intends to follow through on the pledge it made to Peru before the hostage crisis to provide more than \$5 billion over a 10-year period.

USAID Assistance Program

The USAID program strategy supports most of the GoP's priorities, which are largely consistent with the goals of the DAC and the Summit of the Americas. For a comparison of the goals, objectives, and targets for the DAC, the Summit of the Americas, the GoP and USAID, refer to the Common Objectives table.

USAID Management for Results

USAID/Peru now has in place nearly all the elements needed to fully manage for results. During the past year the Mission developed and received approval for a five-year strategy that will provide strategic direction to the program through FY 2001. The Mission then developed a comprehensive performance measurement plan, which involved a reassessment of all prior indicators to determine their validity for measuring the strategic and special objectives. In many cases, indicators had to be revised or new ones developed.

This presented obvious problems for reporting performance during the past year. The Mission believes that it would have been inappropriate to use the old Action Plan framework to discuss performance in lieu of its new strategic objectives solely because the new indicators were not available. To deal with this dilemma, the Mission opted to use the new results framework, but to bring forward those selected indicators from the previous Action Plan that met certain criteria. The indicators had to have: some relevance to assessing the new framework; established baselines, targets for 1996 or beyond; and data available to assess the accomplishment of the targets. These interim indicators are presented in the Performance Analysis section; the indicators to be used in future R4s are provided in the Expected Progress section.

The PMP will be used to track not only those indicators that would be reported annually in the R4 to measure achievement of the strategy, but also those indicators needed by activity managers and strategic objective teams to manage for results. Mission management will use this information to inform decisions regarding modifications over time to the results frameworks, strategic approaches, or activity mix.

The Mission also completed its customer service plan, which was developed based on an extensive survey of its intermediate customers and development partners. The development of the performance monitoring plan was carried out in a highly participatory manner. As a result, several GoP entities and local governments have adopted the concept of management by objective and performance monitoring. Many of these entities now use the same or similar indicators as those found in the USAID performance monitoring plan as a management tool to monitor their own performance. Moreover, local governments participating in the USAID program have been quick to incorporate customer service principles into their own planning and budgeting processes.

During the first quarter of FY 1997 the Mission conducted team-building training for all strategic objective teams and NMS training for nearly all USAID staff. Over the past year, the Mission has established a semi-annual strategic objective and portfolio review process to coincide with the establishment of the OYB and the preparation of the R4. Given the propitious economic and political context for the Mission's program strategy, the consistency of the program with GoP priorities, and the program's performance to date, the Mission is confident that its strategy remains valid and that it has the tools to achieve its strategic and special objectives, provided that the Agency is able to ensure the appropriate level and mix of resources needed to do the job.

COMMON OBJECTIVES
 Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD),
 United States Agency for International Development in Peru (USAID/PERU), and the Government of Peru (GOP)

DAC GOALS ²⁰	SUMMIT OF THE AMERICAS	GOP TARGETS ²¹	USAID/PERU TARGETS ²²
- A reduction by one-half in the proportion of people living in extreme poverty by 2015.	III. ERADICATING POVERTY AND DISCRIMINATION 19. Encouraging microenterprises and small businesses	- A reduction by one-half in the proportion of people living in extreme poverty, from 19.5 in 1994 to 9.8 by year 2000.	SO#2: INCREASED INCOMES OF THE POOR - A reduction by one-half in the proportion of people living in extreme poverty by year 2002.
- Universal primary education in all countries by 2015.	III. ERADICATING POVERTY AND DISCRIMINATION 16. Universal access to education	- Improve quality of primary education by year 2000. - Reduce to 27.3 % the school repetition rates (atraso escolar). - Reduce illiteracy rates from 12.8 in 1995 to 7.6 in 2000.	
- Demonstrated progress toward gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005.		- Reduce female illiteracy rate from 18.3 in 1995 to 11.3 in 2000 - Reduce rural women illiteracy rate from 42.9 in 1995 to 30 in 2000	
- A reduction by two-thirds in the mortality rates for infants and children under age 5 by 2015.	III. ERADICATING POVERTY AND DISCRIMINATION 17. Equitable access to basic health services	- Reduction by one-third in the mortality rates for infants (from 55 to 34) by year 2000 - Reduction by 50% infant and under-five mortality in the 136 provinces with the highest rates of mortality. - Prevalence in chronic malnutrition reduced from 48% in 1993 to 34 in 2000	SO#3: IMPROVED HEALTH, INCLUDING FAMILY PLANNING, OF HIGH-RISK POPULATIONS - Reduction in infant mortality from 55 deaths per 1,000 live births in 1992 to 40 by year 2000. - Reduction in under-five mortality rate from 78 per 1,000 children in 1991 to 60 by year 2000.
- A reduction by three-fourths in maternal mortality by 2015.		- Reduction to less than 100 by year 2000 ²³	SO#3: IMPROVED HEALTH, INCLUDING FAMILY PLANNING, OF HIGH-RISK POPULATIONS - Reduction to 200 deaths per 100,000 live births by year 2000.
- Access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than year 2015.	III. ERADICATING POVERTY AND DISCRIMINATION 17. Equitable access to basic health services	- Access of the extremely poor to health systems will increase from 34% in 1994 to 45% by year 2000. - Reach a coverage of modern contraceptives to at least 50% of women in reproductive age, and at least 70% of women in union by year 2000 ⁴ .	SO#3: IMPROVED HEALTH, INCLUDING FAMILY PLANNING, OF HIGH-RISK POPULATIONS - Immunization (tetanus toxoid) coverage of women in high-risk areas to 60% by year 2000. - Proportion of pregnant women who benefit from at least 4 pre-natal care visits from 47% in 1992 to 65% by year 2000. - Contraceptive prevalence rate for women (or their partners) in union to 67% by year 2000.
- The current implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.	IV. GUARANTEEING SUSTAINABLE DEVELOPMENT AND CONSERVING OUR NATURAL ENVIRONMENT FOR FUTURE GENERATIONS 21. Partnership for sustainable energy use 22. Partnership for biodiversity 23. Partnership for pollution prevention	CONAM's agenda includes: - Establishment of a national environmental management system, including an environmental fund and a national environmental information system. - Legislation on the use of natural resources and adoption of participatory management for protected areas. - Promotion of clean technologies and pollution prevention practices. - Establishment of environmental arbitration procedures. - Environment subjects in school and university curricula.	SO#4: IMPROVED ENVIRONMENTAL MANAGEMENT IN TARGETED SECTORS - GOP will have established and be implementing the new national environmental plan developed with the full participation and support of the public and private sectors by year 2004.
Qualitative Factors to Achieve the Goals			
- Capacity development for effective, democratic and accountable governance	I. PRESERVING AND STRENGTHENING THE COMMUNITY OF DEMOCRACIES OF THE AMERICAS 1. Strengthening Democracy 3. Invigorating society and community participation 5. Combating corruption	- Eliminate corruption, and improve transparency. - Increase access of the poor to the judiciary system. - Improve judiciary system.	SO#1: BROADER CITIZEN PARTICIPATION IN DEMOCRATIC PROCESSES - Confidence of Peruvians in their democratic institutions and processes will increase by 45%. - Peru's democracy will be recognized by international community as stronger, more accountable and more transparent.
- Protection of human rights.	I. PRESERVING AND STRENGTHENING THE COMMUNITY OF DEMOCRACIES OF THE AMERICAS 2. Promoting and protecting human rights	- Improve protection of human rights through the Ombudsman's Office (Defensor del Pueblo)	SO#1: BROADER CITIZEN PARTICIPATION IN DEMOCRATIC PROCESSES - Promote the protection of human rights. - Strengthen human rights organizations. - Reduce the number of incarcerated citizens who are unjustly accused of terrorism to 0 by year 2003.
- Respect of the rule of law.			
			Special Bilateral Objectives
	I. PRESERVING AND STRENGTHENING THE COMMUNITY OF DEMOCRACIES OF THE AMERICAS 6. Combating the problem of illegal drugs and related crimes	- Reduce gradually the area planted to illicit coca leaf by year 2000 ²⁴ . - Incorporate 50% of the farmers involved in non traditional coca cultivation to other licit forms of activities ⁵ by year 2000.	SPECIAL OBJECTIVE: REDUCE ILLICIT COCA PRODUCTION IN TARGET AREAS IN PERU - Reduction of illicit coca production by half in target areas in Peru.

Major Past Year Accomplishments

USAID/Peru's assistance programs have resulted in a distinguished list of accomplishments, which are detailed throughout this report. Listed here are some of the most salient achievements the program has had over the past year:

Peru became the first country in the hemisphere to have an empirically validated strategy for reducing narcotics supply to the U.S. and international markets. This breakthrough is due to the success of alternative development and other source country programs that resulted in coca farmers reducing coca leaf cultivation by nearly 20,000 hectares (an 18 percent net decrease), thereby slashing the supply of cocaine by approximately 25 metric tons.

Approximately 660 people, of a total of 1,700 who are estimated to be incarcerated unjustly on terrorism charges, were released from prison. This was due to the efforts of USAID support to NGOs and to the GoP's Office of the Public Defender, which heads up a special commission to recommend pardons for those unjustly detained or sentenced for terrorism.

Fertility declined by 10 percent, falling from 3.9 to 3.5 percent between DHS II and DHS III (1992-1996).

USAID has been the leading donor in improving the health status of poor Peruvians. Dramatic improvements were achieved in infant and child health over the five year period between the DHS II and DHS III (1992-1996): Chronic malnutrition declined over 20 percent, from 34 to 27 percent, among children under five years of age; infant mortality fell 22 percent, from 55 to 43 deaths per 1,000 live births; and child mortality was reduced 24 percent, declining from 78 to 59 deaths per thousand.

USAID's P.L. 480 Title II food assistance program helped approximately 1.0 million extremely poor people (about 25 percent of all the extremely poor in Peru) improve their health and nutritional status, acquire new skills and technology, and gain access to productive infrastructure in order to enhance their income earning opportunities and improve their chances of escaping extreme poverty over time.

As a result of USAID interventions, there were 14,000 new jobs created in agriculture and microenterprises. The majority of the microenterprise jobs were filled by women.

Over 20,000 small farmers, and over 2,000 micro-entrepreneurs increased their incomes significantly. Average small farmer income increases in the coastal, highland, and jungle regions were \$1,050; \$550; and \$1,050, respectively. Micro-entrepreneurs increased their income an average of \$1,100.

Peru experienced a \$40 million increase in sales of selected non-traditional products.

Nearly 90 local governments, representing about 5 percent of all local governments, established effective mechanisms for their constituents to participate actively in setting the priorities in municipal investment budgets.

The Peruvian Congress, for the first time, opened up its deliberative process to civil society and to opposition political groups in the debate of major legislative changes that will determine the degree of district level representation in future congresses.

The Ministry of Industry, Tourism, and International Commerce (MITINCI) approved the draft of Peru's first set of pollution prevention norms. Currently a broad stakeholder consensus is being sought for responses to the draft as a result of MITINCI's successful and unprecedented process of consultation with various interest groups.

As a direct result of USAID efforts, the GoP established the first new national park since 1986. The Bahauja-Sonene park covers 537,000 hectares and contains some of Peru's most important biodiversity resources.

Endnotes

1. This per capita income may be overstated due to the estimate that the exchange rate of the national currency may be overvalued by as much as 20 - 30 percent.
 2. Aragon, Jorge, and Torres, Alfredo. 1997. Peru in *Latinobarometro: A Survey of Latin American Public Opinion*. Apoyo Opinion y Mercado, S.A. Lima, Peru.
 3. Apoyo. 1997 Preliminary Report. *Estudio Sobre Participacion de los Ciudadanos en Procesos Democraticos*. Instituto Apoyo. Lima, Peru.
 4. Confidence in this report is based on the definition developed as part of the USAID-financed study conducted by Apoyo (see endnote 3). This definition may differ from that used in other surveys, such as the *Latinobarometro* studies. For details on the definition of confidence, see the SO#1 indicator tables in the expected accomplishments section of this R4.
 5. Apoyo op. cit..
 6. USAID has provided assistance to three of the five institutions mentioned. We have not provided assistance to the Attorney General's office nor to the Constitutional Tribunal. See the Performance Analysis section of the strategic objective *Broader Citizen Participation in Democratic Processes* for further information on the impacts of USAID assistance to key national institutions.
 7. U.S. Department of State. 1997. Peru Country Report on Human Rights Practices for 1996.
 8. It should also be noted that human rights abuses are not limited to the state institutions. According to the State Department report, *Sendero Luminoso* and MRTA terrorists were responsible for the vast majority of the killings and other violence. *Sendero Luminoso* used torture and other forms of brutality, infringed upon citizens' privacy rights, intimidated religious workers, and violated the rights of indigenous people. In December 1996 the MRTA attacked the Japanese ambassador's residence, initially holding hundreds of people hostage.
 9. The GoP's poverty reduction targets for the 1995-2000 period, as recently revised, are: reduce the overall poverty from 48 percent to 24 percent, and reduce extreme poverty from 22 percent to 11 percent.
 10. World Bank. 1996. Untitled. Chapter 2: Did the Poor Benefit from Peru's Reform Recovery?
 11. *Ibid.*
 12. The 1991, 1994 and 1996 data are based on surveys conducted by CUANTO, S.A. a Peruvian research organization. The actual data for 1994 and 1996 are as follows:
- | % of the population | 1994 | 1996 |
|---------------------|------|------|
| Poor | 49.6 | 51.4 |
| Extremely Poor | 20.2 | 18.7 |
- The results presented in the table are considered accurate to within ± 2.5 points. The change from one year to the next would have to exceed 2.5 points before one could conclude that the change was real and not due to random error. Thus, the proper interpretation for each category is that no change has occurred between 1994 and 1996.
13. INEI. 1997. *Peru Encuesta Demografica y de Salud Familiar 1996*. Preliminary Report of the 1996 Demographic and Health Survey (DHS). Lima, Peru.
 14. INEI. 1996. *Dimensiones y Caracteristicas del Crecimiento Urbano en el Peru: 1961-1993*. Lima, Peru. See tables on pp. 67-68. Also, the reader should be cautioned that the determination of whether a place is urban in Peru is based on a strict demographic definition -- any conglomeration of 2,000 or more inhabitants. For census purposes, the definition is even more restrictive -- any conglomeration with at least 100 residences. As used in this context, the term urban does not necessarily refer to the presence of urban services, such as water supply, sewers, garbage disposal, paved streets or even readily available social services. Further, regardless of size, all district capitals in Peru are defined as urban by virtue of their status as a capital. Considering that Peru contains 1,793 districts, this stipulation, together with the widely encompassing definitions of urban, has the effect of automatically urbanizing much of what otherwise might be considered rural Peru.
 15. Webb, Richard and Baca, Graciela Fernandez. 1996. *Anuario Estadistico: Peru en Numeros 1996*. Cuanto, S.A. Lima, Peru. See tables 4.7 (p.208) and 4.13 (p.215).
 16. Between 1994 and 1996, there was a significant increase in poverty in urban areas outside of Lima from 30.4 percent to 34.6 percent, while the poverty in rural areas declined significantly from 40.5 percent to 35.8 percent over the same period. It is not possible to disaggregate to what extent these changes were due to internal migration, but given the rural-urban shift, it is reasonable to conclude that at least some portion of the change in poverty rates is due to migration.
 17. INEI. pp.157-163. Lima grew at an average annual rate of 1.63% between 1981-1993. However, several principal cities in the highlands and jungle grew considerably faster: Abancay, (4.37%), Huanuco (5.96%), Juliaca (5.79%), Huaraz (3.88%), Cajamarca (3.63%), Huancayo (5.96%), Cusco (3.08%) and Arequipa (2.97%) in the highlands; and Pucallpa (5.50%), Tarapoto (4.91%), and Iquitos (4.13%) in the jungle. Overall, between 1991 and 1993, the urban areas in the jungle experienced faster average annual rates of growth (5.6%) than either the urban highlands (3.8%) or the urban coast (4.0%), significantly above the average urban annual urban growth rate of 4.1%. For information on relating economic potential with population growth, see Chapter 7.
 18. Instituto Cuanto. forthcoming. *Encuesta de Opinion Publica Sobre Medio Ambiente*. Lima, Peru.
 19. *Ibid.*
 20. OECD. 1996. *Shaping the 21st Century: The Contribution of Development Cooperation*.
 21. Unless otherwise noted, the source for this information is the GOP report to the Consultative Group Meeting in Paris, November 1995.
 22. USAID Country Development Strategy for Peru FY 1997-FY 2001.
 23. Ministry of Health's National Plan for Reproductive Health and Family Planning 1996-2000.
 24. National Plan for Drug Prevention and Control, October 1994.

II. PROGRESS TOWARD OBJECTIVES

STRATEGIC OBJECTIVE No. 1: *Broader Citizen Participation in Democratic Processes*

Performance Analysis

During FY 1996, there was much progress in achieving the Mission's Strategic Objective One (SO# 1, *broader citizen participation in democratic processes*). According to the 1997 Freedom House Report, the level of freedom to exercise political rights and civil liberties increased significantly over the previous year.

Although this is not a direct measure of citizen participation, it is a good measure of the degree to which conditions for participation have improved. Overall, a number of key national and local institutions are functioning better, creating an enabling environment for effective participation. There are signs that the GoP is making efforts to improve its human rights record, while attempting to provide greater access to justice for disadvantaged groups. More citizens know their rights and responsibilities, thus better preparing them for participation in the decisions that affect their lives.

Results to date confirm the gradual and positive trends toward a more open democracy in Peru:

In making progress toward achieving the IR, *more effective national institutions*, a number of key national democratic institutions, such as the three electoral bodies (*i.e.*, the National Election Board-- JNE, the National Office of Electoral Processes-- ONPE, and the Civil Registry Office-- RNIEC), and the Comptroller General, improved their ability to perform functions more effectively. In addition, the Peruvian Congress has shown promising signs of becoming more technically proficient and participatory in its legislative process. USAID's role, in partnership with civil society organizations, has been key to those improvements.

Noteworthy is the fact that institutions comprising the electoral system have relatively more legitimacy in the eyes of Peru's citizens, compared with other key institutions. According to the 1996 USAID democracy survey, 30 percent of citizens report that they now trust electoral bodies. This compares favorably with the 17 percent of citizens who expressed confidence in national institutions in general¹. This is due not only to the independence the electoral bodies have shown thus far from the executive and legislative branches, but also because of their increased efficiency overall. Implementation of the reformed electoral system is proceeding on schedule. The new administrative structure established in 1995 is functioning well, and the voter re-registration process has begun with the issuance of new voter identification cards.

USAID, through U.S. PVOs and local NGOs, has been the primary (if not only) donor providing assistance to the electoral institutions, thereby contributing significantly to the electoral reform process. As a result, complementary municipal elections² were successfully held in 40 districts and 16 provinces within ten departments, which are among the poorest and among those most affected by terrorism. Close to 140,000 citizens in those remote areas exercised their rights to elect their local government representatives in free and fair democratic elections.

Moreover, RNIEC took steps to enfranchise those persons displaced by terrorism, most of whom are indigenous. The RNIEC initiated programs with diverse GoP institutions to provide temporary identification documents to the 600,000 persons affected by political violence. This will provide them with the basic legal status to register to vote and give them the opportunity to participate fully in the political and economic life of the country.

USAID also contributed to strengthening mechanisms that make government more open and transparent. The Comptroller General (CG) has improved significantly its auditing capacity. By using for the first time U.S. Regional Inspector General USAID norms, CG staff is presently performing high quality technical and financial

¹ See Section Expected Accomplishments for details on the definitions.

² Unlike the rest of the country, the 1995 regular municipal elections did not take place in 16 provinces and 40 districts of Peru, primarily due to terrorist activities. Therefore, elections carried out in those places during 1996 are referred to as "complementary elections."

audits of several USAID-assisted development programs. Toward this end, USAID was instrumental in supporting the provision of specialized training and the development of revised Governmental Audit Norms.

To further strengthen its capacity nation-wide, the CG has begun a serious effort to decentralize its operations by establishing offices outside Lima. In this effort, the CG has shown its ability to be innovative by organizing and tasking multi-disciplinary teams (including medical personnel) to audit public health services and providing training to local municipalities to avoid problems before they happen. This experience has caught the attention and interest of the Inter-American Development Bank, which is providing funding for a program with the CG that is complementary to the USAID program. In addition, citizen perception of the CG's fault finder role to fight public sector corruption is quite positive, as demonstrated by the 1996 democracy survey, in which 25 percent of the public expressed confidence in it. As the CG disseminates its audit finding, this increased access to information on government finances can enable citizens and civil society organizations to hold government officials increasingly accountable.

Although people's trust in the congress is relatively low (15 percent), there are signs that the institution is taking steps to improve its responsiveness to constituents. By opening up the policy debate of important legislative topics such as decentralization, natural resource management, domestic violence, and electoral reform, the congress has provided new opportunities for NGOs and other civil society organizations to influence the decisions affecting their interests. USAID assistance to NGOs and its policy dialogue with selected commissions in the congress made possible these promising developments. For example, with USAID support to the Decentralization Commission, regional and local seminars and workshops were held. These provided opportunities for members of congress, who also brought proposals for alternative bills on decentralization, to interact directly with citizens and local government representatives. The result was a clearer identification of the issues, which led congress to incorporate several of these items into its legislative agenda.

Similarly, citizens were successful in getting congress to incorporate their concerns in recently passed legislation on domestic violence. The drafting of the bill was achieved through coordination among the Congressional Commission for Women's Issues, the Ministry for Women and Human Development, the Ombudsman's Office (*Oficina del Defensor del Pueblo*), and USAID-supported NGOs, which brought into the process their extensive experience with the groups that this law will affect.

In another area, with USAID support, the JNE and NGOs carried out intensive and open public debates for the proposed new electoral code, suggesting improvements based on technically sound analysis. As a result, congressional representatives from various parties are participating in debates on this issue more as legislators rather than as partisan politicians, and have incorporated in their alternative bills some key reforms proposed by civil society organizations. Chief among the reforms discussed is the partial electoral district representation, as opposed to the present system that is entirely "at large." This reform will provide citizens with better mechanisms to oversee representative's functions and will in turn foster increased responsiveness on the part of members of congress.

The congress has also taken steps to improve its communication with citizens. For example, for the first time the congress announced a legislative agenda, *albeit* unofficial, providing order and priority to an assortment of pending legislation. It has also distributed information bulletins to the general public, and with other donor support, pre-published through the *Internet* an increased number of legislation bills for public comment. Part of these initiatives were promoted by congressional staffers who were trained under international visitors grants in the U.S. on how to better support congresspersons and congress to improve their functions. These and all of the above mentioned signs augur well for the prospects of broader citizen participation in political processes.

Under the IR, *greater access to justice*, mechanisms for greater justice system access, especially for disadvantaged groups, increased during FY 1996. The Ombudsman's Office and the Tribunal of Constitutional Guarantees began operations, and hundreds of unjustly incarcerated individuals were given a fair trial. As noted in the State Department's Human Rights Report, while some serious problems remain, the overall human rights situation in Peru continued to improve.

A large number of Peruvians still believe that their rights are not well protected. Only 11 percent of citizen believe that the judicial system will provide them with a fair trial, while only 18 percent believe that their basic rights are protected by the system. To reverse these figures, the GoP has taken the important step of establishing and funding the Ombudsman's Office.

The Ombudsman's Office now is at the forefront of promoting and defending individual and community rights. In particular, the Ombudsman's Office is actively focusing on vulnerable groups, filling a gap not addressed properly by the system. For example, working with specialized NGOs, the Ombudsman's Office is developing its capability to protect the rights of native communities in the jungle, a group long limited from fully exercising their political rights and from enjoying the benefits of living under rule of law (due to cultural, linguistic, and geographic remoteness factors, among others.) Similarly, activities are carried out to address women's rights, and particularly to address the issue of domestic violence. Noteworthy was the essential USAID support, not only for the establishment and functioning of the Ombudsman's Office along with its specialized offices, but also for activating and organizing the Technical Secretariat of the Pardon Commission to address the needs of justice of those unjustly accused of terrorism-- an especially critical area that needs to be redressed to improve the judicial system.

Established in August 1996, the Pardon Commission has the authority and mandate to recommend to the President of Peru the granting of "pardons" to persons unjustly accused or convicted of terrorism. The Ombudsman's Office presides over the Pardon Commission, while its technical secretariat reviews all potential cases, as identified by the Commission or proposed by others. By the end of the year, the President had pardoned all 110 people recommended by the Commission. Significantly, over half of those pardoned came from the case files of four local NGOs receiving USAID assistance under an arrangement with a U.S. PVO. Through provision of legal defense over the past two years, these NGOs obtained the release of over 570 additional persons unjustly accused of terrorism. One NGO has gone a step further-- with USAID support, it has started a pilot program to provide skills and credit funds to a group of releasees, who otherwise would not be able to reintegrate themselves into economic life after being released from prison.

Access to Justice

Last October, Ms. Nancy Onsihuay Carhuarica and her nine month old son came to the Ate-Vitarte legal clinic in desperate need of assistance. Ms. Onsihuay was seeking financial support from the baby's father -- no longer living with her -- to defray the costs of basic necessities for their son. The legal clinic lawyer decided to attempt an extra-judicial conciliation in order to avoid a lengthy and uncertain formal judicial procedure. She convinced the recalcitrant father to meet with her and the mother at the clinic and, utilizing training received under the USAID-financed activity, resolved the problem. The father formally acknowledged his responsibilities and agreed to pay what all felt was a reasonable monthly stipend for the child's basic necessities, including additional costs that may arise. Since that time, the father has returned to the legal clinic every month and paid the agreed upon amount to Ms. Onsihuay. Thus the clinic lawyer resolved the problem in a prompt and effective manner, without resort to the formal legal process and the attendant delays and costs.

Further, during FY 1996, over 7,000 poor Peruvians³ also had access to free legal and mediation services. The legal clinics, sponsored by USAID in partnership with the Lima Bar Association, are serving men and women in two prisons and seven shanty towns (*Pueblos Jovenes*) of Lima. Seventy percent of the clients of these *Pueblos Jovenes* were women seeking alimony and mechanisms for protection against abusive husbands. Also, of the total trials sponsored in the two prisons, 76 percent were in the women's prison. Finally, mediation services provided were very effective as over 69 percent of total cases reached successfully negotiated mutual agreements.

Under the IR, *local governments more responsive to constituents*, more than 88 district and provincial municipalities improved responsiveness to their constituents' needs, setting the stage for broader participation of citizens in democratic processes at the local level. USAID leadership in this area is laying

the groundwork for these promising developments.

³ This number represents individuals who received legal support, including mediation services. However, when the number of times the same people used the legal clinics is considered, the number goes up to 15,778, meaning that on average each individual was provided services 2.25 times.

According to the national democracy survey, 13 percent of citizens believe that their local governments are responsive to their needs and demands. Over 32 percent of Peruvians stated that they have participated actively in trying to solve community problems, and one-quarter of the adult population reported attending a town meeting (*cabildo abierto*) in the past year -- up from nearly zero a few short years ago. The above responsiveness, participation, and attendance figures are significantly higher in the 173 municipalities where USAID has been actively involved, as a result of long term, progressive planning, which has permitted a gradual consolidation of these processes.

In USAID-assisted municipalities, 51 percent of the local governments held public town meetings and budget hearings, largely exceeding the target for 1996. This was a result of the combination of USAID-funded training to leaders of community organizations as well as to municipal staff on their roles as elected and public officials. This mutually rewarding experience, based on the increased participation of the communities, as well as the increased transparency of the local government, fostered a rapid replication of these processes in nearby municipalities.

Furthermore, 60 percent of targeted local governments implemented community self-help projects based on constituents' expressed needs, significantly exceeding the 1996 target of 36 percent. As reported by local mayors, this participatory methodology has been incorporated into their regular public works programs, which have resulted in cost savings of up to 25 percent, as compared with similar investment costs in the past. The use of this participatory approach kindled within the electorate a growing desire to participate in local government. This is evidenced by the increased pressure from constituents that mayors say they are under to be responsive to community needs. Moreover, the cost savings due to better financial management and citizen oversight of public works expenditures allowed these municipalities to stretch their resources to finance additional public works. Significantly, nearly 60 percent of the community groups that participated in these decision-making processes were women's organizations, such as Mother's Clubs.

In addition, citizen direct involvement in their local governments has also increased from almost zero when the program started. Nearly 43 percent of the participating municipalities have successfully encouraged smaller communities within the local government's jurisdiction to elect democratically their representatives to local government. This increased involvement in democratic processes at the local level will most assuredly have a significant positive impact on the political life of the country in the future.

During the reporting period under the IR, *citizens better prepared to exercise their rights and responsibilities*, over 35,000 citizens from traditionally marginalized groups such as women, blacks, non-Spanish speakers, indigenous, and youth increased their knowledge of their rights and responsibilities in a democratic society. USAID, in partnership with more than 40 local NGOs, not only carried out activities to educate these citizens about channels for participation in public decision-making, while promoting public debates on citizen issues, but also used a variety of interventions and approaches to reach these groups.

For example, giant screen presentations of a play on domestic violence and open debates in public squares of various districts and *Pueblos Jóvenes* around Lima increased awareness on women's rights of more than 10,000 male and female citizens. Also, 8,400 high school children in selected rural and urban areas increased their understanding or awareness of democratic values through civic education activities, such as how to participate in setting up and running student governments (*municipios escolares*) to carry out a number of functions within the schools, and providing students opportunities to interact with their local government. This gave them not only a close experience on how a local government works, but also provided them with the opportunity to channel their concerns --and suggestions to solve them-- on community problems.

Discrimination remains a hidden problem in Peru. In a USAID-sponsored cultural fair on race, discrimination and violence, 82 percent of the 7,000 participants responded that they have seen racial discrimination while 47 percent said that they have experienced discrimination first hand. The event raised awareness on this issue and several months later the congress passed a law forbidding race preferences in employment announcements. USAID has also been instrumental in promoting the recognition of afro-origin groups as serious and viable actors in their communities. By providing training in human rights, civil participation, and leadership to representatives of the 33 major black communities in Peru, encouraging contacts with and support from other NGOs, and sending leaders

of two black groups on international visitor programs, USAID advanced the capacity of minority groups to participate in meaningful ways in the political process.

Promoting Human Rights at the Grassroots

With USAID assistance, a local NGO conducted several human rights training-of-trainers courses for 150 community leaders (the majority women) from areas hard hit by economic hardship, terrorist activities and/or narcotrafficking. Those trained returned to their communities and through replica courses and other activities increased awareness of rights and responsibilities among their neighbors. Specific, noteworthy cases were:

— Maria Cardenas, a member of the city council for the town of Picota, first conducted a workshop for the Mothers Clubs. She then established a "Defensoria del Niño y Adolescente" in her town -- with the assistance of a local NGO -- that provides for protection of children abused by family members and resolution of problems resulting from this abuse. Maria has also developed a campaign and community network that promotes the "Right to a Name," which seeks to rectify the problem of a large number of children whose births never get registered, thus limiting the exercise of various rights.

— Juan Cardenas Zuniga, continues to speak about women's and children's rights from his job at a medical post in Nahuipucquio, while promoting human rights through a television program in Ayacucho.

— Bernardo Paredes returned to his town of Bellavista and initially focused his efforts on neighborhood leaders and women's organizations. This developed into a more formal group called "Peace and Democracy." After organizing a large parade to promote respect for human rights and development in his town, the group of 32 people continues to meet.

— Onilia Torres and 7 others from Alto Mayo conducted a training course for representatives from two other cities, Moyobamba and Rioja. This led to the formation of sub-committees and coordinators of human rights in the surrounding districts and villages.

Finally, over 150 leaders, the majority of whom were women from rural communities affected by terrorism and human rights abuses in the past, were trained as trainers in human rights and civic awareness. The trainings used *Quechua* visual aids in cases where indigenous persons who spoke that language were present. Since the replications began, more than 8,000 community members have been also prepared to exercise their rights and participate actively in the decision making process of their communities. This USAID intervention also provided a link with important GOP entities, bringing together human rights NGOs and the Human Rights Commission of congress, and provided a platform for the newly appointed Ombudsman to interact with residents of outlying provinces.

Summit of the Americas:

The Mission's democracy objective is fully linked with the objectives of the Summit of the Americas. Accomplishments described in this section contribute to the broad objective of Preserving and Strengthening the Community of Democracies of the Americas in the areas of: strengthening democracy; promoting and protecting human rights, invigorating society and community participation, combating corruption; and, through local government and civic awareness activities in coca related areas, combating the problem of illegal drugs and related crimes.

PERFORMANCE DATA TABLES FOR STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes

STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes APPROVED: 04/30/96 COUNTRY/ORGANIZATION: USAID/Peru			
RESULT NAME: Broader Citizen Participation in Democratic Processes			
INTERIM INDICATOR: Freedom House rating			
UNIT OF MEASURE: Scale from 1 to 7: Most Free:1, Least Free: 7 SOURCE: Freedom House Annual Report INDICATOR DESCRIPTION: a. Political rights, c. Civil liberties a. Political Rights: - Free elections for president and legislative - Allowance for citizen to organize in political parties - Occurrence of significant opposition - Minority rights are considered in the decision-making process (cultural, ethnic, religion, etc.) b. Civil Liberties: - Independent media - Independent, non-discriminatory judiciary - Free business, religion - Gender equality - Freedom from government corruption COMMENTS: Actual 1996 data from the 1997 Freedom House Report This indicator will be discontinued.	YEAR	PLANNED	ACTUAL
	1992(B)		a. 3 b. 5
	1993		a. 6 b. 5
	1994		a. 5 b. 5
	1995		a. 5 b. 4
	1996		a.4 b.3
	1997		
	1998		
	1999(T)	a. 1 b. 3	

STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes APPROVED: 04/30/96 COUNTRY/ORGANIZATION: USAID/Peru			
RESULT NAME: More Effective Institutions			
INTERIM INDICATOR: Electoral System New Administrative Structure Functioning			
UNIT OF MEASURE: Implementation Schedule SOURCE: IFES INDICATOR DESCRIPTION: Qualitative COMMENTS: In June 1995, a new administrative structure was established as called for in the 1993 Constitution. The Electoral System reform process began in January 1996, aiming to be completed and fully operational in 1998 with the implementation of the new electoral code. This indicator will be discontinued.	YEAR	PLANNED	ACTUAL
	1995	New Structure Established	Structure Established
	1996	Administration Functioning	Functioning

STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Greater Access to Justice			
INTERIM INDICATOR: Change in State Department Human Rights report assessment			
UNIT OF MEASURE: change (better/worse/same)	YEAR	PLANNED	ACTUAL
SOURCE: Annual State Department Human Rights Reports	1994(B)		Same
INDICATOR DESCRIPTION: Areas to be evaluated: due process, access to justice, respect integrity, less torture, fundamental freedom	1995	Better	Better
COMMENTS: This indicator will be discontinued.	1996	Better	Better
STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Local Government More Responsive to Constituents			
INTERIM INDICATOR: Percentage of targeted local governments with public town meetings and budget hearings			
UNIT OF MEASURE: Percentage (cumulative)	YEAR	PLANNED	ACTUAL
SOURCE: Local Government Development records			
COMMENTS: The LOP target under the LGD activity is to serve 173 local governments, where a total of 451 small rural communities would have public town meetings and budget hearings regarding the implementation of project-funded community projects. To date, a cumulative total of 230 communities have adopted these consultation practices in 88 local governments. Similar indicator will be used for FY 1997-2001 Strategic Plan Reporting.	1994(B)		5.5%
	1995	22.5%	20.6%
	1996	35.9%	51.0%
STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Local Government More Responsive to Constituents			
INTERIM INDICATOR: Percentage of targeted local governments that are implementing projects based on constituents' expressed needs			
UNIT OF MEASURE: Percentage	YEAR	PLANNED	ACTUAL
SOURCE: LGD records			
COMMENTS: The LOP target under the LGD project is to serve 173 local governments, where all community projects, regardless of their funding source, should be selected and implemented based on their constituents' expressed needs. Constituents' needs are explicitly expressed in written requests and agreements with their local governments, which result from community town meetings and general assemblies. To date, a cumulative total of 270 communities have reached such agreements in 104 local governments. This indicator will be discontinued.	1994 (B)		5.5
	1995	22.5	20.6
	1996	35.9	60.0

STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Citizens Better Prepared to Exercise Rights and Responsibilities			
INTERIM INDICATOR: Number of groups (targets) that carry out one or more activity to encourage deliberation of public policy issues			
UNIT OF MEASURE: Number	YEAR	PLANNED	ACTUAL
SOURCE: Project records (LGD, PARDEM & NECI)	1995(B)		15
COMMENTS: Greater understanding of rights and responsibilities inspire people/group to participate in the deliberation of policy issues. USAID assisted groups include: CEDRO, Institute of Liberty and Democracy (ILD), Human Rights National Coordinating Office (Coordinadora Nacional de Derechos Humanos), Lima Bar Association (Colegio de Abogados de lima (CAL)), Andean Commission of Jurists (Comisión Andina de Juristas (CAJ)), <i>Foro Nacional</i> , APOYO, DESCO, Asociación Pro-Derechos Humanos del Negro, <i>Alternativa</i> , CIPCA, CEPES, AIFLD, Legal Defense Institute (Instituto de Defensa Legal (IDL)), Centro de Estudios y Acción por la Paz (CEAPAZ), Centro Episcopal de Acción Social (CEAS), <i>Oficina Recoletana de Solidaridad</i> . Indicator will be discontinued.	1996	20	26
STRATEGIC OBJECTIVE 1: Broader Citizen Participation in Democratic Processes			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Citizens Better Prepared to Exercise Rights and Responsibilities			
INTERIM INDICATOR: Number of groups (targets) that carry out activity to educate citizens about channels for participation in public decision-making			
UNIT OF MEASURE: Cumulative number of groups	YEAR	PLANNED	ACTUAL
SOURCE: Local Government Development, PARDEM & NECI's records	1995		10
COMMENTS: The following groups carried out civic education purposes: CEPEI, IPYS, CALANDRIA, TAREA, PERU, VIDA Y PAZ, MINGA, <i>Consortio Carta de Lima</i> , <i>Consortio SURCO</i> , CERP, Foro Educativo, ADEC-ATC, <i>Asociación Pro-Derechos Humanos del Negro</i> , <i>Transparencia</i> , IDS-APEP, <i>Instituto de Pastoral Andina (IPA)</i> , CEDHIP, and CNC. This indicator will be discontinued.	1996	14	18

Expected Progress Through FY99 and Management Actions

By the end of FY 1999 -- almost halfway through the planned SO period -- performance indicators described in the attached tables will demonstrate further progress toward achieving the SO. This will be more easily seen at the IR level, although there will be some measurable progress at the SO level. Given the overall past performance, the current political developments, and current implementation pace, the SO is expected to be fully achieved within the original time frame established in the FY 1997 - FY 2001 Country Development Strategy, if funding is made available at the requested levels per our management contract.

At the SO level, more Peruvians from previously marginalized groups, including indigenous communities, women, and other minorities, will be participating effectively in democratic processes. The percentage of valid votes cast in the 1998 municipal elections will increase by 30 percent from the last election. In rural areas this increase will be higher, as more indigenous and disadvantaged groups come to see this venue as a means to participate effectively in the decision-making process of their local governments.

By 1999, more than half of the Peruvians will be active members of civil society organizations, and these organizations will have demonstrated more effectively the role they can play in representing citizens' concerns in public policy debates at the local and national level. Nearly 40 percent of citizens will be active participants in resolving community problems, and women will perceive that they have more influence in the decisions affecting their communities.

In continuing progress toward achieving the IR, *more effective national institutions*, Peruvians' confidence in national institutions will have increased from 17 percent to more than 25 percent by 1999, as they observe key national institutions becoming more effective. The electoral system will prove its effectiveness managing free and fair municipal elections in 1998. The voter rolls will be fully updated, and all eligible voters, including those from communities displaced by terrorism and indigenous groups, will have obtained a new voter identification card, thus providing an avenue for all to participate. USAID assistance to the electoral bodies will end, but efforts to foment greater participation of groups with relatively low participation rates in the electoral process will continue.

The Comptroller General will have the necessary tools for conducting financial and performance audits that meet professional standards while increasing the number of annual audits from 3 to 22, thus opening government processes to greater public scrutiny. Congress should continue to show signs of improvement in terms of technical capabilities and by encouraging broader participation in its deliberative processes. An increased number of Congressional Commissions will regularly ask for civil society organizations to inform and participate in the legislation drafting processes. The media will be an active player in opening the debate of key legislation, providing increased opportunities for citizens to express their views, particularly among groups most affected by the legislation. As a result, there should be a measurable increase in public respect for the congress. These improvements will provide an enabling environment for broader public participation, particularly for groups previously excluded from the process.

USAID will take advantage of opportunities on an ad-hoc basis to foster a public dialogue on civil-military relations, expanding the detainee registry to persons accused of any crime, and to help ensure that criminal cases involving military personnel are channeled through the public judicial system. Furthermore, the Mission expects that the faceless courts will disappear, and all civilian cases, including those for terrorism and narcotrafficking, will be handled following due process.

Under the IR, *greater access to justice*, the human rights situation will continue to improve as demonstrated by, among other things, a net reduction from 1996 levels, of 400 in the number of persons unjustly incarcerated for crimes of terrorism. Greater confidence in being able to receive a fair trial will exist as the judicial reform process begins to show results. The Ombudsman's Office will have field offices in key parts of the country, with a wider public understanding of its functions. In particular, the Ombudsman will demonstrate success in addressing the problems of the most vulnerable groups, including women, displaced persons and native communities. Public and private organizations will begin to address -- in a more systematic way -- the needs of the poor for legal defense and for alternative dispute resolution mechanisms.

Additionally, the new Criminal Procedural Code will have been approved and prosecutors will have been trained in their new roles. Furthermore, USAID will work effectively with the Public Ministry-- a GoP institution that can be expected to be an ally of the Ombudsman's Office in human rights cases. Interim activities to create support for passage of the revised Criminal Procedures Code will be undertaken in FY 97 and FY 98, if necessary.

Under the IR, *local governments more responsive to constituents*, decentralization legislation will be approved, establishing a legal framework for greater authority for municipalities. Local governments will be seen as significantly more effective and responsive to their constituents' needs. This will be evidenced in part by greater citizen participation in planning and implementing the annual investment plan of their individual municipalities. These results will be demonstrated mostly in the USAID targeted areas, which include 200 local governments whose populations have been most devastated by narcotrafficking and terrorism. Strengthened municipal associations will be more active in promoting the interests and capabilities of local governments, ensuring the sustainability and replication of past successes. Local governments will be providing services such as alternative dispute resolution and family violence counseling and protection. Effective participation of citizens in 1998 municipal elections will be significantly higher than the national average, and an increased number of leaders of grassroots organizations will become candidates for mayors or councilpersons, thus expanding representation at the local government level of groups that traditionally have not been included in political leadership positions or have been under-represented.

Under the IR, *citizens better prepared to exercise rights and responsibilities*, the citizenry -- especially indigenous, minorities, and women in marginalized and poorer areas -- will demonstrate greater knowledge of their rights and responsibilities. There will be evidence of a multiplier effect, as those that have received training or other assistance pass on their knowledge and skills to others in their communities. In these communities, civil society organizations will be established to protect their rights, thus continuing awareness raising activities. The media will play a major role in disseminating knowledge on rights and responsibilities of citizens and will use innovative approaches, such as messages in their native languages, to reach the rural poor. The success of these activities will be seen as citizens, who become more aware of their rights and responsibilities, begin to contribute significantly to the increased levels of participation in civil society organizations, elections, town meetings, and so forth, that will be observed under other intermediate results.

Civic education curriculum with democratic participation and values, as well as diversity sensitization, will be incorporated increasingly in more schools, thus preparing the youth of the country to better meet their responsibilities as citizens of a democratic society.

In all activities, special emphasis will be placed on helping the most disadvantaged groups in Peruvian society to increase their political voice and become more effective participants in the country's political life.

Evaluations of the local government and civic awareness activities, as well as a thorough analysis of the democracy survey will take place by mid-1997. The results of these studies will assist the Mission to better target the SO's interventions to reach increasingly the most disadvantaged groups, provide a basis to refine approaches, and improve programming of future activities. Moreover, the Mission will examine the results of the survey in light of evolving political developments to reassess and further refine the strategic objective and results framework, if necessary.

**RESULTS TRACKING TABLE FOR STRATEGIC OBJECTIVE ONE:
Broader Citizen Participation in Democratic Processes**

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Strategic Objective 1: Broader Citizen Participation in Democratic Processes									
1. Percentage of citizens who actively participate in resolving community problems	Definition: People who participate in 3 or more of the following activities: 1) Worked or tried to resolve a community problem; 2) Donated money or materials to help in any problem or community improvement; 3) Provided his/her labor; and 4) Attended meetings to resolve any community problem or to carry out any community improvements. Data will be analyzed by socio-economic and geographic variables. Unit: Percentage	<i>Baseline Study on Citizen's Participation in Democratic Processes</i> , a national level survey conducted by the APOYO Institute under USAID guidance.	1996	32.4	34	36	39	43	48
2. Valid votes cast as a percent of registered voters.	Definition: A registered voter is defined as any person registered on the official voter rolls. A valid vote is defined as any ballot other than a blank or null ballot. Data will be analyzed by departments. (M) Municipal elections; (C) Congress elections; (P) Presidential Unit: Percentage	National Office of Electoral Processes, National Election Board. Official records.	1995	(P) 61 (C) 36 (M) 52 * *Non official estimate		(M) TBD		(P) 70 (C) 55	
COMMENTS/NOTES: Additional indicator monitored: Percentage of citizens who are active members of at least one civil society organization.									
Intermediate Result: More Effective National Institutions									
3. Percentage of people that have high degree of confidence in national institutions	Definition: National institutions are defined as Congress, Judiciary, the Attorney General's Office, the three electoral institutions (JNE, ONPE, IDENTIDAD), the Comptroller General and the Ombudsman's Office (<i>Oficina del Defensor del Pueblo.</i>) A respondent is defined as having a high degree of confidence in key national institutions if he/she scored, on a 1-7 point confidence scale (where 7 is the highest) for each of eight institutions, a minimum of 36 points out of a maximum of 56 points 1/. Data will be analyzed by socio-economic and geographic variables. Unit: Percentage	<i>Baseline Study on Citizen's Participation in Democratic Processes</i> , a national level survey conducted by the APOYO Institute under USAID guidance.	1996	17	19	22	26	30	35
COMMENTS/ NOTES: 1/ Results affected by number of respondents unfamiliar with some of the institutions. Additional indicators monitored: Percentage of citizens who believe that elections have been free and fair/ Number of financial and performance audits conducted by the Controller General that meet professional standards and are published.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: Greater Access to Justice									
4. Number of incarcerated citizens who are unjustly accused of terrorism	<p>Definition: USAID/Peru relies on the human rights NGOs -- primarily those that are members of the Coordinadora Nacional de Derechos Humanos (CNDDHH) -- to determine who is innocent of terrorism charges. These NGOs consider a person to be innocent when it is clear that (1) the person does not belong to a terrorist organization and (2) has not voluntarily collaborated with any such organization. This is based on an exhaustive analysis of information gathered through review of documents and interviews. These NGOs provide representation to persons determined to be innocent. The number of current cases (minus persons who have been liberated) serves as the baseline and targets. Since the NGOs have not reviewed all existing cases of terrorism and additional cases will come into the system, the number of "confirmed" innocents may continue to grow (or at least offset gains made through release of prisoners.)</p> <p>Unit: Number (Disaggregated by male, female adults and minors)</p>	<p><i>Informe Sobre la Situación de los Derechos Humanos</i>, an annual report on the human rights situation in Peru issued by CNDDHH, USAID activity reports and information from other local human rights NGOs.</p>	1996	1,048	950	825	675	425	250
COMMENTS/NOTES: Additional indicators monitored: Percentage of citizens who believe that the Peruvian courts guarantee a fair trial.									
Intermediate Result: Local Governments More Responsive to Constituents									
5. Percentage of citizens who believe that local government is responsive to their needs and demands	<p>Definition: citizen opinion regarding the responsiveness of local government is determined by the respondent if he/she answers as follows: 1) states that the quality provision of services and the treatment of constituents at the Districtal Council and the Provincial Council are good or very good; and 2) has a high degree of confidence in district and provincial municipalities (scores ≥ 5 on a confidence scale of 1-7, where 7 is the highest); and 3) perceives that the municipality best addressed community needs.</p> <p>Disaggregated by geographical location.</p> <p>Unit: Percentage</p>	<p><i>Baseline Study on Citizen's Participation in Democratic Processes</i>, a national level survey conducted by the APOYO Institute under USAID guidance.</p>	1996	13	15	18	22	27	33
COMMENTS/NOTES: Additional indicators to be monitored: Percent of local governments that have formal plans and budgets and have consulted on the content and priorities of these plans and budgets with the community; Percent of citizens' confidence in local governments; Percent of local governments regularly using formally established mechanisms to invite community participation in the decision-making process.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: Citizens Better Prepared to Exercise Rights and Responsibilities									
6. Percentage of citizens from disadvantaged groups who know their basic rights and responsibilities.	<p>Definition: People that have "high degree of knowledge" in both areas, rights and responsibilities. Knowledge of rights is determined by a person's knowledge of (1) whether each of a set of seven fundamental rights is included in the Constitution and (2) the details of two more specific rights. If an individual has knowledge of at least five of these <i>nine rights</i>, he/she is defined as having "high level of knowledge." Knowledge of responsibilities is based on awareness of two basic responsibilities (participation and reporting corruption). If an individual has knowledge of both of these responsibilities, he/she is defined as having "high level of knowledge." <i>Disadvantaged groups</i> are women, indigenous and low education groups. Data will be analyzed by socio-economic and geographic variables.</p> <p>Unit: Percentage</p>	<p><i>Baseline Study on Citizen's Participation in Democratic Processes</i>, a national level survey conducted by the APOYO Institute under USAID guidance.</p>	1996	19	21	24	28	33	40
COMMENTS/NOTES: Additional indicator monitored: Percentage of citizens who know where to go to protect their rights.									

STRATEGIC OBJECTIVE No. 2: *Increased Incomes of the Poor*

Performance Analysis

Various developments in 1996 contributed to the strong progress toward achieving the Mission's Strategic Objective No. 2 (SO# 2), *Increased Incomes of the Poor*. Despite a slowdown of the Peruvian economy in the first half of 1996, there are signs that incomes of the poor in rural areas, where extreme poverty is largely concentrated, continued to increase over the 1994-1996 period.

Recent survey findings estimated that at the national level overall poverty did not change significantly between 1994 and 1996. The survey also estimated that poverty in rural areas fell from 68.2 percent to 64.5 percent of the population, and furthermore, the percentage of the rural population living in extreme poverty also decreased from 43.6 to 37.9 percent. However, the study estimated that the percentage of the poor living in urban areas increased from 41.7 to 45.6 percent.

This difference in the 1996 poverty levels seems to be due to the GoP's attempts to slow down the rate of economic growth⁴ to a more sustainable level. This produced a contraction in the urban industrial and construction sectors, while the agriculture sector, which most of the rural poor are dependent, continued to grow. In addition, improved rural road infrastructure, continued pacification efforts, which permitted displaced families to return to farm their lands, and improved GoP and donor targeting of investments on the poor were all factors that contributed to the larger reduction in extreme poverty levels in the rural area.

USAID has contributed to this progress in increasing incomes of the poor through a variety of efforts. USAID accomplishments were related to: expanding economic and social infrastructure; enhancing productive capacity, especially of human capital; improved food security; expanding both export and domestic markets for Peruvian goods; improving and strengthening local institutional capacities; and, assisting the GoP to continue sound fiscal and sectoral policies.

The GoP's budgetary focus was key to the progress under the IR, *improved policy environment*. In 1996, the government's social investment budget per capita was reported to have increased to \$175 from \$156 in 1995 and from \$89 in 1994. GoP expenditures for its social investment program as a percentage of GDP over the 1993-1996 period showed a trend toward significant increases, particularly in the areas of basic education and basic health.⁵ Although the amount for 1996 is only a planning figure, it is expected that actual expenditures will be close to 5 percent of the planned levels. USAID has been instrumental, through policy dialogue, in the GoP's political commitment to improving budgetary levels and targeting of social sector spending.

USAID has funded a technical team in the Ministry of the Presidency to track and measure the impact of GoP investments related to poverty reduction. It has also initiated work with the Ministry to improve the targeting and effectiveness of public sector investments in social and economic infrastructure through the development of an "intermediate cities" approach, an outgrowth of the Mission's Food Security Strategy. This approach focuses on creating the enabling environment for private entrepreneurs and businesses to invest in secondary cities where there is potential to strengthen the links between producer, service, and consumer markets. In addition, USAID is also coordinating with other donors to support this initiative. Expected benefits from this new approach include effective decentralized development, reduced migration to primary cities by offering economic opportunities in secondary cities, and enhanced living standards for the poor rural population.

Numerous actions at the policy level also have been favorable. A USAID-funded policy study on debt-for-nature swaps aided the GoP in successfully negotiating an agreement with the Paris Club participants for reduction of debt

⁴ This is not inconsistent with a recent study by Francke, which postulates that, under certain conditions, reductions in levels of poverty and extreme poverty of 5.7 and 8.3 percent per year, respectively, can only be attained with a minimum 6 percent annual GDP growth. --Francke P (1996): "Tipos de Crecimiento y Pobreza, Una Aproximacion" in "Como Estamos?, Analisis de la Encuesta de Niveles de Vida" (Moncada and Webb, Ed); Instituto CUANTO-UNICEF (1996).

⁵ Basic education includes pre-, primary, and secondary school. Basic health includes family planning and primary health care.

using this mechanism. The debt swaps directly affect the Mission's objectives to increase incomes and food security of the poor and improve environmental management of targeted sectors, as well as affecting the special objective related to alternative development. Also, an analysis of the customs system enabled the GoP customs entity (SUNAD) to implement various changes which have resulted in increased tax collections.

In the area of education, USAID financed an indigenous NGO to carry out a series of workshops to develop technically-feasible proposals on education process, management, teacher development, financing, and citizenship and education. This is another small but meaningful intervention that demonstrates synergies among strategic objectives in democracy, incomes, and the environment.

During the reporting period, progress toward the IR, *increased capacity of the extremely poor*, was evident. According to estimates of the 1996 Demographic and Family Health Survey (DHS), chronic malnutrition or stunting of children was reduced by over 30 percent nationwide, and by 23 percent in rural areas over the past five years. Reduction in chronic malnutrition will improve the future productive capacity of these children and impact future employment and income-earning opportunities. While the factors contributing to these reductions are numerous, one can point to effectiveness in increasing food supply and purchasing power of extremely poor and food insecure people, expanding health and nutrition knowledge and practices, and improving the health status of vulnerable children and women of child bearing age. These interventions are the pillars of the Peru Title II programs.

USAID's PL 480 Title II program has actively contributed in a significant fashion to these gains, which will accrue not only towards the achievement of SO# 2, but also toward SO# 3 (*Improved health, including family planning, of high-risk populations*). Using these synergies, more than 213,000 high-risk children aged 0-3 and their families improved their health and nutrition status, as well as their income earning potential for the future, exceeding the planned 1996 targets. This success was accomplished in part through improved targeting and graduation⁶ methodologies (See the Title II Performance Annex for further details on program performance.) Higher than expected "graduation" of targeted beneficiaries - 62 percent of the malnourished children - during the year permitted the program to attend to additional beneficiaries.

With a view towards improvement of children's learning capacity, attendance, and performance, USAID PL 480 supports a World Food Program pilot effort aimed at increasing performance and attendance of pre- and primary school children in the poorest rural zones of Peru. The program (initiated in September 1996) does not target girls exclusively, but is likely to have a higher level of impact on girls. The program also provides food aid, which is used as a nutritional supplement and incentive for families to send girls to school.

Due to improved targeting, PL 480 resources increasingly reached the extremely poor. In 1996, USAID worked with more than a million persons, almost a quarter of all Peruvians in extreme poverty, in assisting them to: develop new skills, access new technologies, and build productive infrastructure, in an effort to effect and enhance their income-earning capabilities and opportunities.

From micro-credit to bank loans

Pedro Lluc is a tailor who lives in the low-income neighborhood of Sebastian on the outskirts of Trujillo, the third largest city in Peru. Pedro started his business in 1994 with a small, foot-pedaled sewing machine and two family members in an open area in the back of his dirt-floor house. In an effort to expand his operation through the purchase of a more rapid electric sewing machine, in 1995 he applied for and obtained his first loan for \$800 from the CARE microenterprise revolving credit fund. By maintaining a good payback record, Pedro was able to obtain subsequently larger loans from CARE with which he increased his stock of sewing machines to five, including two industrial-type machines, with a total value of \$12,000. Today he produces polo shirts on contract to a wholesaler, employs five non-family people year round, and is ready to take out his next expansion loan from a local private bank. The floor of his business is now cement, he has an electric refrigerator and stove, and his daughters are now able to attend better schools in Trujillo. And he is even competing in the tailoring business with other members of his family who he helped to train!

For example, through efforts to improve the physical capacity of the extremely poor, 117,000 Peruvians found a temporary source of employment under food-for-work schemes. At the same time, they participated in the

⁶ Graduation is achieved when the following minimum criteria are met: positive weight gains over the last three months, completed immunizations, and mother attending the minimum cycle of health and nutrition training.

rehabilitation of the physical infrastructure required for productive activities, such as soil conservation improvement, road rehabilitation, irrigation infrastructure, and marketing facilities in poor rural areas. As a result, more than 57,000 rural families improved their food production capacity, increasing substantially the yields of their native staple crops. The targets were surpassed largely due to improved targeting and multiplier effects of the program.

According to an impact evaluation conducted on the period 1990-1995, the PL 480 Title II portfolio contributed significantly towards social stability during a period of severe economic and structural adjustment. Furthermore, participating families improved their capabilities to enhance their food security and reduced their per family costs for food. Poor farmers achieved heightened awareness and improved soil conservation and food production practices, and women increased their effective participation in productive, income-generating, and child care activities. In addition, the program developed coherent institutional gender policies among the PL 480 Title II Cooperating Sponsor agencies and increased emphasis and allocation of resources to areas of chronic food insecurity, particularly in the highlands and jungle.

Benefits for everyone

In 1994 the northern coastal, low-income community of Supe was planting its traditional corn when a technician from the ADEX-AID (MSP) activity requested a meeting of the local farmer organization to discuss the possibility of planting a new crop. At that time sweet yellow onions were unknown to the community and appeared to be a scheme to make a fast buck. Nevertheless, they agreed to participate in ADEX-supervised field trials with this new crop to test its potential. Two years later, exports of Supe-grown onions have generated over \$7 million dollars of sales for onion growers and have provided more than 1,000 seasonal jobs (of which three-quarters have been filled by women) in planting, harvesting, sorting, and packing onions. Two packing plants have been established in the Supe area, one of which is operated by a U.S. company, business in the community has increased by over 40 percent, and additional employment has been created in support industries, such as packing boxes and materials. Moreover, to meet the high quality standards of the U.S. markets, women were trained to sort, grade and pack this labor-intensive product. Over time, these women have acquired a high degree of specialization, and are permanently contracted to provide their services to onion-producers. Due to the growing demand for this product, not only the farmers have increased their sales, but also these women have seen their wages increase.

Despite the recession, under the IR, *increased productivity of small farmers and microentrepreneurs*, USAID's strategic interventions were very successful in directly assisting small farmers and microentrepreneurs to increase their incomes. For example, as a result of our direct interventions, over 20,000 small farmers in the coastal, highlands, and jungle areas have increased their annual incomes by an average of \$1,050, \$550, and \$1,050, respectively, with the concomitant creation of 9,300 full-time jobs, a third of them for women. Likewise, average annual incomes of over 2,000 microentrepreneurs increased by \$1,100, with the creation of over 4,000 new full-time jobs, the majority of these filled by women.

USAID has achieved these results by successfully impacting on the poor in: increasing productive assets; generating productive employment; increasing skills and productivity; enhancing the development of entrepreneurial and managerial abilities; and, facilitating the development of grassroots organizations into strengthened agents of change. For example, improved production techniques resulted in a 65 percent average increase in yields of products such as dry beans, garlic, yellow onions, Andean grains,

coffee and cacao, which directly increased production levels and sales, and thus earnings of participating farmers.

A key to increased productivity which received greater attention in 1996 was microfinance, which provided people with limited resources with access to credit to capitalize their operations. The principal concentration was provision of financial services to women who have proven to use credit wisely, employing the increased incomes from productive activities to directly improve the situation of their children and households. Over 6,700 poor women received loans averaging \$142 for productive microenterprise activities and 1,800 small farmers received loans for agricultural activities. The Mission successfully aided in the development of operational microfinance models and procedures (village banks, EDPYMES-- financial credit PVOs, *Cajas Rurales*-- rural savings and loan cooperatives) which are now being replicated throughout Peru.

In addition, given the limited outreach of government and private services related to production and income generation in poor areas, USAID has supported the institutional strengthening of 168 local non-governmental organizations. These organizations have received training and technical assistance in planning, administration,

finance, and project monitoring. In 1996, 16 such organizations were able to attract \$3.6 million in project financing from non-USAID funding sources after USAID-supported training was provided.

Under the IR, *increased market access for small farms and microenterprises*, small farmers producing onions, coffee, mangoes, and beans, as well as microentrepreneurs in handicrafts, gained access to new markets in Ecuador, Colombia, Bolivia, Germany and France. This directly contributed to \$40 million in sales of the targeted commodities for the 1994 - 1996 period, due to improved quality of their products and a more aggressive marketing effort on their part.

Although USAID's performance in the area of market access exceeded the Mission's expectations, there are still serious constraints on increasing exports. One of them is the need for the export sector to increase its productivity through the adoption of modern technology and management techniques. In addition, there are certain charges/taxes on export activities which reduce competitiveness of Peruvian exports with those of its neighboring countries. In 1996, the Commission on Export Promotion (PROMPEX) was created by the GoP to address these constraints by stimulating exports, diversifying export products and markets, and organizing and strengthening the country's entrepreneurial export base. A USAID activity supporting micro-enterprises and small producers is collaborating closely with PROMPEX in its efforts to expand exports and market access.

Summit of the Americas

In 1996 the Strategic Objective supported three of four major initiatives outlined in the plan of action of the Summit of the Americas. In "Preserving and Strengthening the Community of Democracies of the Americas," the SO invigorated society and community participation through a number of discrete activities such as PVO support and food programs. Through MSP, PAPI, and a number of other activities, the SO supported nearly all of the sub-initiatives under "Promoting Prosperity through Economic Integration and Free Trade."

Also noteworthy were the Mission's efforts under SO# 2 to eradicate poverty and discrimination in our hemisphere through direct interventions to strengthen women in small productive activities and to enhance their access to credit and universal education. For example, and as discussed elsewhere in this narrative, people with limited access to credit to capitalize their microenterprises, especially women, were provided with increased opportunities to access financial services. Women, in particular, have also enhanced their role and the health of their families by using their increased income to improve directly the condition of their children and households. The SO also directed resources toward increasing universal access to education by supporting efforts to increase performance and attendance of pre-and primary school children in the poorest rural areas. Furthermore, USAID financed an indigenous NGO to carry out a series of workshops to develop technically-feasible proposals on education process, management, teacher development, financing, and citizenship and education.

PERFORMANCE DATA TABLES FOR STRATEGIC OBJECTIVE No. 2: Increased Incomes of the Poor

STRATEGIC OBJECTIVE No. 2: Increased Incomes of the Poor			
APPROVED: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Increased Incomes of the Poor			
INTERIM INDICATOR: Proportion of Population (M/F) Which is Poor			
UNIT OF MEASURE: Percentage	YEAR	PLANNED	ACTUAL
SOURCE: CUANTO, S.A. INDICATOR DESCRIPTION: Number of people that have an expenditure level, as a proxy of income, below IBRD's defined basic basket of goods and services divided by the estimated total population. COMMENTS: Data does not show significant differences by gender. Data accurate within \pm 2.5 points.	1991(B)	--	55.3
	1992	--	--
	1993	--	--
	1994	--	49.6
	1995	49	---
	1996	47	51.3
	STRATEGIC OBJECTIVE No.2: Increased Incomes of the Poor		
APPROVED: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME:: Improved Policy Environment			
INTERIM INDICATOR: Social expenditures as percentage of GDP			
UNIT OF MEASURE: Percentage (%)	YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Economy and Finance (MEF) INDICATOR DESCRIPTION: Includes GOP budget expenditures in Health, Education and Justice, to assure GOP carries a social stabilization program in the medium term. COMMENTS: *Budget data. This indicator is no longer being measured in the 5-yr Strategy approved in April 1996.	1992(B)	--	2.8
	1993	--	4.0
	1994	3.8	4.1
	1995	4.6	5.4
	1996	4.8	6.9*

STRATEGIC OBJECTIVE No. 2: Increased Incomes of the Poor			
APPROVED: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Increased Market Access for Microentrepreneurs & Small Farmers			
INTERIM INDICATOR: Value of Targeted Commodities Sold			
UNIT OF MEASURE: \$000 (US Dollars)	YEAR	PLANNED	ACTUAL
SOURCE: MSP activities records	1993(B)	--	899
INDICATOR DESCRIPTION: Targeted commodities produced by activities' clients include agricultural and handicrafts, apparel, and shoes.	1994	--	6,005
	1995	17,415	11,084
	1996	30,980	40,342
COMMENTS: Cumulative values.			
STRATEGIC OBJECTIVE No. 2: Increased Incomes of the Poor			
APPROVED: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Increased Market Access for Microentrepreneurs & Small Farmers			
INTERIM INDICATOR: Number of New Markets for Targeted Commodities			
UNIT OF MEASURE: Number	YEAR	PLANNED	ACTUAL
SOURCE: MSP activities records.	1993(B)	--	--
INDICATOR DESCRIPTION:	1994	--	10
	1995	12	21
	1996	17	16
COMMENTS: Sales to new geographic locations by all targeted commodities. 1996 data includes neighboring countries such as Ecuador, Colombia and Bolivia, as well as European countries such as France and Germany.			
STRATEGIC OBJECTIVE No. 2: Increased Incomes of the Poor			
APPROVED: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Improved Capacity of the Extremely Poor			
INTERIM INDICATOR: Number of High-Risk Children 0-3 Assisted by Direct Feeding Programs			
UNIT OF MEASURE: Number of Children	YEAR	PLANNED	ACTUAL
SOURCE: PL480 Title II Cooperating Sponsors' activity records.	1994(B)	--	264,241
INDICATOR DESCRIPTION: High risk is defined by a set of socio-economic physical and biological characteristics which indicate actual or high risk of malnutrition.	1995	218,510	270,140
	1996	173,770	213,929
COMMENTS:			

STRATEGIC OBJECTIVE: Increased Incomes of the Poor		COUNTRY/ORGANIZATION: USAID/Peru	
APPROVED: 4/30/96			
RESULT NAME: Improved Capacity of the Extremely Poor			
INTERIM INDICATOR: Rate of Graduation of High-Risk Children From Program with Positive Growth Tendencies.			
UNIT OF MEASURE: Percentage (%)	YEAR	PLANNED	ACTUAL
SOURCE: PL480 Title II Cooperating Sponsors' activity records.	1994(B)	--	36
INDICATOR DESCRIPTION: "Graduation" as defined by the different Cooperating Sponsor Title II Programs, is achieved when positive growth tendencies and complementary child health measures are reached over a minimum participation period of six months and a maximum period of twenty months.	1995	--	40
	1996	50	62
COMMENTS: Gender is not an issue in malnutrition.			

STRATEGIC OBJECTIVE: Increased Incomes of the Poor		COUNTRY/ORGANIZATION: USAID/Peru	
APPROVED: 4/30/96			
RESULT NAME: Improved Capacity of the Extremely Poor			
INTERIM INDICATOR: Number of Extremely Poor Households Adopting Improved Technology.			
UNIT OF MEASURE: Farmers	YEAR	PLANNED	ACTUAL
SOURCE: PL480 Title II Cooperating Sponsors activity records.	1994(B)	--	59,688
INDICATOR DESCRIPTION: Families adopting one or more of the following practices: contour planting, terracing, intercropping, reforestation, infiltration ditches, river defenses, high yielding seed varieties, fertilizers, appropriate weeding/spacing, or benefiting from the construction or rehabilitation of irrigation systems.	1995	--	68,006
	1996	27,200	57,653
COMMENTS:			

STRATEGIC OBJECTIVE No. 2: Increased Incomes of the Poor		COUNTRY/ORGANIZATION: USAID/Peru	
APPROVED: 4/30/96			
RESULT NAME: Increased Productivity of Microenterprises and Small Farms.			
INTERIM INDICATOR: Average percentage change in Yield Per Hectare of Targeted Crops.			
UNIT OF MEASURE: Percentage (%)	YEAR	PLANNED	ACTUAL
SOURCE: MSP Records.	1994(B)	--	33
INDICATOR DESCRIPTION: Targeted crops include: dry beans, garlic, onions, coffee, cacao and mangos.	1995	45	65
	1996	65	65
COMMENTS:			

Expected Progress Through FY99 and Management Actions

Given overall past performance, the current prospects for enhanced economic growth, and increased coordination among donors in poverty alleviation programs, the Mission is confident that it will achieve the strategic objective within the timeframe established in the FY 1997-FY 2001 Country Development Strategy for Peru.

Achievement of the SO by the year 2002, not only will require continuation of many activities currently underway, but also additional activities to help implement the intermediate cities strategy for poverty alleviation. At the SO level, by the year 1999, the poor will have increased their incomes with concomitant reduction of the total population which is poor and extremely poor, as measured by the indicators described in tables following this narrative.

Although the GoP is unlikely to achieve fully its ambitious goal of reducing extreme poverty by nearly 50 percent by 2000, the Mission is still reasonably confident that the prospects are good for substantial progress on this goal. However, for this to occur, a minimum of 5 percent GDP growth will be required while maintaining fiscal balance. The GoP must also successfully address public sector reform allowing for increased efficiencies and better targeting of public investments in infrastructure, as well as the social sector. At the same time, the GoP must promote greater efficiencies and dynamism in the agricultural sector, as well as stimulate growth in intermediate cities, with private sector investments.

Through the IR, *improved policy environment*, the Mission, in close coordination with other donors, will assist the GoP in addressing the above noted factors that could impinge on USAID's strategic performance. By the year 1999, the following will be in place: a series of laws and regulations encouraging private investment in agriculture (e.g., Land Ownership Law, Forestry Law, Water Law); restructuring of the public sector to provide services more efficiently and effectively; and, trade and tariff rules and regulations which are more in line with the Summit of the Americas' objectives. For example, the USG-sponsored agricultural commodity exchange will be in full operation, negotiating corn, rice, cotton, coffee, sugar and beans-- commodities of importance for highlands and jungle producers-- in both spot and forward markets, while maintaining formal technical relationships with the Chicago Board of Trade. This will result from policy analysis/dialogue with the government, the congress, and the private sector, focused on a limited number of issues in agriculture, marketing, finance and education. Synergies with activities under the Mission's democracy and environment strategic objectives will enhance the outcomes of this process.

In addition, over the next two years, the Ministry of the Presidency's "intermediate cities" strategy will be in full force with a focus on public sector, donor and private sector investment in roads, electrification, education, health, and business service centers in 12 of the 24 economic corridors identified by the strategy. These corridors have a close connection to extreme poverty, have economic potential to provide long-term job creation and increased income opportunities to the poor, and are located principally in the highlands and jungle. This effort will result in increased incomes of the poor, due to improved focussing and efficiencies of both public and private sector investment in these corridors. Three of these corridors are located in coca producing zones subject to alternative development activities, which will enhance the results related to the Mission's alternative development special objective. The technical planning team in the Ministry of the Presidency-- supported by the DA-funded Food Security program-- will be measuring and evaluating the impacts of this focus on achieving the GoP's poverty alleviation goals.

Results under the IR, *improved capacity of the extremely poor*, will show an increase in the nutritional status of these families. Improved nutrition is expected to promote and enhance participating family members' intellectual and physical capacity and productivity, thus enabling them to take advantage of job opportunities generated by a growing and more specialized market economy. Results under this IR will show a decrease in the number of food insecure households with unmet basic needs. The Title II nutrition and production activities that are directed towards the achievement of these results, in coordination with SO# 3 activities, will be increasingly focused in the extremely poor populations connected to the above mentioned corridors.

The Title II program will prove to be a significant factor in the improvement of chronic malnutrition rates and long-term productive capacity of the Peruvian population, as well as increasing incomes in the short to medium term. The cooperating PVOs have proven that increasing incomes, food production, and nutritional status of the large number of extremely poor in the population is feasible. The answer lies not only in the provision of food assistance, but targeted supplements of food in conjunction with health/nutrition/family planning inputs, training, infrastructure, and technical assistance. Families graduate with more knowledge, and stronger physical and productive capabilities.

Demographic surveys estimate that the population of children aged 0 to 4 is 12.7 percent. Applying this percentage to the estimated four million "extremely poor", the significance of the impact of the Title II program is indisputable. Conservative estimates of the numbers of children reached yearly (over 200,000) is a significant percentage of the estimated number of extremely poor children under age 5 in the country (600,000).

The same will hold true with income generation programs and the war on poverty under Title II assistance. With appropriate targeting, coordination of public and private sector projects, and the implementation of proven successful models of assistance, a significant percentage of extremely poor households in Peru (approximately 1.0 million) will be assisted in an effective way. Title II food for work projects in infrastructure and sustainable production alone assist over 100,000 families yearly, approximately 10 percent of the extremely poor population.

As part of, and as a result of, this direct anti-poverty focus under the IR, *improved productivity of small farms and microenterprises* and *increased market access for small farmers and microentrepreneurs*, new markets will open up for crops cultivated by poor and extremely poor farmers, such as potatoes (frozen for export and processed for domestic fast-food chains), Andean grains (kiwicha, quinoa, etc. for highland nutrition programs and health food markets), cochinitilla (natural colorant for export), and cacao (for domestic consumption and export). In addition to this contribution to the GoP's goal of \$1 billion of agricultural exports by the year 2000, coastal crops originally supported by the Mission (garlic, onions, asparagus, grapes, mangoes, lemons) will continue to expand their participation in international markets, contributing more than \$200 million by 1999. In order to meet these targets, the Mission will have concentrated its agricultural efforts away from the coast (as the private sector will increase investing in this region) to the highlands and high jungle, with quantifiable achievements in increased incomes and employment.

The activity primarily responsible for these IRs (MSP II) will be focusing most of its efforts in the highlands and the jungle on microenterprise actions directly connected to the implementation of the intermediate cities strategy. The Mission will now move more aggressively into the highlands and jungle within the context of the above strategy with some of the more dynamic cities in these areas. Specifically, MSP II will be providing technical support to the establishment and operation of enterprise service centers, which will broker deals and provide market, production, and finance information to entrepreneurs in the areas where the centers are located. These centers will be patterned after the existing MSP technical support operations which have proven so successful to date. By 1999, nine of these centers will be operational in priority poverty areas.

Over the next two years, a combined effort by the government (PROMPEX, Ministry of Agriculture, INADE), the private sector (processors, exporters, wholesalers, ADEX) and donors (USAID, Germany) will have succeeded in increasing average yields of coffee by 20 percent to 650 kg/ha, opening up Peruvian coffee to gourmet markets in the U.S. and Europe, and doubling the value of coffee exports to \$400 million annually. This will be achieved by improved production and processing practices as well as the introduction of new varieties for the gourmet market. Simultaneously, this effort will provide an alternative licit economic opportunity to coca production in targeted areas.

Concurrently, USAID will have made a greater effort in (and contribution to) the development and support of microenterprises. Greater productivity, employment, income and asset accumulation will have been achieved by these limited resource clients, especially in handicrafts for export (woven alpaca fiber products, hand carved and painted wooden articles, ceramics, and painted glass, etc.), having accessed the U.S. and European decorator markets. Similar achievements will have been accomplished in shoes and apparel for the domestic market in poor peri-urban areas of Peru's three largest cities (Lima, Trujillo, Arequipa) through technical and management training (human capital accumulation) and market access. This will be part of a larger effort undertaken by the public sector (Ministry of Industry and Commerce, PROMPEX), the private sector (COPEME, ADEX, SENATI) and donors

(Inter-American Development Bank, etc.) to expand the participation of small and microenterprises in the formal economy.

The private financial system will have expanded to provide corresponding services to small producers and microentrepreneurs, especially women. The Microenterprise Bank (MIBANCO) will be providing loans to 20,000 small borrowers, 8-10 financial credit PVOs (EDPYMES)-- including CARE and CRS supported by USAID-- will be servicing an additional 40,000 customers, *Cajas Rurales* (rural savings and loan cooperatives) and *Cajas Municipales* (municipal savings and loan cooperatives) will be providing \$75 million of credit to approximately 33,000 small borrowers, and village banks (supported principally by USAID) will be servicing 45,000 women with small loans and savings accumulation opportunities.

By the end of FY 1999, over 300 NGOs will have attracted more than \$5 million of outside funding for program implementation in their poor communities. They will also be channels for service delivery and financing from the GoP's anti-poverty programs, especially the \$430 million social compensation fund (FONCODES). This will be the result of successful training of these NGOs in planning, program preparation and management, financial management, and evaluation.

Three major SO# 2 activity-related evaluations are scheduled to be completed in FY 1997. Policy, microenterprises and small producers and PVO support activities will be studied to evaluate the results and impact achieved. The studies will also provide the Mission with lessons learned to improve focus and refine approaches to better manage for results, enabling it to fully achieve the strategic objective. Although the GoP macroeconomic policy is largely in good shape, the Mission, through PAPI II, will continue strong involvement in policy dialogue at the macro level in other areas such as reorganization of the public sector, education reform, and micro-finance, to name a few.

**RESULTS TRACKING TABLE FOR STRATEGIC OBJECTIVE TWO:
Increased Incomes of the Poor**

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Strategic Objective 2: Increased Incomes of the Poor									
1. Value of Expenditures of the Poor.	<p>Definition: The poor are defined as those whose per capita expenditure is lower than the cost of the basic/minimum consumption basket, which is the basic food nutritional basket plus the cost of other necessary goods and services. At current prices (1996), a person is defined as poor if his/her average daily expenditure is below \$1.75.</p> <p>Assumptions: (a) U.S. \$2.2 for 1994 and devaluation effects incorporated every year thereafter; (b) 1.7% annual population growth rate. Data will be analyzed by socio-economic and geographic variables.</p> <p>Unit: U.S. 1994 dollars/capita/year</p>	Cuanto S.A National Living Standards Survey	1994	447	510	529	549	570	592
2. Percentage of Extremely Poor in the Population.	<p>Definition: The extremely poor, a subset of the poor population, are defined as those whose per capita expenditure is lower than the cost of the basic food nutritional basket that covers minimum nutritional requirements. Data will be analyzed by socio-economic and geographic variables.</p> <p>Unit: Percentage</p>	Cuanto S.A. National Living Standards Survey	1996	18.9	17.0	15.3	13.8	12.5	11.2
COMMENTS/NOTES: Additional Indicators Monitored: Percentage of poor in the Population; Value of Expenditures of extremely poor.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: Improved Policy Environment									
3. Per Capita Social Expenditure for the Poor	<p>Definition: Social expenditures for the poor are defined as all central government expenditures (which includes some transfers to regional governments) for GOP programs classified by the GOP as "urgent". There are currently 14 such programs. An estimate of the poor population of the country is used to derive the per capita figure. The poor are defined as those whose per capita expenditure is lower than the cost of the basic/minimum consumption basket, which is the basic food nutritional basket plus the cost of other necessary goods and services. At current prices (1996), a person is defined as poor if his/her average daily expenditure is below \$1.75.</p> <p>Unit: 1996 U.S dollars</p>	Ministry of Economy and Finance.	1996	69	75	82	90	103	111
Intermediate Result: Increased Market Access for Microentrepreneurs and Small Farmers									
4. Value of exports of selected non-traditional export products.	<p>Definition: Non-traditional exports are defined as either (a) products that were not exported by Peru prior to 1992, or (b) products that have not been exported on a regular basis during the last 5 years. The FOB value of exports of each selected product is aggregated to produce this indicator. Selected products represent goods produced mainly by small farmers and microenterprises.</p> <p>Agricultural products: new dry bean varieties; garlic; yellow onions; yellow potatoes; key lime; grapes. Microenterprise products: handicrafts; shoes</p> <p>Unit: Thousands of current U.S. dollars</p>	National Customs Administration (SUNAD) Annual Reports	1995	354,512	422,887	495,281	580,125	680,745	800,568
COMMENTS/NOTES: Additional Indicators Monitored: Number of new export markets for selected clients; annual value of sales of selected products; farm-gate producer price as a percentage of end prices.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: Improved Capacity of the Extremely Poor									
5. Percent of households with unsatisfied basic needs.	<p>Definition: A household is defined as having unsatisfied basic needs if it demonstrates at least two or more of the following characteristics:</p> <ul style="list-style-type: none"> - no sewage, drainage or toilet system; - more than three people per bedroom; - temporary construction materials, i.e. dirt floors, straw mat walls, etc.; - head of family with incomplete primary school and more than three dependents per income earner; - children between the ages of 6 and 12 that do not attend school <p>Unit: Percentage (disaggregated by gender and geographic location)</p>	National Institute of Statistics (INEI) National Household Survey Special surveys undertaken by PVOs (ADRA, CARE, PRISMA and CARITAS)	1995	14.4	13.7	13.0	12.3	11.7	11.1
COMMENTS/NOTES: Additional Indicators Monitored: Chronic malnutrition									
Intermediate Result: Increased Productivity of Microenterprises and Small Farmers									
6. Reduction in production costs per unit of output of selected microenterprise products.	<p>Definition: Average percentage reduction in production costs (as a measurement of productivity) of microenterprises owned by USAID customers. Selected products are handicrafts, wearing apparel and shoes.</p> <p>Unit: Average yearly percentage of change</p>	USAID- MSP activity records.	1995	0	30	20	15	15	15
COMMENTS/NOTES: Additional Indicators Monitored: Yields per hectare of selected small farmer crops.									
Intermediate Result: Financial Services available for Microentrepreneurs and Small Farmers									
7. Number of credit customers.	<p>Definition: Number of persons that have gained access to credit through USAID-sponsored activities.</p> <p>Unit: Cumulative number of customers (M/F).</p>	USAID- MSP activity records.	1995	5,000 F:3500 M:1500	9,800	20,000	30,000	40,000	50,000
COMMENTS/NOTES: Additional Indicators Monitored: Total amount in U.S. dollars made available to USAID/Peru customers; average delinquency rate of USAID-sponsored credit activities.									

STRATEGIC OBJECTIVE No. 3: *Improved Health, including Family Planning, of High-risk Populations*

Performance Analysis

The successes of the USAID SO# 3 strategy in Peru are patent in the findings of the recently completed third Demographic and Health Survey⁷ (DHS III). The DHS presents reliable time-series data on indicators at the Strategic Objective level, as well as many at the level of Intermediate Results. Previous surveys were undertaken in 1986 and 1991-92. The 1996 DHS confirms dramatic progress in key SO indicators. Although many institutions contributed to these successes, USAID has been the principal donor, and, as such, much can be directly attributed to USAID assistance during the past several years.

Gains in child survival. DHS III data reveal that the secular declining trend in infant and young child mortality continues in Peru. Between 1991 and 1996, infant mortality fell from 57 to 43 deaths per 1,000 live births, an impressive reduction of 22 percent. For the first time, infant mortality stands under the threshold of 50, a point once established by the international community as a key benchmark in child survival. Under-five mortality declined in a similarly dramatic fashion, from 78 to 59 per 1,000, a reduction of 24 percent.

Further, USAID/Peru has an explicit equity objective of helping reduce the tremendous gaps in key indicators that have existed between regions and between rural and urban areas. This strategic objective has activities in place in eight of twelve regions of the country where highest poverty is located. Accordingly, this narrative reports on progress at disaggregated levels as well.

Infant and young child mortality data are disaggregated over time in DHS surveys based on trends during 10 years prior to the year of survey. In DHS II, the infant mortality figure was 64, declining to 50 in DHS III; this is a reduction of over one-fifth (22 percent). In the highlands, the change has been from 80 to 69, a drop of 14 percent but under the national average, while in the jungle the reduction has been greater than the national average, from 75 to 52, or 31 percent.

Regarding under-five mortality, 10-year data in DHS II put it at 92. The equivalent figure for DHS III is 68; this means an improvement of over one-fourth (26 percent). In the highlands, under-five mortality dropped from 116 to 94, or 19 percent. Though not quite at pace with the national improvement, this is a substantial gain. In the jungle the gain was even greater -- from 116 to 83; this decline of 28 percent surpasses the national average. These promising data demonstrate that the SO# 3 strategy is working and that neglected areas can show the results of investments, but that activities need to continue a strong focus on the highlands, as well as consolidate gains in the jungle.

Breakthrough in quality of life. Chronic malnutrition, clearly Peru's major nutrition problem, had not shown much improvement over several previous studies, whether DHS or other. The new data represent a breakthrough in this indicator, which is hard to affect by public health interventions alone because of its close association with poverty. Nationally, chronic malnutrition has declined from 37 to 26 percent of children under five, a remarkable decline of over 30 percent. Though the decline has been less in rural areas, where it presently stands at 41 percent, against 53 percent in 1991, the improvement is still a considerable 23 percent. By region, the highlands experienced a dramatic improvement of 27 percent (38 percent of under-fives are chronically malnourished, against 52 percent in DHS II), while the jungle experienced an improvement of 20 percent (a change from 41 to 33 percent). These noteworthy strides mean not only that more children are surviving in Peru, but that better nutrition status is enhancing the quality of their lives.

⁷ DHS III has several noteworthy and innovative features. Its sample size, at just under 29,000, roughly doubles that of DHS II. In contrast to DHS II, no part of the country was excluded *a priori* for reasons of terrorism or inclement weather, and results are generalizable to the level of the department, which makes findings much more programmatically relevant. In addition, a sub-survey of men was conducted for the first time in Peru; content was reproductive health, with special emphasis on HIV/AIDS. And for the second time in DHS history, a sub-sample of women and children was tested for anemia, with results and relevant counseling given to participants at the moment of testing, since results were read on-site.

Fertility continues on the downswing. The improved health picture in Peru is further buttressed by a reduction of 10 percent in fertility, the other key SO# 3 indicator: total fertility fell from 3.9 to 3.5 percent over the past five years.⁸ Importantly, during this period fertility also fell in rural areas, where it had been resiliently high, at the same rate -- from 6.2 to 5.6 births. Since 1993, USAID/Peru has made concerted efforts to extend quality services to rural and peri-urban areas, particularly those in the highlands and jungle, where fertility declines have not been commensurate with those on the coast, despite women's stated desire to have fewer children. DHS III reveals a total fertility of 4.6 for the highlands, down from 4.9 in DHS II. In the jungle total fertility currently stands at 4.7, down from 5.1 in 1991-92. Representing declines of 6 and 8 percent, respectively, these figures indicate progress, albeit at slower than the national rate. To reach its Strategic Objective, USAID/Peru will continue to prioritize in the coming years peri-urban and rural areas of the highlands and jungle.

Maternal mortality. These results are still to be tabulated by INEI and can be reported on orally at the R4 review meetings.

The above is clear testament that the health of high-risk populations has improved in Peru. Logically, the notable gains in people-level impact at the SO level derive from advances in intermediate results, as summarized below:

The pay-off of preventive actions. The gains reflect progress in the IR, *people take appropriate preventive actions*. Chief among them were the consistently high immunization rates among children under age one. In 1996, for the package of immunizations included in the Expanded Program on Immunization (EPI), coverage was over 95 percent. Vaccination rates among women for neo-natal tetanus, an important cause worldwide of early infant deaths, rose from 65 to 70 percent between DHS II and III. USAID has all along been the major donor in immunization in Peru.

Contraception more prevalent. Another key preventive intervention is family planning,⁹ again an area in which USAID is by far the major donor. On this front, USAID's considerable investment has likewise paid off. The substantial decline in fertility reflects the increase in contraceptive prevalence found by DHS III; that prevalence rose from 57 percent of married women to 64 percent, a change of 12 percent. Within that, prevalence of longer-lasting methods increased from 31 to 41 percent, a dramatic increase of 32 percent. Rural areas, long neglected, are gaining ground on the cities: contraceptive prevalence rose by over 25 percent, from 41 to 51 percent, and longer-lasting methods almost doubled, from 16 to 27 percent. Broken down regionally, contraceptive prevalence in the highlands rose from 50 to 57 percent (a 14 percent increase), while in the jungle the change was even greater, from 48 to 58 percent, a growth of 21 percent. Since both these regional increases are larger than growth at the national level, they augur well for reducing gaps, as well as for translating into fertility declines that will be reflected in future surveys.

Changes in method mix. In 1991, the contraceptive prevalence rate was 59, with 21 of those points accounted for by rhythm. The leading modern method was the IUD, at 13 points, followed by tubal ligation (8 points) and orals (6 points); "other" methods accounted for the remaining 11 points. As stated, DHS III reveals a contraceptive prevalence rate (CPR) of 64. The leading method is still rhythm, though at a reduced 18 points. IUDs account for 12 points, tubal ligation 10, injectables (Depo-Provera) 8, orals 6, and condoms 4, with 6 points attributable to "other." In other words, the 5-point increase in CPR is due to increases in tubal ligation, injectables and condoms, offset by a moderate decline in rhythm, with the proportion due to IUDs about the same. On the whole, the current distribution depicts an improved method mix.

⁸ The published DHS II puts total fertility at 3.5. Because of conditions at the time of the survey, 5 percent of the national population and 16 percent of the rural population were excluded. DHS III, with its much larger and more representational sample, provides compellingly reliable data. In view of its finding of a current total fertility rate of 3.5, coupled with impressive increases in contraceptive prevalence and method mix, analysts revisited their work on DHS II. They now recognize a mistake in assigning weights to the previous data, namely in underestimating the proportion of the population that was rural and poor at that time; further, an uncharacteristically high proportion of women in Lima reported themselves as single in 1991-92, reducing the total fertility rate in Lima to virtually replacement level in the published report. Appropriate adjustments to DHS II data have now been made. Total fertility for 1991-92 has been adjusted upward to 3.9 births. Accordingly, fertility has declined 10 percent over the 5-year period. The published DHS III report will contain and explain in more detail all the adjustments made.

⁹ In the SO# 3 Results Framework, family planning is also considered a promotive intervention, because of the beneficial effects the longer birth intervals and lower fertility have on women's and children's health.

Sharp rise in couple-years of protection. Undergirding the decline in fertility and increase in contraceptive prevalence lies the notable rise in couple-years of protection (CYP), an indicator that has been characterized by dramatic increases year after year since USAID began supporting the public sector in earnest in 1993. The 1993-94 gain was 49 percent; the 1994-95 gain was an astounding 85 percent; and even that impressive gain was improved on in 1995-96, by a further increase of 49 percent. Stated in absolute terms, over a three-year period couple-years of protection has gone from 598,673 to 2,467,757.

When the targets of USAID's regional strategy under PASARE ("Reproductive Health Support Plan" activity) in the eight health regions and sub-regions (where highest poverty is located) are examined, enormous gains are seen across the board. Consisting of areas outside Lima that a few years ago barely had any services, these targets areas have experienced gains ranging from 20 - 348 percent.

All methods increased by at least one-fourth in their production of couple-years of protection. The biggest gains during 1996 were in voluntary surgical contraception, reflecting the GoP's emphasis on tubal ligation and vasectomy, following their liberalization in law in late 1995. Tubal ligation rose by 122 percent, while vasectomy rose by 275 percent, albeit from an admittedly extremely low level in 1995. The next largest increase was in injectables, which experienced a 101 percent rise. Following are vaginal foam tablets (61 percent), condoms (54 percent), and orals (50 percent). IUDs, which have long been the most prevalent modern method, understandably had the lowest -- though still substantial -- increase, at 25 percent. It is clear that contraceptive use is dramatically on the rise.

Promotive actions also show effects. Based on health service data, the number of severe cases of diarrheal disease and acute respiratory infections has declined, a sign of other advances in preventive and promotive actions under the IR, *people take appropriate promotive actions*. The number of children with diarrhea who came to health facilities with severe dehydration declined from 32 percent in 1995 to 28 percent in 1996. The percentage of children with acute respiratory infections that came to health facilities with complicated pneumonia also fell from 16 percent to 14 percent, largely as a result of increased coverage by health centers and educational interventions at the community level.

The PL-480 Title II Program implemented through four non-governmental organizations contributes directly and significantly to the achievement of SO# 3. The reduction of over 30 percent in chronic malnutrition can be attributed, in large part, to the combined efforts of SO# 3 and the food assistance program. A combination of short-term supplementary feeding, public health interventions and income-enhancing activities thwarts the downward spiral of malnutrition and infection that produces low height for age, or stunting. Public health interventions under both "preventive" and "promotive" IRs prevent infection and promote good nutrition. Chief promotive interventions are exclusive breastfeeding for the first six months of life, well-baby care, spacing births through family planning, and appropriate weaning and transition to the family diet. DHS III data register important accomplishments of this nature: for one, the proportion of children breastfed exclusively during the first three months of life rose from 41 to 61 percent, an increase of almost half.

Important work remains. Only marginal gains have been made in delivery of prenatal and childbirth care, both important promotive interventions. The proportion of women who received prenatal care from either a doctor, midwife or nurse rose slightly over the past five years, from 64 to 66 percent, while the proportion that had one of those categories of personnel in attendance at childbirth experienced similar marginal growth, from 52.5 to 55.1 percent. It is clear that much work remains to be done in these areas in coming years.

Greater efficiency in curative actions. The gains at the SO level also reflect progress in the IR, *people take appropriate curative actions*, as illustrated by the results on use of oral rehydration therapy in the home -- though the percentage of children under five in the general population who had a bout of diarrhea, albeit mild, within two weeks of the time of the survey improved only marginally, from 18.4 to 17.9 percent (the figure in urban populations remained about the same -- 16.2 vs. 16.4 -- while some improvement occurred in rural populations -- 22.0 declined to 20.3 percent). Clearly, diarrhea among young children remains a frequent problem. Fortunately, people are increasingly treating diarrhea appropriately: the percentage of children with diarrhea who received oral

rehydration therapy rose from 19.8 to 26 percent, meaning that the diarrhea's negative effect on health and nutrition is mitigated.

Sustainability of institutions and operations. USAID/Peru continues its efforts under the IR, *sustainable institutions and operations are in place*, to develop programs that are sustainable within a medium-term horizon. The immunization program, 95 percent of which is now funded by the GoP, can be considered at such a point. The family planning program continues to make notable gains in training, dependability of supplies, patient education, materials and equipment, though the dependence on donor funds is still very heavy. Moreover, the GoP funds available to this program have been applied to unsustainable activities that derive from political objectives and put the development of a sustainable program in jeopardy.

Quality services make programs more sustainable. Studies undertaken by USAID in Peru have shown that one reason people, especially many of the target groups of SO#3, do not use public health services is their lack of faith in the quality of care offered. To attract paying clients, services must be of high quality, and USAID invests substantial resources toward that end. Three accomplishments over the year stand out in this regard:

- 1) Under Project 2000, the Maternal-Child Health Training Program (PCMI) is improving the quality of health services in a continuous and sustainable way. Existing health facilities chosen as model centers are being upgraded to provide a fuller range of services, and their personnel are being trained in the model centers accordingly. The objective is to make the some 90 facilities into local "Centers of Excellence" congruent with the realities of Project 2000's priority regions.
- 2) A set of Reproductive Health Service Guidelines was launched this year. Developed in a participatory way that involved a blue-ribbon panel of some 40 health care specialists under the aegis of the Ministry of Health, the Peruvian guidelines represent the first USAID effort worldwide to incorporate family planning into the broader realm of reproductive health in a document of this kind. With this consensually-developed document, reproductive health services in Peru can be standardized in a high-quality way. People can hope to receive the same quality of attention, regardless of where they seek services.
- 3) A comprehensive training program, the first of its kind in Peru, has taken place at a major Lima hospital that serves urban and peri-urban poor. It focuses on prevention of abortion and treatment of the complications that arise from incomplete abortions. Post-abortion care that features family planning counseling and service provision should reduce women's recourse to abortion, by preventing unwanted pregnancies.

Other achievements toward sustainability:

Health sector reform in action. In November 1996 the GoP took a long stride in health sector reform by liberalizing access to health service providers by people enrolled under the social security system. This system had long held a monopoly on service provision to workers who receive health insurance through their employers. Most people enrolled are blue collar workers, domestic employees and other lower-income groups. The new legislation permits people enrolled to choose their provider, while still maintaining other core social security benefits. The diversified providers are referred to in the new legislation as *Entidades Prestadoras de Servicios* (Service Provision Entities), or EPS. As described below, a USAID activity is on the cutting edge of this reform, embodying one of the first models for EPS and public/private sector collaboration.

MaxSalud, the NGO created by the Northern component of the SHIP (Strengthening Health Institutions) Activity, is now offering high-quality primary health care services in Chiclayo, a city in the North. Although still in its first year of operation, the program is remarkably already recovering over 70 percent of the operating costs of its two clinics. Via a system of cross-subsidy, revenues from a clinic in a working-class neighborhood complement lower revenues from a clinic located in a poor peri-urban area. The former of these two is Balta Clinic, which is performing some 5,000 services per month and is recovering almost 90 percent of its costs. Word-of-mouth and recommendations from family members and friends account for the 1,050 new patients that are seen each month by Balta's excellent staff.

Designed long before the new reform measures in social security were drawn up, MaxSalud is becoming a model for public/private collaboration and testament to USAID's foresight in this regard. The Urrunaga Clinic, over whose inauguration the Vice Minister of Health presided, is located in a building ceded by the Ministry of Health for a ten-year period. The clinic has been completely remodeled and is now offering services in a poor peri-urban district of Chiclayo. MaxSalud's personnel participate in training and seminars conducted for public sector staff, and MaxSalud's statistics are incorporated into the MoH's monthly reports. The MoH has held up MaxSalud's data collection technique and presentation to the regional MoH staff as an example to be followed.

Activities on the horizon augur well for other partnerships with promise for sustainability. MaxSalud is entering into an agreement with a local university to establish a clinic within its campus. The clinic will not only offer opportunities to train students of the allied

health services in high-quality care, but will also provide a large population to use such services. Private-sector companies in Chiclayo, including utility companies and banks, are talking with MaxSalud about making it the service provider for their employees. These modalities for taking some burden off public-sector services will no doubt grow as MaxSalud and similar enterprises gain more experience.

At the same time, the Mission's Project 2000 has been undertaking key studies that are helping shape health sector reform. Indeed, Project 2000 staff head the MoH's working group on health sector financing. Three such studies culminated during the past year: a national study on the demand for health services; a study that assessed the costs of delivering health services in a sample of hospitals and health centers; and an analysis of the budgeting system, including a proposed alternative system that would derive from real costs. These studies sought to determine the real costs for products and services, and also highlighted reasons why people choose a particular health service deliverer. More notably, according to the studies, 70 percent of the population would be willing to pay for services if the quality improved. Traditionally, the MoH budget has been predicated on historical allocation of resources and grouped by administrative categories that did not capture the true cost of service delivery. The newly proposed system strengthens the bargaining power of the MoH in its negotiations with the Ministry of Economy and Finance for a level of financial resources that reflects real costs in the sector.

USAID/Peru has also been encouraging NGO partnerships with the MoH to facilitate extension of coverage of high quality primary health care services to areas and populations that the MoH has been unable to reach, and to do so in a manner that is financially, institutionally and socially sustainable. In the southern component of SHIP in Puno and Arequipa, with the support of subgrants, technical assistance, training, and supervision from CARE, 20 NGO subgrant activities have surpassed the intended coverage goal of 150,000 people to reach approximately 290,000 people, mostly women and small children. Although the subgrants for four of these activities have now reached completion, all of them continue to provide the services initiated by SHIP. The subgrants for the remaining activities will culminate one by one until September 1998, leaving the NGOs in place and functioning without further USAID support.

Highlights of the past year that will lead to further progress toward SO# 3 in future years include:

Promotion of gender considerations. Largely because of the high visibility the ReproSalud Project gives the Agency, USAID is regarded in the Peruvian health sector as a focal point for promotion of gender considerations. The MoH asked USAID to chair a joint donor/MoH group to prepare and give a half-day seminar on gender to commemorate International Women's Health Day. Held at a major facility of the MoH, the seminar was endorsed by the Minister of Health and widely attended by MoH personnel, technical staff from projects and the donor

MaxSalud

Public response to the MaxSalud clinics has been positive and enthusiastic. In its first four months alone, MaxSalud's first clinic received nearly 1,000 patients, who made an average 2-3 visits each. The notes they deposited in the suggestion box included comments like these: "I congratulate you on the quality of care you're providing." "May you continue treating your patients with the same kindness and respect with which you've started -- always." "When I arrived at this MaxSalud clinic I was received with affection by the watchman, the nurses and the doctor. Good luck!" "I want to congratulate you in a very special way, for the kindness of your personnel, for the affordability of the visits, etc. I hope God will bless you so you can continue to advance and add more specialties. I wish this with all my heart." As further testimony to the quality of care provide by MaxSalud, less than five months after its first clinic opened MaxSalud was selected to receive the "Lord of Sipán" prize, given each year to the "most outstanding and successful people, institutions and business" in the Marañón department of northeastern Peru.

community. Among the presentations were ones on USAID's then newly-announced gender policy and ReproSalud. Further, during Administrator Atwood's May visit to Peru, Movimiento Manuela Ramos, the women's group that implements ReproSalud, hosted the Administrator at a reception for hundreds of people. The Administrator used the opportunity to reaffirm the Agency's commitment to women's development.

USAID entered into a new agreement in 1996 through which a leading women's organization is working with the Ministry of Health and professional associations to develop and seek funding for a revamped national program to prevent cervical cancer; the program will be based chiefly on improvements in the quality of Papanicolaou testing, which is notoriously deficient in Peru.

Women talk...

High in the Peruvian Andes is the department of Huancavelica. Huancavelica is arguably the poorest of all Peru's departments. Geographic access is difficult, and the department has been a stronghold of the Shining Path terrorist group. The following quotations come from women in community-based organizations that are working with ReproSalud. The quotes underscore the dire need for family planning programs tailored to these women:

Irene: "I am 45 years old. Altogether I have had 12 children. Nine are alive and three have died. My youngest child is just two months old... I have never known how to keep from having so many children."

Lucia: "What can I do to space out my births? Wherever I would have to go, I would."

Catalina: "My husband says to me, 'All over the world children mean respect for a woman; a woman without children cannot be respected.' But I say that it's a shame that because of having too many children we have to work in the field, and you can't take care of the kids by yourself... Having so many children I can't make things stretch. I'm really sorry I have so many children."

Women talk. In another gender-related effort to reduce the unequal development that has characterized Peru, the Mission's ReproSalud Project is reaching out to women in the highlands and jungle that have been outside the embrace of conventional health services. During the past year ReproSalud began work with 18 community-based women's organizations. It developed and successfully put into use a participatory tool called the *autodiagnóstico* ("self-diagnostic"). This exercise enables women to think critically about their reproductive health, and identify and prioritize problems. The *autodiagnósticos* reveal that the priority problems in the 18 communities are reproductive tract infections, difficulties in childbirth, higher than desired fertility, and abortion. Two themes that cross-sect the findings are domestic violence and women's low opinion of public health services. ReproSalud is now working with the 18 women's groups to develop activities that can reduce these reproductive health problems.

Efforts to combat AIDS. Over recent years, the number of reported cases of AIDS remained steady, averaging some 600 new cases per year. That pace has now accelerated, with the MoH reporting some 100 cases per month in recent months. The total number of known cases of AIDS is presently over 5,000, with the estimated number of HIV-positive Peruvians ranging from 50,000 to 70,000. Through more strategic interventions, such as the new activity and the recent national workshop on sexually-transmitted diseases mentioned below, it is expected that progress will be made to slow this trend. Such efforts form an integral part of the IR, *people take appropriate preventive health actions.*

USAID/Peru has been monitoring trends in HIV/AIDS in Peru and, within the limited resources available to the Mission for AIDS work, launched a new activity during the year. Ayuda CONTRASIDA (AIDS HELP) works with the Ministry of Health and non-governmental organizations to strengthen the major actors in HIV/AIDS, make the overarching environment in which the actors work more receptive and committed to HIV/AIDS activities and coordinate more closely the work of the various actors within the overarching environment. This will result in more and better preventive actions and services. For this new activity USAID/Peru attempted to leverage resources from the Government of Japan, via the Common Agenda, though to date these efforts have not yielded fruit. The GoP raised its 1997 funding for the MoH HIV/AIDS and STD program to some \$3.5 million, more than twice the level of 1996. This not only attests to the GoP's heightened sensitivity to HIV/AIDS, but also to its recognition that the program is better organized and more dynamic than before.

National training workshop on sexually-transmitted diseases. In late 1996 over 600 people attended a first workshop of its kind in Peru, five full days dedicated exclusively to the management of and education about sexually-transmitted diseases. Featuring several international experts from the University of Washington, one of the premier U.S. centers in this specialty, the workshop enabled many Peruvian policy makers and health care providers to

become familiar with the latest advances and issues in this complicated area. In view of the rising number of reported cases of HIV in Peru, increased knowledge and awareness in this area are mandatory.

Basic Education. This year USAID/Peru leveraged its limited resources in basic education by buying into UNICEF's larger effort with the Ministry of Education, known as Transition to Primary Education. USAID support trains specialists and teachers of first and second grades, supplies those grades with culturally and linguistically-appropriate basic education materials, and provides monitoring, technical assistance, field supervision and administrative backstopping. Additionally, the UNICEF program encourages dialogue between teachers and pupils, teachers and parents, and teachers and supervisors with the MoE as a means to overcoming teaching/learning limitations. Investment is directed toward selected MoE primary schools in different poverty areas of Peru. Other contributors to Transition to Primary are the governments of Canada and Japan, UNICEF itself and an MoE counterpart contribution. Since this activity has just started, results will be reported in the next R4.

SO# 3 activities foster decentralization of decision-making and responsiveness in several ways. By identifying women's concerns with the public health system and channeling those concerns to local authorities, ReproSalud helps build a bridge between health services and the community. Its advocacy of women's perspectives should increase responsiveness at the local level. Project 2000's training program is also decentralized, since it centers on the establishment of model hospitals, centers and posts within local health networks. Further, the health financing studies the project has undertaken are informing sectoral reform that will feature greater control at the local level of budget decisions and financial resources. In the education sector, Transit to Primary seeks to empower teachers in both their pedagogical skills and in their relationship with families and the community as a whole. This should improve communication and participatory planning between all interested parties.

Through the SHIP basic education effort among Aymara Indian communities in Puno, teachers in 180 *wawa utas* (child care centers) have received more substantial training than that provided by the MoE, culturally and linguistically-appropriate materials have been provided for approximately 3800 children aged 3-5, and another 4000 children ages 0-2 have received early stimulation support. These efforts are expected to lead to improved performance in the early grades of elementary school.

Summit of the Americas

Preserving and strengthening the community of democracies of the Americas. SO# 3 supports many of the initiatives of the Summit of the Americas. The emphasis on people taking responsibility for their own health, on which three of the SO's IRs are predicated, promotes Initiative 3, on community participation. The essence of ReproSalud, a major SO activity, is community participation, and several other SO# 3 activities likewise seek to invigorate society. The work SO# 3 does to build cultural bridges between the community and the health services, as illustrated by ReproSalud, Project 2000 and PASARE, helps build mutual confidence between the Peruvian population and its institutions. Initiative 8.

Eradicating poverty and discrimination in our hemisphere. Virtually all SO# 3 activities seek to promote Initiative 17, equitable access to basic health services. The explicit objective that the SO has to reduce disparities by place of residence and other socio-economic characteristics is testament to this commitment. Indeed, the present narrative has disaggregated its reporting along such axes. Though much work remains to be done, the narrative substantiates progress in closing development gaps in mortality and fertility. Initiative 18, strengthening the role of women in society, is similarly a major thrust of SO# 3. It is women who run the health risks that pregnancy and childbirth represent; in the case of unwanted pregnancies, it is largely women who bear the brunt of social sanctions and the responsibility of raising a child as a single parent; in the work place and the home, it is women who suffer discrimination disproportionately. SO# 3 seeks both to safeguard women's reproductive health and to distribute more equitably the responsibility of preventing unwanted pregnancies and raising children. Through the income-generation and credit activities of ReproSalud, SO# 3 seeks to strengthen alternative roles for women and increase their assets.

PERFORMANCE DATA TABLES FOR STRATEGIC OBJECTIVE No. 3 Improved health, including family planning, of high-risk populations

STRATEGIC OBJECTIVE No. 3 Improved health, including family planning, of high-risk populations			
Approved: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Improved health, including family planning, of high-risk populations			
Interim Indicator: Infant Mortality Rate (IMR)			
Unit: Number of deaths in first year of life per 1,000 live births.	Year	Planned	Actual
Source: Demographic and Health Survey (DHS) II 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI) DHS III 1996-1997 Comments: The UNICEF data that were reported for 1994 were provisional, since they derived from projections. The most reliable time-series data are DHS data, which are based on household surveys; the third DHS was undertaken in Peru in 1996. Thus, the "Actual 1996" figure comes from the preliminary findings of DHS III, which have not yet been published. (*) UNICEF estimates.	1986(B)	---	73
	1989		55
	1991		55
	1994		41*
	1995	45	
	1996		43
	2000(T)	40	
STRATEGIC OBJECTIVE No. 3 Improved health, including family planning of high-risk populations			
Approved: 18/5/95		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Improved health, including family planning, of high-risk populations			
Interim Indicator: Under-5 Mortality Rate			
Unit: Number of deaths per 1,000 children under 5 years of age.	Year	Planned	Actual
Source: Demographic and Health Survey (DHS) II 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI) DHS III 1996-1997 Comments: The UNICEF data that were reported for 1994 were provisional, since they derived from projections. The most reliable time-series data are DHS data, which are based on household surveys; the third DHS was undertaken in Peru in 1996. Thus, the "Actual 1996" figure comes from the preliminary findings of DHS III, which have not yet been published. (*) UNICEF estimates.	1986(B)	---	106
	1989		78
	1991		78
	1994		58*
	1995	68	
	1996		59
	2000(T)	50	

STRATEGIC OBJECTIVE No. 3 Improved health, including family planning, of high-risk populations
Approved: 4/30/96 **COUNTRY/ORGANIZATION: USAID/Peru**

RESULT NAME: Improved health, including family planning, of high-risk populations

Interim Indicator: Total Fertility Rate (TFR)

Unit: Married women of reproductive age

Source: Demographic and Health Survey (DHS) II 1991-1992. UNICEF: State of World's Children 1996. National Institute of Statistics and Data Processing (INEI). DHS III 1996-1997

Comments:

DHS II (1991-92) gave a total fertility rate of 3.5. Because of terrorism, however, 16 percent of the rural population and 5 percent of the national population were excluded from the sample. In contrast, DHS III has a national sample and almost twice the sample size of DHS II, making its data quite strong. DHS III finds a 1996 total fertility rate of 3.5. Retrospective re-examination of DHS II reveals an under-representation of rural Peru, of poor Peruvians and of single women in Lima. When the total fertility rate is adjusted for these three weaknesses of DHS II data, it rises to 3.9, or 0.4 births higher than in the published report. Accordingly, the 1992 target of 3.2 cannot be met, since it was predicated on flawed data.

(* UNICEF estimates)

Year	Planned	Actual
1986(B)	--	4.1
1992		3.9
1994		3.3*
1995	3.2	
1996		3.5
2000(T)	3.1	

STRATEGIC OBJECTIVE No. 3 Improved health, including family planning, of high-risk populations
Approved: 4/30/96 **COUNTRY/ORGANIZATION: USAID/Peru**

RESULT NAME: People take appropriate preventive actions

Interim Indicator: Percentage of children who received three doses of polio vaccine in reference year.

Unit: Children under one year of age

Source: DHS II (91-92). MOH (EPI and OGEL)

Comments: EPI: Immunizations Program, OGEL: Office of Statistics.

Year	Planned	Actual
1987(B)		50%
1989		60%
1990		73%
1991	60%	74%
1992	80%	85%
1993	80%	88%
1994	85%	87%
1995	88%	92%
1996	90%	93%
2000(T)	96%	

STRATEGIC OBJECTIVE No. 3 Improved health, including family planning, of high-risk populations			
Approved: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: People take appropriate preventive actions			
Interim Indicator: Percentage of children who received one dose of measles vaccine in reference year.			
Unit: Children under one year of age	Year	Planned	Actual
Source: (DHS) II (91-92). MOH (EPI and OGEI).	1986(B)		41%
Comments:	1989		52%
	1990		64%
	1991	60%	60%
	1992	80%	83%
	1993	80%	83%
	1994	85%	74%
	1995	88%	96%
	1996	90%	93%
STRATEGIC OBJECTIVE No. 3 Improved health, including family planning, of high-risk populations			
Approved: 4/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: People take appropriate promotive actions			
Interim Indicator: Couple-years of protection in the public and NGO sectors.			
Unit: CYP	Year	Planned	Actual
Source: DHS III. MOH (family planning programs) and PVOs.	1993(B)		598,673
	1994		890,551
Comments:	1995		1,131,981
	1996	1,245,000	2,467,757
	2000(T)	2,500,000	

Expected Progress Through FY99 and Management Actions

As demonstrated, much has been accomplished over recent years toward achievement of SO# 3. Nonetheless, important work remains in equalizing the benefits of development in the highlands and the jungle, where DHS III shows progress in several indicators for the first time. Inroads are beginning to be made in chronic malnutrition, which is an area key to unleashing the potential of the next generation of Peruvians. A new SO activity planned in this field should reinforce such progress. But maternal mortality continues as a major challenge in Peru. Improvements here will depend on concerted action in the next few years in pregnancy care, childbirth care, family planning, abortion prevention and women's nutrition, as well as underlying gender issues. By 1999 USAID expects to see more women-centered care in obstetrics and gynecology, including birthing strategies that respect cultural and social norms. Institutional births currently do not attract many high-risk women, and Peruvian health services are beginning to realize that they must change if demand for their services is to rise. In HIV/AIDS, concerted efforts are just under way through a GoP/USAID partnership that holds considerable promise. In addition to HIV/AIDS, maintaining progress in all areas is threatened by new challenges. These challenges-- or recrudescence of familiar diseases-- are arising among such emerging and re-emerging infectious diseases as malaria *Plasmodium falciparum*, yellow fever and dengue; correspondingly, the SO is planning a new activity in this regard.

Despite new and continuing challenges, progress continues apace, even surpassing targets in several areas. This points to the appropriateness of USAID's strategy in the area of health, population and nutrition, and the wisdom in affording it the resources needed to address the work yet to be done. With the resources adequate to the task at hand, the Strategic Objective and its underlying Intermediate Results are expected to be achieved over the time period called for in last year's Strategic Plan.

One possible adjustment to the overall management of SO# 3 might be a Strategic Objective Agreement (SoAg) with the GoP. Such an agreement would cover the entire SO# 3 portfolio, both bilateral with the GoP and the portion implemented through the NGO sector. This course of action might enhance management of the large SO# 3 portfolio. Through continued analysis over the next year, the SO# 3 Core Team will determine whether a SoAg would indeed promote achievement of the Strategic Objective.

Policy issues. Chief among policy issues for SO# 3 are quality of care, GoP budgetary commitment to particular programs, including family planning and HIV/AIDS, sectoral reform and GoP incremental assumption of the costs of contraceptives. Each is referred to briefly below.

As various USAID-funded activities attain higher levels of service delivery, continued success in attracting and retaining clients will increasingly depend on the quality of care. In MoH efforts to scale up its family planning program, public-sector personnel need to develop a stronger user perspective, ensure even-handed promotion of the full gamut of contraceptive methods and demonstrate higher levels of technical competence. This is the approach advocated by the ongoing ReproSalud activity and the PASARE program, as well as Coverage with Quality, an activity obligated in 1996, and Family Planning within the Reach of High-Risk Populations (*ALCANCE*), which will be obligated in May 1997. These two new activities are designed to foster high-quality family planning -- the former through the public sector and the latter through NGOs. By 1999 we would expect, based on both a more demanding client population and a more sensitized body of providers, that MoH and NGO services will have been able to increase the utilization of their installed capacity (the measure of their physical and human resources actually being used in service provision) by at least one-third. Presently, utilization of installed capacity stands at about 60 percent for NGO services and 50 percent for MoH services.

In HIV/AIDS prevention, the moment is opportune for strategic action. Given the limited amount of USAID funding in this area for Peru, however, such action has to be well targeted. USAID's new *Ayuda CONTRASIDA* activity is working to strengthen the HIV/AIDS prevention program of the public sector in the key areas of technical quality and management capacity. Further, by raising awareness among key decision makers within the GoP, greater national resources have been and should continue to be allocated to this growing problem. For 1997 the GoP doubled its funding for HIV/AIDS. Both through increasing GoP investment and leveraged funding from other donors, USAID would expect the HIV/AIDS program by 1999 to have a yearly budget double its 1997 size; in effect, this would be four times its 1996 size.

A cross-cutting issue of great importance to all efforts under SO# 3 is sustainability. Within the public sector, the prospect for the sustainability of health programs depends in large part upon the still unannounced health sector reform. In turn, the success of reform will depend upon a combination of political, economic and social factors. In the meantime, USAID efforts in the private sector have demonstrated success in provision of primary health care through a variety of NGOs. By 1999, however, USAID expects that a reformed budgetary process will be in place for the health sector and that services will be increasingly underwritten by demand, *e.g.*, user fees and vouchers; the current system centers disproportionately on historical inputs on the supply side, with little reference to utilization of installed capacity.

In a broader sense, SO# 3 approaches sustainability from a variety of angles. To varying degrees, all the portfolio's activities promote financial, institutional, programmatic and social sustainability. Continued progress is expected in cost recovery through MaxSalud; by 1999 the whole network of clinics will be operating, and at least 75 percent of operating costs should be recovered for the system as a whole. Regarding institutional and programmatic sustainability, the new training program of Project 2000 is developing a sustainable, in-service training system throughout its targets areas; this system should be completely functioning by 1999, providing a higher level of care that is nonetheless sustainable by the health regions and sub-regions in which it is located. Higher levels of social sustainability are being achieved with the NGOs that provide primary health care services, as well as with the community-based organizations working with ReproSalud. By 1999 all NGOs will have graduated from the SHIP project and will be employing an array of sustainability strategies that feature cost-recovery, diversification of funding sources and of services offered. ReproSalud will have implemented close to 100 sub-projects that help women become informed demanders of health services and effective agents of their own self care, contributing directly to impacts at the IR and SO levels.

Contraceptives are a particular sustainability concern, both because of the large current USAID investment in this area and the expanding needs, in turn due both to a burgeoning population in reproductive age and demand from an increased proportion of that population. Currently, all contraceptives procured through the public and NGO sectors are provided by donors, with USAID, by far, being the largest; some \$3.1 million in contraceptives was imported in 1996 alone. Actions on various fronts seek to promote sustainability in these important supplies. USAID policy dialog with the GoP stresses the need for Peru to begin to buy some of its own contraceptives. A new cooperative agreement is strengthening a Peruvian NGO as an efficient manager and distributor of the donated contraceptives. USAID chairs a donor roundtable on contraceptive supply, with UNFPA and ODA as the other members. This year USAID will conduct a feasibility study to determine ways to strengthen the role of the private commercial sector as a provider of contraceptives. A realistic, yet optimistic expectation might be that by the year 2000 USAID's share of contraceptives might decline by one-third of its present level.

Unequal gender relations. SO# 3 specifically addresses unequal gender relations, which underlie many problems in women's reproductive health, as well as their inferior status in social roles, economic opportunities and political participation. Gender issues are key in such women's health problems as domestic violence (spousal abuse); teen pregnancy and adolescent abortion (lack of power in negotiating sex); other abortion and unwanted pregnancy (male opposition to use of contraception and unshared responsibility for controlling fertility); and increasing rates of sexually-transmitted diseases, HIV and AIDS among women (multiple partners for males even when women are monogamous). To treat these problems without reference to the underlying gender issues can only be merely palliative. With this understanding, SO# 3 will continue to seek out creative, effective ways to help transform power relations between the sexes. The ReproSalud project should be instructive in that regard; by 1999 USAID/Peru will be able to report on significant progress in this new area.

As sustainability in service delivery is enhanced/achieved over the next few years, the Mission expects the GoP dependence on USAID to diminish. The SO will turn its attention from institutional strengthening and contraceptive procurement to the underlying policy and gender issues described above.

**RESULTS TRACKING TABLE FOR STRATEGIC OBJECTIVE THREE:
Improved Health, Including Family Planning, of High-Risk Populations**

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Strategic Objective 3: Improved Health, Including Family Planning, of High-Risk Populations									
1. Infant Mortality Rate	Definition: The estimated number of deaths in infants (children under age one) in a given 1,000 live births in that same year. Unit: deaths per 1,000 live births	DHS INEI	1996	43	42.5	41.7	41	40	39
2. Under-five Mortality Rate	Definition: The estimated number of deaths per 1,000 children under age five in a given period. Unit of measure: deaths per 1,000 children under age five	DHS INEI	1996	59	56.7	54.5	52.7	50	48
3. Total Fertility Rate	Definition: The average number of children women will have at the end of their childbearing years if fertility patterns at the time of survey prevail; calculated by summing the age-specific fertility rates over all ages of the childbearing period, as observed in a given year. Unit of Measure: births per woman	DHS INEI	1996	3.5	3.4	3.3	3.2	3.1	3.0
Comments/Notes: DHS: Demographic Health Survey; INEI: National Institute of Statistics. Additional Indicators Monitored: Maternal Mortality Ratio.									
Intermediate Result: People Take Appropriate Preventive Actions									
4. Immunization coverage of children younger than one, by type of vaccine.	Definition: An estimate of the proportion of living children aged 12-23 months vaccinated before their first birthday. Types of vaccines are polio (3 doses), DPT (3 doses) and measles (1 dose) Unit of Measure: Percent of children under one	MOH/EPI	1996	95	95	95	95	95	95
5. Couple-Years of Protection (CYP)	Definition: estimated protection from pregnancy provided by contraceptive methods during a one year period, based upon the volume of all contraceptives sold or distributed to clients during that period. Unit of Measure: Million of couple-years protection	MOH, FPP PRISMA, NGO's	1996	1.9	2.1	2.25	2.4	2.5	2.6
Comments/Notes: MOH:Minister of Health; EPI: Expanded Program Immunization. Additional Indicators Monitored: Immunization coverage of women who receive two doses of Tetanus Toxoid vaccine; Number of condoms consumed.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: People Take Appropriate Promotive Actions									
6. Proportion of births attended by trained personnel	Definition: Trained personnel refers to doctors, midwives, nurse, nurse's auxiliary or trained technician. Unit of Measure: Proportion of births	DHS/INEI	1992	53.5	55.5	57.0	58.5	60.0	61
Comments: DHS: Demographic Health Survey; INEI: National Institute of Statistics ; MOH:Minister of Health; Additional Indicators Monitored: Contraceptive use; Percentage of infants who are breast fed exclusively for the first six months; Percentage of women who did not have prenatal visits during their last pregnancy.									
Intermediate Result: People take Curative Actions									
7. Percent of children with diarrhea that come to the health facility dehydrated	Definition: The number of children aged 0 to 5 with acute diarrheal disease that have dehydration I-III seen at health facilities within the public sector system (MOH). Unit of Measure: percent	MOH Department of Diarrheal Diseases (PRONASED)	1996	28	25	21	18	16	12
8. Percent of children with acute respiratory infections that come to the health facility with pneumonia and/or complications	Definition: The number of children 0-5 years old with acute respiratory infections (ARI) that have pneumonia seen at Health facilities within the public sector system (MOH). Unit of Measure: percent	MOH Department of Acute Respiratory Infections	1996	14	13	12	11	10	8
Intermediate Result: Sustainable Institutions and Operations are in Place									
9. MOH expenditure in Contraceptives	Definition: Total amount of dollars spent by the Ministry of Health in contraceptives in a given year. Unit of Measure: 1997 US Dollars.	MOH Family Planning Program annual expenditures report.	1996	0	125,000	250,000	375,000	500,000	625,000
10. Number of certified facilities as model health centers in priority zones	Definition: Number of Health facilities certified as model centers in priority zones. The health facilities to be certified are: National hospitals , Regional Hospitals and Health Centers. The criteria for certification by MOH/P2000/PCMI are :a) the use of maternal and child health services MOH standard protocols; b)Correct data collection through the Perinatal Information System and the Children Information System; c) Meet minimum quality of service standards; and d) Community outreach activities with the participation of community health agents. Unit of Measure: Cumulative	MOH	1996	4	15	35	50	70	102
Comments/Notes: Additional indicators monitored: Percentage of total budget recovered by targeted institutions; Percentage of the National Health Budget allocated to Primary Care; Percent of people attended by trained primary health workers.									

STRATEGIC OBJECTIVE No. 4: *Improved Environmental Management in Targeted Sectors*

Performance Analysis

During FY 1996, much progress toward achievement of the Mission's environment SO (*Improved Environmental Management in Targeted Sectors*) was made. The strategic objective implementation is firmly on track and has laid down a solid base for achieving planned results within the anticipated SO timeframe.

In 1996 there were clear indications of the continued domestic and foreign interest in addressing Peru's environmental problems. The Peruvian Congressional Commission on Environment, Ecology, and Amazon Affairs was reestablished and then strengthened by the National Environment Council (CONAM), USAID's principal GoP counterpart.) CONAM helped the Commission to draft a new Natural Resources Law, modifying its original focus from "use" to "management" of natural resources, and to organize public events to discuss issues related to this law. This framework law provides the principles to govern the use and management of natural resources in Peru. All other natural resource laws that follow such as water, land, and forestry, will be consistent with this Natural Resources Law, underscoring the importance of this initial piece of legislation. Also, the Peruvian Ministries of Foreign Relations and Economy and Finance as well as the World Bank office in Lima organized a successful donor roundtable to present and discuss the GoP strategy dealing with environment. This forum was particularly significant and rewarding for the Mission's environmental strategic objective (SO# 4) because at the World Bank's request, USAID moderated the session on environment, recognizing the Mission's leadership in this field. Also noteworthy was the fact that the fledgling CONAM made the presentation of the environmental strategy on behalf of the GoP.

Specific FY 1996 accomplishments that contributed directly toward achieving SO# 4 include the *adoption of improved environmental practices*, including pollution prevention, in targeted urban and industrial locations; *broader civil society participation*, especially women, in policy development and actual environmental pilot projects; *strengthening the GoP's institutional capacity*; and improved management of natural habitats, including *the protection and conservation of endangered species*¹⁰.

Five additional pilot projects briefly described below were initiated, bringing the *cumulative number of pilot efforts to reduce pollution* to nine, thus exceeding the FY 96 target by three. A Solid Waste Collection and Disposal Pilot for Poor Urban Areas, undertaken by *Alternativa* (an NGO) first sensitized and later directly involved low-income communities, particularly women, on how to proactively protect the health of its citizens. Innovative elements introduced include the development of women-owned solid waste collection microenterprises, the construction of model sanitary micro-landfills with nationwide applicability, the start of a household solid waste segregation pilot activity for community compost-making, and one of Peru's first efforts to properly dispose of hazardous hospital waste.

This pilot has proven to be an excellent mechanism for empowering women and responding to local government initiatives. One hundred percent of the 2,516 target homes in the peri-urban area of Ancon benefit from a regular solid waste collection service. Household-level solid waste segregation is also practiced in every home of this area. All of the solid waste produced in the areas of Ancon and Santa Rosa is now being properly deposited in the model sanitary landfill. To date, 8,430 metric tons of waste have been properly disposed of in the landfill, including 2,070 MT produced in the past trimester alone. A special area within the landfill is being used for hazardous hospital wastes. One hundred percent of the eight targeted garbage accumulations have been eliminated and the community has used the land to plant gardens. In addition, the pilot has leveraged substantial funds from the European Union to increase its coverage from 130,000 to 800,000 people in Lima's northern cone. Mayors from six coastal, highlands and jungle cities have requested *Alternativa* technical services to design and implement similar programs. Finally, at the request of Shell Oil Company, *Alternativa* is now beginning a survey of towns in Peru's Camisea (jungle) area to help organize those communities in managing present and future solid waste issues.

¹⁰ Throughout this section, SO and IR level results statements are italicized.

The USAID-CONAM Paracas Bay Fishmeal Industry Pollution Prevention Pilot is now regarded as Peru's premier environmental activity in this sector. After successful research and pilot testing, the project has entered its final stage to test technology and processes to: (a) reduce by up to 75 percent heavy BOD-laden ocean pumpwater effluent now destroying some of Peru's most important marine reserves; (b) increase on-board primary material preservation rates to further reduce source pollution; and (c) attempt to establish Peru's first closed-loop fresh water pump fishmeal industry recycling system. As a result of this pilot activity, U.S.-produced organic preservatives, dissolved air flotation systems, and high volume water pumps are now gaining market share in Peru's fishmeal industry. The Minister of Fisheries has requested that this activity be replicated in other areas along Peru's coastline.

Also, this pilot has brought together a very rich cross-section of stakeholder organizations to collaborate in resolving a myriad of pollution problems within an entire ecosystem (the first time that this has been attempted in Peru); identified other non-fishmeal industry pollution sources to Paracas Bay; promoted free trade of U.S. technology, including cooperation in science and technology through technical assistance; encouraged pollution prevention while conserving biological diversity of the Paracas National Reserve; and provided for opportunities for eco-tourism at this RAMSAR-designated conservation site.

Peru's first Environmental Health Comparative Risk Assessment (CRA) was completed with the collaboration of Global's PRIDE Project and 30 local private and public sector institutions, including CONAM. The CRA ranked Metropolitan Lima's environmental health problems by severity to allow the GoP and donors to focus their investments on the most pressing ones. This first-ever study determined that limited water supply, limited service of the sewage system, and solid waste contamination were the three environmental problems with highest risk (impact) on the population's health. Outdoor air pollution was ranked as a medium risk problem for the city's population. Completion and dissemination of the CRA results has helped increase environmental awareness and establish an important mechanism that allows for *civil society participation and mobilization*. This assessment sparked the interest of the Municipality of Lima to begin monitoring lead particulate levels and to organize a seminar to discuss these issues, with the participation of several U.S. experts. As a result, from its own budget, the Municipality of Lima has assigned resources to establish an air pollution and monitoring system and quality standards for the city. The Minister of Transportation has recently announced plans to phase-out leaded gasoline, an important Summit of the Americas objective, and the CRA has helped spark World Bank-USAID discussions to identify ways to collaborate together in this area. Well over 500 people from the public and private sector, as well as interested citizens, attended the CRA forum in which the report findings were disseminated and discussed.

The CRA also provided an excellent donor coordination mechanism to initiate a follow-on, risk management phase. In fact, the first phase of an SO# 4-funded pilot designed to result in a participatory-based Metropolitan Lima Solid

Women's Empowerment Through Effective Environmental Microenterprise Services

Edeliza Zeyallos never imagined that one day she might have to fight Ventanilla City Hall to defend her interests but with the unconditional support of her entire community, she did just that. Edeliza and her five children live in a modest dwelling in the squatter town of Luis Felipe de las Casas in northern Lima. The Municipality collected garbage in her remote barrio just prior to elections, and there were several huge accumulations of garbage in her barrio. In June 1996, with six other women, the barrio's first solid waste collection microenterprise Por Tu Salud (For Your Health) was created with technical assistance and funds from the NGO "Alternativa" and USAID/Peru through LAC's Environment of the Americas Initiative, and landed a contract with the Municipal Solid Waste Collection Corporation of Ventanilla (EMLIVEN.) After three months of hard work, Por Tu Salud achieved a base of 2,100 low-income clients. However, it had to suspend operations when EMLIVEN failed to meet its payroll. Edeliza and her partners sent protest letters to the District Mayor of Ventanilla and the Director of EMLIVEN, but to no avail. Garbage in the barrio began to accumulate and residents became irritated as they had already paid for services.

The barrio's neighborhood councils met in emergency session and voted that customers pay the microenterprise directly. The Mayor publicly admitted the error and ordered EMLIVEN to repay its debt to the microenterprise within three months and with interest. He also requested Por Tu Salud to recommence services permitting it to operate on an exclusive basis in Luis Felipe de las Casas and now in another eighteen other nearby low-income settlements currently without services. Customers will continue to receive their bills at home but now will pay for services at their local barrio community center operated by the community itself. The funds will then be turned over to the microenterprise on a monthly basis. This expansion will allow the microenterprise to increase its clientele from 2,100 to 7,200 people and augment its payroll from 5 to well over 20 low-income women since the municipality has also approved the construction of a micro-sanitary landfill to be operated by the microenterprise. The European Union has agreed to provide funding for capital equipment needed to service the expanded area and operate the landfill designed with USAID funding.

Waste Action Plan was completed, which will contribute to "*increased disposal of wastes in sanitary landfills.*" The strategy examines economic incentives and mechanisms, including sanctions, that foster behavioral changes. In addition, six meetings with a total 30 district mayors and local representatives from the World Bank, IDB, Dutch, and European Union were held to finalize baseline information and gauge overall interest. As a result, one group of mayors formed an *ad hoc* committee to coordinate actions to resolve solid waste problems in the eastern cone of Lima. Due to insufficient funding and the magnitude of the task, USAID does not anticipate working directly to resolve Lima's highest ranked environmental problems: limited water supply and sewage services. However, the Mission will remain actively engaged in pursuing other donor financing to address these important problems.

The most concrete SO# 4 intervention for *strengthening the GoP's institutional capacity*, was the support provided to the Ministry of Industry, Tourism, and International Commerce (MITINCI). MITINCI's policy-making capacity was strengthened through an SO# 4-initiated policy formulation intervention by providing technical and financial support for the drafting of the first comprehensive environmental policy framework norm for the manufacturing sector. This policy framework is Peru's first sectoral environmental norm that recognizes CONAM's role to adjudicate inter-sectoral environmental problems, coordinate sectors, and set national environmental policy; considers pollution prevention as the Ministry's first option in dealing with contamination; and, includes provisions for citizen access to such information as industrial plant environmental adequation plans and annual environmental reports that must be submitted by firms to the Ministry.

Peru's first pollution prevention-oriented norm established a series of unprecedented mechanisms for ample *civil society participation* in environmental policy development in Peru. The SO# 4-designed public commentary process permitted the "pre-publication" of the draft MITINCI norm for public comment, the establishment of a ministry docket office where the public can review written comments received, and the organization of regional public fora to discuss the norm; all of which helped to *mobilize public support for environmental improvements*. As a result, MITINCI received comments from almost thirty institutions representing business associations, financial institutions, universities, NGOs, consulting firms, and other government agencies, all interested in improving management of the environment. Based on the valuable feedback it received, MITINCI introduced modifications in the draft norms, primarily to present more detailed innovative environmental management principles and tools which rely on the ability of market forces to provide economic agents with signals to behave more "environmentally-friendly" at the minimum possible cost.

Management of natural habitats, including *protection and conservation of endangered species*, was also improved through an SO# 4 activity, as measured by the average number of black caiman per kilometer found in the two main rivers of the Pacaya Samiria National Park, and the number of charapa turtle nests found in the wild after repopulation efforts. All 1997 targets for these indicators were surpassed in 1996: black caiman on the Samiria River have increased five-fold from 0.20/km in 1994 to 1.0/km in 1996 substantially surpassing the 1997 target of 0.25/km; black caiman on the Pacaya River have increased from 2.45/km in 1994 to 3.0/km in 1996, surpassing the 2.6/km 1997 target in 1996; and, similarly, the turtle program has been a resounding success with 500 nests being located in 1996 versus the 1997 nest target of 300. Also, 23,000 taricaya turtle eggs are now being hatched annually in community banks in the park and 40,000 baby taricaya and charapa turtles have been released to date.

The capacity of the Pacaya Samiria National Park to better protect the flora and fauna within its borders has been strengthened significantly through training and better equipment. Likewise, indigenous communities have progressively participated in both protection and sustainable development activities, including repopulation of key species, having created and *mobilized public support for environmental improvements*, as well as promoted tourism, microenterprises; and biodiversity protection and conservation partnerships.

Finally, there are several key, complementary SO# 4 interventions begun in 1996 which will contribute to the continued progress toward meeting SO targets. Chief among them were the initial steps toward the formation of Peru's first "International Standard Organization (ISO) 14000 Club," which aims to promote the voluntary adoption of international environmental management systems by Peruvian private sector enterprises; introduce and train local environmental service company technicians in ISO 14000 concepts, allowing them to meet future demands for fee-based technical services; and, assist the GoP's standards and IPR organization, INDECOPI, begin a program to certify local consultants.

A Georgia Tech/Drexel University-USAID feasibility study on the use of porous geochemical barriers composed of locally available waste materials (e.g. sawdust, kiln ash and sugarcane bagasse) to filter out heavy metals in acid mine drainage was conducted and further tests of this new appropriate technology for mines in Peru is being discussed. A feasibility study on the use of fishmeal plant effluent to grow export quality algae and use a constructed wetlands as a final polisher for this effluent was also completed. Bench model testing is expected to begin soon and, if successful, field trials could begin shortly thereafter.

This Strategic Objective has developed links and synergies of different degrees with several of the Mission's SOs. SO# 4 aids in strengthening democracy by instilling confidence in public officials, by invigorating civil society/community participation through public commentary processes, and by establishing mechanisms for public information access. It supports economic growth by providing an emphasis on involving the private sector as responsible environmental partners, by promoting businesses, free trade and cooperation in science and technology on best environmental practices, and by supporting partnerships for biodiversity, sustainable energy use and cost effective pollution prevention, as effective elements of environmental management systems. SO# 4 has also developed strong links with the Mission's health and population strategic objective through engagement in environmental health-related activities.

Summit of the Americas:

Most SO# 4 activities directly contributed to the four Summit of the Americas initiatives. They contributed to *Invigorating Society/Community Participation* and *Building Mutual Confidence* by promoting transparency and broadening citizen participation, particularly in the development and approval processes of the GoP's most comprehensive policy environmental norm for the industrial sector.

Also, SO# 4 contributed to the *Free Trade in the Americas* and *Cooperation in Science and Technology* initiatives by facilitating the provision of U.S. experience and technology. As a result of SO# 4 pilot projects, U.S.-produced organic preservatives, dissolved air flotation systems, and high volume water pumps are now gaining market share in Peru's fishmeal industry. Also, ISO 14000, an international voluntary environmental business standard adopted by CONAM for national promotion, furthers U.S. technology transfer and scientific cooperation. This SO also contributed to *Strengthening the Role of Women in Society* by promoting women to own and manage solid waste collection microenterprises in poor neighborhoods of Lima. Ancon's first solid waste collection microenterprise was created by a group of women from a poor *barrio* with technical assistance and funding from an pilot intervention. After six months, it has achieved a base of 2,500 paying customers from this neighborhood that never before had solid waste collection services. Finally, SO# 4 contributed to *Sustainable Development and Conservation of the Natural Environment* initiative by supporting a U.S. trade mission for renewable energy technology, financing the completion of Peru's first biodiversity and park performance matrix, and encouraging CONAM to incorporate pollution prevention in its national environmental strategy.

PERFORMANCE DATA TABLES FOR STRATEGIC OBJECTIVE 4: Improved Environmental Management of Targeted Sectors

STRATEGIC OBJECTIVE 4: Improved Environmental Management of Targeted Sectors			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: Improved Environmental Management of Targeted Sectors (SO level)s			
INTERIM INDICATOR: Populations of Endangered Species			
<p>UNIT OF MEASURE: number of black caiman reported per kilometer per month in the Samiria River (a) and Pacaya River (b); and number of <i>charapa</i> turtle nests (c)</p> <p>SOURCE: Employment and Natural Resources Sustainability Project (ENRS) records including those from activity counterparts The Nature Conservancy and ProNaturaleza; GoP national park service (INRENA) records and ecological surveys</p> <p>INDICATOR DESCRIPTION: Number of key threatened specie units sighted by project personnel and community members in or near key rivers within the Pacaya Samiria National Park</p> <p>COMMENTS: No annual targets were set for these indicators, but only final targets in accordance with the activity termination date. All 1997 targets for these indicators were surpassed in 1996.</p> <p>Indicator will be discontinued.</p>	YEAR	PLANNED	ACTUAL
	1994 (B)		a) 0.20 b) 2.45 c) 260.
	1995		a) 0.85 b) 2.6 c) 270
	1996		a) 1.0 b) 3.0 c) 500
	1997 (T)	a) 0.25 b) 2.60 c) 300	

STRATEGIC OBJECTIVE 4: Improved Environmental Management of Targeted Sectors			
APPROVED: 04/30/96		COUNTRY/ORGANIZATION: USAID/Peru	
RESULT NAME: 3.1. Innovative Technologies Tested Through pilot Projects			
INTERIM INDICATOR: Number of pilot efforts implemented to reduce pollution			
<p>UNIT OF MEASURE: Number of New Technologies/Practices</p> <p>SOURCE: Sustainable Environment and Natural Resources Management Project (SENREM)</p> <p>COMMENTS: Nine pilot projects implemented exceeding the 1996 target by three: (1) solid waste management in peri-urban areas; (2) pollution prevention in the fishmeal (Paracas); (3) appropriate mining pollution prevention technologies (Junin); (4) Lima Environmental Health Comparative Risk Assessment; (5) International Standards Organization (ISO) 14000 Club; (6) Metropolitan Lima Solid Waste Action Plan; (7) Ministry of Industry first environmental framework norm; (8) porous geochemical barriers for acid mine drainage; and (9) use of fishmeal plant effluent for export quality algae.</p>	YEAR	PLANNED	ACTUAL
	1995 (B)	4	4
	1996	6	9

Expected Progress Through FY99 and Management Actions

Given the past year performance and the current status the Mission believes that SO# 4 is off to a solid start and will achieve the anticipated results within the original time period, providing that approved management contract funding levels are received.

As shown in the SO# 4 results tracking tables, by the end of FY 1999 the following progress is expected:

Pilot Activities: Two pilot activities in solid waste management and pollution prevention in the fishmeal industry will be completed and replicated in other geographical areas. Additionally, about ten new pilot demonstration activities also will be completed and another ten will begin. Four of these innovative environmental practices/technologies will be validated and two will be replicated on a larger scale, under the IR, *sustainable practices adopted*. Comprehensive proposals that offer the Mission special opportunities to engage the economically disadvantaged (especially women); promote consensus-building by strengthening community participation mechanisms; and, *mobilize public support for environmental improvements* by supporting special initiatives in environmental education will receive priority.

Environmental Health: As a follow-on activity to our Comparative Risk Assessment, a strategy for the management of environmental health risks in Metropolitan Lima will be developed and some pilot interventions will be underway. The percentage of solid waste properly disposed of in sanitary landfills of Lima will increase from 24 percent to 47 percent. Promoting increased environmental awareness through this activity will assist the achievement of the IR (*mobilize public support for environmental improvements*) and will afford opportunities to engage in important environmental interventions, such as the phase-out of leaded gasoline that has negative health impacts on children and the management of hazardous wastes. The former is a Summit of the Americas objective.

Biodiversity Conservation: Conservation of key species and eco-systems will improve as a result of the following two interventions:

-A biodiversity activity will be designed and implemented, providing that the FY 1998 requested funding is approved and made available to the Mission. This activity will respond to a key indicator at the SO level as well as indicators for three IRs.

-A matrix to determine the management efficiency of the National Protected Areas System will be put into use. This tool will provide the Mission and our development partners with a methodology to evaluate progress in improving the *effectiveness of the parks system to protect and conserve biological diversity* and identify opportunities to promote community participation in the sustainable management and protection of biological resources. By FY 1999, at least two of the protected areas will demonstrate overall improvement by advancing to higher management threshold grade levels.

Policy Dialogue: The SO Team has determined that transparency, discussion, and civil participation are essential ingredients for the achievement of the IR, *sound policies established and effective legislation enacted*. Within this context, almost every action outlined above contributes to the achievement of this IR. In addition, mechanisms will be established to enable effective dialogue between the GoP, industry and the independent sector on matters related to environmental policies, legislation, and regulations. As a result, by the end of FY 1999 it is expected that:

-A master plan for a National Environmental Management System will be designed and approved by CONAM. New policy instruments and management tools will have been developed in a coordinated manner among GoP agencies and the private sector.

-Through continued support to the Congressional Commission on Environment, Ecology and Amazon Affairs, the Natural Resources Framework Law will be revised and enacted, while other complementary natural resources legislation will be drafted.

-Pollution prevention policies will be established by the GoP as a result of the SO's fishmeal and solid waste management pilots, as well as from several other demonstration projects that come on line.

-As part of the CRA follow-on phase II ("Risk Management"), a strategy to manage environmental risks in Metropolitan Lima, including a plan for solid waste management, will be developed and some interventions will be underway.

-MITINCI's industrial environmental framework norm emphasizing pollution prevention will be in place. As a result, a minimum of eight percent of plants in targeted sectors will have reduced or prevented pollution by ten percent or more. In addition, at least four industrial plants will have programs underway to adopt ISO 14000 standards.

-With the support of local partners, twenty-five major environmental policy and legal framework overlaps, inconsistencies or gaps will be identified, out of which four will be eliminated, including at least one through the initiative and participation of civil society.

Environmental Awareness: As a result of all of the above efforts, there will be a minimum ten percent increase in the number of people who are aware of, and express concern for, environment and natural resources problems and who believe that the actions taken in the sector are being effective.

**RESULTS TRACKING TABLE FOR STRATEGIC OBJECTIVE FOUR:
Improved Environmental Management of Targeted Sector**

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Strategic Objective 4: Improved Environmental Management of Targeted Sector									
a. Number of biologically-important national parks that have achieved management improvements.	Definition: Improvements are management threshold level advances, which reflect increases in performance capacity and use of human, technical and financial resources directed towards the conservation of select national parks and reserves. Threshold levels are: not acceptable, deficient, acceptable with reservations, good and excellent. They are based on the status of the following areas: legal status, administration, budget, strategic planning, level of community participation, use of natural resources, and management of conflicts and threats. Unit: Cumulative Number	Performance Management Matrix updated by a private firm under USAID guidance.	1996	0	0	1	2	3	5
b. Percentage of solid waste properly disposed of in sanitary landfills in Lima. (1)	Definition: Total metric tons of solid waste disposed of (as weighed and recorded by Relima and verified by SUMSEL) in landfills of Lima that meet the GOP technical norms for landfills as a proportion of total estimated metric tons of solid waste produced in Metropolitan Lima in a given year. Unit: Percentage	Supervisory Municipal solid waste collection services (SUMSEL) Solid waste disposal records	1996	24.4	38.9	42.1	47.0	53.0	58.0
c. Percentage of industrial plants in targeted sectors that have adopted new pollution prevention (P2) practices.	Definition: Plants in targeted sectors that have reduced or prevented pollution by 10 percent or more. Plants in targeted sectors are those that have accessed P2 promotion activities (e.g. information, training, technical advice, P2 audits, technology transfers, etc.)	CONAM records	1996	0	0	5	8	12	15
COMMENTS/NOTES: (1) As efforts and resources are allocated in areas other than Lima, this indicator will be expanded to incorporate such areas. Additional indicator monitored: Percentage of public that perceive that environmental and natural resources (ENR) actions have been effective.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: Institutional Capacity of the GOP and Private Sector Strengthened									
1. New environmental and natural resources (ENR) policy instruments and management tools developed in coordinated manner among GOP agencies.	Definition: New ENR policy instruments and management tools include laws, supreme decrees, ministerial and local/regional governments resolutions, strategies, programs, procedures and practices, intra-government coordination, ENR information systems, dispute resolution, and other management tools. GOP is defined as CONAM, line Ministries, Congress and local/regional governments. Coordinated manner means developed by 2 or more units of the GOP. Unit: Number in a given year.	CONAM (National Environmental Council) Management Information System (MIS)	1996	0	2	2	3	3	3
2. Number of ENR private sector advocacy initiatives.	Definition: ENR initiatives are those that strengthen the private sector capacity to engage society on environmental issues, such as policy research instruments, sectoral fora, data information systems, including environmental monitoring systems and consensus-building mechanisms. Unit: Number per year	USAID Sustainable Environmental and Natural Resources MIS.	1996	0	0	2	2	3	3
COMMENTS/NOTES: Additional Indicators Monitored: Number of private sector proposals on policy instruments and management tools adopted by the GOP.									
Intermediate Result: Public Support for Environmental Improvements Mobilized									
4. Percentage of public that understands and is concerned for ENR problems.	Definition: General public over 18 years that have an adequate level of recognition of the causes and effects of environmental problems in general and in the areas of water, air, soil, flora and fauna, protected areas, solid waste; and pollution prevention and management of natural resources concepts. An individual has an adequate level of knowledge and concern if he/she scores 75% or higher of all the possible points assigned for all ideal/correct answers in the areas subject of the interview. Disaggregated by socio-economic and geographical variables. Unit: Percentage	<i>National Public Opinion Poll on Environment</i> , conducted by a private firm under USAID/Peru guidance.	1996	13	14	17	20	23	25
COMMENTS/NOTES: Annual targets will be confirmed by survey results due in late April.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result: Innovative Technologies Tested Through Pilot Projects									
5. Environmental technologies tested and validated through pilot projects.	Definition: Innovative, feasible for wide spread adoption and economically viable environmental technologies/practices developed and validated, through the attainment of the intended results. Unit: Annual number	USAID Sustainable Environment and Natural Resources MIS	1996	0	1	1	4	4	5
COMMENTS/NOTES:									
Intermediate Result: Sustainable Practices Adopted									
6. Number of pilot environmental technologies/practices replicated or adopted in non-pilot areas.	Definition: Number of environmental technologies/practices replicated or adopted by public/private institutions with or without USAID support. Unit: Cumulative number	USAID Sustainable Environment and Natural Resource MIS.	1996	0	0	1	4	7	7
COMMENTS/NOTES:									
Intermediate Result: Sound Policies Established and Effective Legislation Enacted									
7. Number of targeted ENR policy and legislation overlaps, inconsistencies, or gaps eliminated.	Definition: Number of ENR policies and legislation approved, which are directed to address 25 pre-selected overlaps, inconsistencies, or gaps, identified in year one by USAID and qualified by a panel of experts. Unit: Number	CONAM MIS	1996	0	0	1	3	3	3
COMMENTS/NOTES: Additional indicators monitored: Degree of stakeholder participation in the attainment of outcomes of indicator 7; a master plan for a National Environmental Management System designed.									

SPECIAL OBJECTIVE: *Reduced Illicit Coca Production in Target Areas in Peru*

Performance Analysis

Based on USG satellite surveys recently completed, the area of coca leaf production fell by 18 percent, making 1996 a watershed year in Peru's efforts to battle coca production and narcotrafficking. At the same time, a decrease of 4.8 percent (8,900 MT) in potential coca leaf production and a 5.4 percent decrease (25 MT) in potential cocaine HCL production were estimated. These are the strongest indicators of the success of the joint USG-GoP counternarcotics strategy, of which alternative development (AD) and interdiction/law enforcement are the key components. The fact that the GoP has increased its efforts in law enforcement, reflects, in part, the government's response to an increase level of drug awareness among Peruvians. Currently, more than 57 percent of Peruvians think that drug production, narcotrafficking, and abuse is one of the country's major problems that must be addressed. It is also noteworthy to point out that fully 66 percent of the 20,900 total hectares reduced occurred in watersheds where USAID has been promoting initial alternative development activities.

As a result of the drop in farm gate coca leaf prices due to successful interdiction and law enforcement efforts in 1995 and 1996, as well as initial alternative development and on-going local government development endeavors, rural communities in coca areas have demonstrated a willingness to participate in alternative development activities. During a span of less than three months in 1996, a total of 226 communities, spread throughout the five major watersheds where the AD Program is concentrating its efforts, have signed voluntary coca reduction agreements representing a commitment to reduce 15,000 hectares of coca production over the next four years-- in excess of the target to reduce 12,500 hectares originally contemplated under the AD activity. In exchange for these signed commitments, communities become available for a package of assistance, including agricultural production activities, access to credit, provision of basic services, and infrastructure.

No 1996 performance data tables are presented for this special objective since the objective was approved only recently in USAID/Peru's Country Development Strategy: 1997- 2001. Previously, the AD activity, authorized in May 1995, was included under an Intermediate Result (IR) of the Mission's SO# 2. However, the Special Objective (SpO-- or Alternative Development Program) team determined that the SO# 2 indicators for AD were no longer valid. For the past 18 months the Mission has been operating under the revised framework as presented in last year's Strategic Plan. Key to achieving the results anticipated for the objective is continued long-term success in law enforcement/interdiction efforts in driving down farm gate prices of coca-- a critical IR, but one that is outside the control of USAID.

The SpO team is currently in the process of collecting data to finalize baselines and targets for newly established indicators to track progress at the SpO and IR levels in meeting important economic and social indicators for the Program, including reduction of coca area under cultivation, the generation of income and employment, the growth of the licit economy in former coca areas, and the provision of basic services. Progress at the IR level will be reported on more fully in next year's R4.

The special objective has focussed intensive efforts in selected areas to achieve maximum sustainable impacts due to AD funding limitations. Based on this, USAID/Peru presents important anecdotal information which validates the hypothesis of the Mission's SpO to reduce coca cultivation through voluntary compliance. For example, in one of the small priority alternative development districts where the Mission has invested heavily (Sivia District of the Apurimac River Valley-- one of five geographic districts in that watershed as well as one of the most populous and impoverished) a 40-50 percent reduction in coca cultivation was detected in 1996 through aerial photography and ground truthing sub-sample surveys. Main activities during 1996 in Sivia included feeder road rehabilitation, basic services provision with strong community participation, and the initiation of a 250 hectare rice cultivation project. This indicates that success can be observed within a relatively short time frame and is not solely dependent on productive activities, but also that by initially opening up an area to increased licit commerce and communication, illicit activity is effectively driven out.

Although the USAID Alternative Development Program (ADP) started in late FY 1995, some components of the strategy, such as local government development and community drug awareness activities were carried out on a pilot

basis continuously since 1992 in the Central Huallaga Valley. It is important to note that analysis of the NAS survey data from 1992 to 1996 demonstrates that in that valley, unlike others, decreases in hectares of coca under cultivation have been continuous during the same period. This would indicate that through continuous promotion of AD activities, the behavior of the coca farmers is affected in a more permanent way than with interruptions in the interventions due to funding restrictions.

A normal life...

Manuel is an 8-year old boy living in a coca-growing area. Last year, in a school contest called "A common day in my community," Manuel, as many of his friends had done, painted his crude reality. He had not only painted poor farms with maize, yucca and banana crops, but also coca fields on the top of a mountain, and armed police helicopters chasing narco planes. Coca production and narcotrafficking had also affected the social environment of the thousands of children like Manuel. Now, the Alternative Development program is changing Manuel's way of viewing life. With the assistance of local NGOs, the Alternative Development program is working with Mother's Clubs, local governments, schools and other community organizations in drug awareness campaigns, civic education and civic awareness activities to return these children and their families to a "licit, normal, and secure" livelihood. Changing the family values and attitudes towards coca production and trafficking ensures the coca farmers' commitment to reduce and eliminate coca leaf production permanently.

In order to establish an immediate level of confidence in coca communities during the start-up phase of the program over the past 18 months, primary emphasis was given to rehabilitating important farm-to-market feeder roads, financing small basic infrastructure needs of communities in the targeted areas, and fomenting participation at the local level. Productive activities have started gearing up during the past six months with the arrival of the technical assistance provider to the program and the recent signing of an agreement with a private, credit provision institution to provide the first tranche of credit to small farmers and farmer organizations for productive economic (mostly agricultural) activities, including quality coffee, rice, and cacao for international and national markets as well as subsistence production for home and local consumption. To date, outputs of these initial activities resulted in the construction of over 70 schools, 25 potable water systems, 20 health posts and 24 other local community activities, providing access to basic

needs of nearly 12,000 families. To strengthen community participation in determining needs and solutions to problems, local government officials and community leaders were trained in municipal management and project design and implementation. Additionally, 382 kilometers of farm-to-market roads were rehabilitated, benefitting 25,000 families living in those areas, and 3,500 farmers received their formal land titles which will serve as the basis for credit collateral for productive activities under the Alternative Development Program.

The AD Program includes a strong focus on providing technical assistance to women and including them in participatory processes at all times. The program is working with women's organizations further their participation with their local municipalities, as well as to increase their income generation capacity and meet their food consumption needs. For example, it has supported these groups to establish revolving funds to finance small productive activities at the household level, such as vegetable gardens, small animal farms, or fruit gardens. With the opening of roads in a given area, and therefore the reduction of transportation fares and travel time to the markets (in some areas from 3 hours down to 10 minutes), these women now have the opportunity to sell their products, providing licit incomes to their families. Monitoring and reporting of gender-disaggregated data will be available once a consultancy is completed in late 1997.

The GoP has demonstrated its political and financial commitment to counternarcotics objectives, including law enforcement cooperation with the USG and alternative development. In 1994 the GoP established a National Plan for the Prevention and Control of Drugs. The GoP created in 1996 the Counternarcotics Coordinating Commission (ContraDrogas), which is charged with coordinating all GoP counternarcotics activities. ContraDrogas recently presented a draft alternative development strategy to the donor community at an important World Bank-sponsored symposium held in Lima. The GoP proposed an investment program that provides the framework for coordinating GoP and donor resources and investments to achieve a significant reduction in coca leaf production. Other donors, especially the UNDCP and the GTZ are working in watersheds with high concentrations of coca production. Significant additional other donor funding is expected to become available through debt conversion agreements to complement USAID-financed activities.

The entire Alternative Development Program supports a major initiative of the Summit of the Americas plan of action: "Preserving and Strengthening the Community of Democracies in America." One aspect of the Program

is its emphasis on community-based strategies to encourage people to abandon the illicit coca economy in favor of licit social and economic alternatives. This approach is consistent with another of the Summit of the Americas goals, which is to encourage action at the community level. This special objective has strong links to sub-initiatives relating to invigoration of society and community participation, combating corruption, combating the problem of illegal drugs and related crimes, and building mutual confidence.

No more coca...

Priscilo Flores, a small farmer in the Pichari area of the Apurimac River Valley, farms 19 hectares of land, most of which was in coca until the price drop of coca leaf in early 1995. Since the price drop, Sr. Flores has reduced his coca cultivation to only 6 hectares and has sought to diversify into other crops. "I don't want coca," he said recently, "but it is the only thing that we've had here." Mr. Flores is participating in a rice production program under the Alternative Development Program in which he has planted 1 hectare in upland rice production, and is evaluating 8 rice varieties for use in an expanded rice program that will include irrigated rice for the first time in the valley. He is one of 235 farmers that planted over 300 hectares of rice in 1996 under the program. Early indications are that Mr. Flores will harvest approximately 1,250 kg of rice on his 1 hectare plot, providing him a net return of \$101. By comparison, his net return on coca would be zero. Mr. Flores understands the potential of moving to rice and to other licit crops through this simple demonstration of what can be done with a new crop and he already has said he wants to expand his rice production in the coming year.

The Alternative Development Program is moving to increase technology and provide higher yields and greater returns for farmers like Mr. Flores. In 1997, a farmer will be able to produce two harvests per year of nearly 4,000 kg. each, for a total production of 8,000 kg. per year per hectare, with an estimated net return of \$650/hectare/year. With the rehabilitation of the road, he will be able to sell his rice and other licit products easily. Rice is one of four productive activities already underway or planned for the Apurimac River Valley over the next two years (small scale agriculture, coffee and agroforestry are the other three activities) that will assist over 5,000 families in meeting their basic needs and in earning an income from licit activities, thereby making coca reduction sustainable and permanent.

In sum, this program holds much promise for coca farmers to earn a living from licit, productive activities. The Mission feels strongly that significant progress was made in 1996 and that the SpO is very much on the right track toward achieving its stated objective. The 18 percent reduction of hectares under coca cultivation show that our joint USG-GoP strategy is working: law enforcement/interdiction have driven down the prices paid for coca leaf to levels below the break even point (estimated at \$0.80-\$0.85/lb.) This forced many farmers to abandon their coca crops because cultivation was no longer an economically viable activity, which in turn has provided incentives for farmers to get out of coca production and stay out. Alternative development is providing a means for those farmers to earn a living in the licit economy, thus making coca reduction sustainable, providing that interdiction efforts remain successful over the longer-term.

Expected Progress Through FY99 and Management Actions

In areas of priority intervention with current resources, anecdotal evidence indicates that the program is on track and possibly ahead of schedule in area of coca reduced. Based on successful experience under the program to date, in March 1997, the U.S. Country Team in Peru endorsed a USAID concept paper that presented the alternative development component of a strategy to substantially reduce illicit coca cultivation in Peru over a ten year time frame through FY 2008. This strategy calls for an investment by the USG of \$250 million in the Alternative Development Program, spread out in equal increments over ten years. Specific activities will be designed to support GoP efforts in alternative development. They will involve three high priority and interconnected actions to provide incentives for private sector investment and economic growth: 1) improve agricultural and non-agricultural production, productivity, and marketing through technical assistance, productive infrastructure and technology, and credit; 2) strengthen local government participation and provision of services that respond to community infrastructure and social service needs; and, 3) increase people's awareness about the dangers of drug production and consumption and the harmful impact of coca on society and the environment.

The expected progress through 1999, as presented in the Results Tracking Tables, is predicated on the special objective receiving the full INC resource request on a yearly basis over the next decade. Additionally, if law enforcement/interdiction activities continue to maintain coca leaf prices at low levels, by the year 1999, the USG strategy, of which the Special Objective (SpO) is a key part, will achieve the following major results: a net reduction of 35,000 hectares of coca from the 1995 INL-estimated levels; a reduction in coca leaf production by 36,100 MT below 1995 levels, resulting in an estimated decline of 93 MT of cocaine (assuming coca leaf productivity remains at current levels); and, a substantial increase in licit economic activities and social services generated in the target areas. Additionally, a total of 11,000 new licit full-time job equivalents will be created by the end of 1999, and the percent of people in targeted coca areas with unmet basic needs will decline by 18 percent.

By the end of 1999, approximately 480 new community agreements will be signed, representing an average reduction of approximately 8,000 additional hectares of coca per year (starting in late 1998 or early 1999 depending on when funds are received.) Communities will be targeted based on the potential impact of program activities on coca reduction as well as by areas with highest economic potential. Also to be taken into consideration will be overall levels of poverty, complimentary other donor and GoP investment activities in those areas, and the security threat level for program implementation and monitoring.

Geographically, the program will expand its actions in the Apurimac River Valley, which contains additional, concentrated areas of coca cultivation not yet targeted to date. The program will also shift more emphasis to the Upper and Central Huallaga Valleys, which contain high concentrations of coca cultivation and where successful past USAID activities have achieved a level of community participation and cooperation that must be reinforced to ensure a sustainable impact. Stepped-up interventions will be carried out in two other geographic areas (Pichis-Pachitea and Aguaytia) to consolidate and begin to build on the initial pilot activities being introduced there in 1997.

The SpO (alternatively, the AD Program) is an integrated program of service delivery interventions designed to create licit income and employment opportunities for coca farmers committed to abandon coca cultivation permanently. As such, it has developed strong links and synergies with all four Mission SOs. Coordination with SO# 1 (*Broader citizen participation in democratic process*) focuses on strengthening local government participation as an essential element of providing services that respond to community infrastructure and social needs. *Increased incomes of the poor*, (SO# 2) contributes valuable experience working with microenterprises and small producers in the design of economic productive activities in former coca areas and provides a proven system for measuring employment creation. Strategic Objective# 2 also draws on the Title II food program, which supports the nutrition and health needs of many of the people most dramatically affected by the collapse of the coca economy.

Coordination with SO# 3 (*Improved health, including family planning, of high risk populations*) complement activities aimed to increase access to basic services in coca areas. While the AD Program will be working with the population in providing the social infrastructure needed, such as rehabilitation of health posts, SO# 3 quality of care interventions will provide trained health workers and promoters for many areas ensuring that those basic needs of the target population will be met. Similarly, the AD Program will support the provision of sewage and potable

water systems in certain target communities, contributing to improved health and environmental conditions of the area. National level information dissemination activities under SO# 4 (*Improved environmental management in targeted sectors*) coupled with more targeted activities under the AD Program will raise the consciousness of people in coca areas on resource conservation issues, such as deforestation, soil management, agriculture practices, and water pollution, all of which are key areas that are impacted by coca cultivation.

A performance monitoring plan has been established for the program. USAID is in the process of establishing baselines and targets to track progress at the IR and sub-IR levels in meeting important economic and social indicators for the program, including the growth of the licit economy in former coca areas, agricultural productivity, provision of basic services, citizen participation, and awareness activities. However, at present the measurement and verification methodology for coca reduction below the national level is being implemented at an unsatisfactory rate and is outside of the control of USAID. The current methodology includes a census by field workers hired under a NAS program to measure, field-by-field, the size and condition of all coca fields. Current projections are that this census will be completed in the year 1999. In an effort to accelerate baseline studies for coca production and to have timely status reports that can link coca reduction more closely with program activities, USAID is working with other USG counternarcotics agencies to develop a new methodology for coca measurement in target areas. This approach, once approved by the country team, will be based on an analysis of aerial photography of the Alternative Development targeted areas, followed by ground truthing sub-sampling to verify the nature and condition of vegetation being analyzed. Employing this methodology, baselines can be developed for all target areas in 1997 and results can be tracked easily on a yearly basis.

A first program evaluation will take place at the end of 1998, at which point activities in the areas of initial program intervention will have been ongoing for approximately three years. This evaluation will focus on progress in meeting the objectives at the special objective and intermediate results levels, and will provide a basis for programming future activities.

To strengthen the gender focus, a consultancy is planned for August 1997 that will examine gender issues related to the program. The recommendations from this work will be incorporated into the modular expansion of the program to all five watersheds. Using this modular approach, which will better incorporate gender issues, USAID will work with the GoP, other donors, and the local communities and municipalities to identify and put in place an integrated set of activities that will result in significant coca reduction and the establishment of sustainable development activities.

For the sake of comparison of relative levels of impact between the full funding amount and the program as currently funded, the Mission wishes to present the following information. At the current resource level (\$32.5 million in ESF) and based on estimates provided by participating communities, USAID and the GoP implementing agency, INADE (National Development Institute), expect sustainable development activities to be in place in communities with coca reduction agreements, and coca cultivation to be reduced by additional approximately 15,000 hectares by the end of 2000. This represents only about 16 percent of the 1996 national estimates for coca area under cultivation. With current program resources, this result, although important, will not enable the USG to achieve its goal of reducing coca leaf production to minimally tolerable levels. Furthermore, it leaves communities which are cultivating over 80,000 hectares of illicit coca without access to alternative development assistance until such time as significant additional INC resources are made available. Only 3,800 new licit job equivalents will be created by the end of 1999, and the percent of people in targeted coca areas with unmet basic needs will decrease by only seven percent.

Under the current level of funding the AD Program will remain only a pilot activity, the geographic focus will remain limited with no expanded national level impact, and neighboring communities in each of the five targeted geographic areas will become skeptical and cynical about the intent of the GoP to support a sustainable development effort in coca areas. This attitude may possibly poison the good relations that are being developed in current focus areas and that also have created hopes among neighboring communities for future program participation. Unless the program is expanded significantly now, a valuable window of opportunity to achieve sustainable, long-term coca reduction may be lost forever.

Summary Expected Progress Comparison Table by Resource Level:

Major Results	\$250 Million Over Ten Years			No New Funding (\$32.5 Million Total)		
	Cumulative Through Year			Cumulative Through Year		
	1999	2001	2008	1999	2001	2008
Number/coca hectares reduced (1)	35,300	55,000	104,700	28,200	33,600	33,600
Number/community coca reduction agreements	706	1,006	1,436	226	226	226
New licit full-time job equivalents created	11,300	19,540	41,920	3,840	4,620	4,620
Percentage of households in coca related areas with unmet basic needs (2)	66	54	12	76	75	75
Percentage of population in coca areas that recognize the social and environmental damages of coca production and trafficking (3)	42	59	87	12	12	12

(1) Base 1995: 115,000 hectares

(2) Base 1995: 84% of households

(3) Base 1995: 12%; 700 municipalities in coca related areas

**RESULTS TRACKING TABLE FOR SPECIAL OBJECTIVE:
Reduced illicit coca production in target areas in Peru**

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Special Objective: Reduced illicit coca production in target areas in Peru									
1 Hectares devoted to coca production in Peru.	Definition: Hectares cultivated (not abandoned). Unit: Number of hectares	NAS reports. USAID/UN special studies.	1995	115,000	92,700	90,200	79,700	68,300	60,000
2. Coca leaf production in Peru.	Definition: Productivity per hectare times number of hectares cultivated times number of harvests. Unit: Metric tons	NAS reports. USAID/UN special studies.	1995	183,600	171,495	166,870	147,445	126,355	111,000
COMMENTS/NOTES: Assumptions: a) Productivity: 1.85 Metric tons per hectare (1997-2001); b) Investment: US \$ 46.5 million (1995-1999), plus \$ 250 million in 1997-2006 ten-year period or \$ 25 million per-year starting on CY 1997.									
Intermediate Result: Increased commitment to reduce hectares devoted to coca production voluntarily									
1. Number of communities represented in signed coca reduction agreements in Alternative Development Program (ADP) target areas.	Definition: Cumulative number of communities. Reduction agreements are signed by local government authorities with their communities (coordinated by INADE- the GOP counterpart). Indicator is a proxy measurement for the intermediate result. Unit: Number communities	INADE/ADP - Management Information System (MIS)	1996	226	226	706	706	706	1006
COMMENTS/NOTES: Additional indicator to be monitored: Public perception of costs and benefits of coca production and trafficking in population centers in AD program areas.									
Intermediate Result: Increased growth of the licit economy in comparison to the illicit economy									
1. Ratio of licit agriculture production to total coca production	Definition: Total value of licit agricultural production in AD Program target areas divided by the calculation of total value of production of coca leaf. Unit: Percentage	ADP special surveys.	1996	37.3	38.3	40.6	47.3	56.8	66.0
2. Number of jobs generated in AD Program areas.	Definition: Cumulative number of full time jobs (or equivalent) generated in AD Program target areas. Unit: Number of new jobs (gender disaggregated)	INADE/ADP - Management Information System (MIS)	1995	0	1,140	6,220	11,300	15,810	19,540
COMMENTS/NOTES: Additional indicators to be monitored: Value of licit production in AD Program areas; Number of hectares devoted to main licit agricultural production in AD Program areas; Productivity per hectare of main licit agricultural crops in AD Program areas; Farm gate producer price as a percentage of end price.									

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASELINE DATA		TARGETS				
			YEAR	VALUE	1997	1998	1999	2000	2001
Intermediate Result : Increased availability and access to basic services to the target population in AD Program areas									
1. Percentage of households with unsatisfied basic needs in AD Program target areas.	<p>Definition: A household is defined as having unsatisfied basic needs if it demonstrates at least one of the following characteristics:</p> <ul style="list-style-type: none"> - no sewage, drainage or toilet system; - more than three people per bedroom; - temporary construction materials, i.e. dirt floors, straw mat walls, etc. - head of family with incomplete primary school and more than three dependents per income earner; - children between the ages of 6 and 12 that do not attend school, <p>Unit: Percentage (disaggregated by male/female headed household, location)</p>	National Living Standards Surveys.	1995	84	76	70	66	60	54
Intermediate Result: Increased public participation in local decision-making									
1. Percentage of local governments that have formal plans and budgets and have consulted on the content and priorities of these plans and budgets with the community.	<p>Definition: A local government is defined as having formal plans and budgets in place if they have: a program of activities with objectives and targets; an implementation schedule; the commitment of organizations responsible for implementation, financial and material resources. Consultation with the community is defined as the level of involvement of grassroots community organizations and citizens in preparing and prioritizing the municipal plans, as determined by citizen's opinion (on a subjective scale ranging from "A lot" to "Nothing")</p> <p>Unit: Percentage (disaggregated by socio-economic variables)</p>	USAID Democracy Survey Local Government MIS	1995	6.0	8.6	10.4	15.4	21.4	28.6
COMMENTS/NOTES: Additional indicators to be monitored: Percentage of district municipalities in ADP areas with democratically chosen leadership; Percentage of district municipalities with open public information on municipal budget.									
Intermediate Result: Increased awareness of social and ecological damage caused by drug production and use.									
1. Percentage of public that recognizes that drug production and consumption cause environmental and social damages.	<p>Definition: People surveyed that recognizes environmental and social damages caused by coca production, drug trafficking and consumption.</p> <p>Unit: percentage (disaggregated by socio-economic and geographical variables)</p>	AD Program surveys.	1996	12 (*)	21	31	42	55	59
COMMENTS/NOTES: (*) Estimated from a limited survey. Will be updated in 1997.									

III. STATUS OF THE MANAGEMENT CONTRACT

SO Changes and Refinements to Management Contract

There are no major changes to the management contract which was approved in April 30, 1996. However, during the development of the Performance Monitoring Plan (PMP), and based on the comments provided by USAID/W during the Strategic Plan review process, refinements were made to the wording of some intermediate results. The most significant revisions to the frameworks has been in the cases of Strategic Objective 4 and the Special Objective, where the presentation of the participation of other donors, presented as a separate intermediate result in the Strategic Plan, were eliminated, thus integrating donor inputs into each IR.

Following the ADS guidance, the indicators, baselines and targets that were presented as illustrative in the Strategic Plan have been revised with the development and completion of the Mission PMP. For the four Strategic Objectives, data baselines have been established based on the results of several studies carried out during 1996 which provided critical information on our customers opinions and needs. Consequently, targets also have been adjusted. The Special Objective (SpO) has baselines established at the SO level and baselines for some IR level indicators remain to be completed in 1997. Specific refinements for each Strategic Objective are illustrated below:

SO1: Broader citizen participation in democratic processes

No specific changes are proposed for the management contract for this objective at this time. The Mission does plan, however, to undertake a thorough review of this objective during the coming year. The purpose of the review is to assess whether changes in the articulation of the objective or other elements of the results framework may be warranted given the pace of political developments over the past several years, the anticipated direction of political change between now and the period leading to the 2000 presidential and congressional elections, and the implications of these impacts for the focus of the USAID program.

SO2: Increased incomes of the poor

The structure of the SO2 results framework will remain as it was presented in the Strategy, with five intermediate results closely linked together to attain the necessary synergy to achieve the planned results. The refining of the SO and IR indicators during the PMP development process will enable the Mission to more accurately report on the impact at the national level, rather than simply at the USAID activity level. This refinement will also result in more direct, measurable indicators than those presented in the Strategic Plan.

SO3: Improved health, including family planning, of high-risk populations

No changes have been made to Strategic Objective 3 nor to its intermediate results. Regarding the Performance Monitoring Plan, the indicators at the SO level remain the same as those presented illustratively in last year's Strategic Plan. At the IR level, while some indicators remain the same, a selection has been made of the best indicators, with other indicators having been refined.

As a result of the DHS, one target has been marginally revised. The readjustment of that rate to 3.9 for 1991-92 and its present status at 3.5 have caused the SO Team to adjust marginally upward the target for 2000, from 3.0 to 3.1. This correction by the DHS of a mistake made in the past in data analysis, the first of its kind in DHS history, allows progress under this indicator to be gauged more reliably.

SO4: Improved environmental management in targeted sectors.

There have been certain refinements in the wording of some IRs. The most significant revision was the elimination from the framework presentation of IR#6, *Other Donor Investments Increased*. Participation of other donors through increased investments are incorporated in other intermediate results through increased other donor partnerships in achieving those results. SO-Level indicators, as presented in the Strategic Plan, remain unchanged, but IR-level indicators have been modified as a result of the development of the PMP.

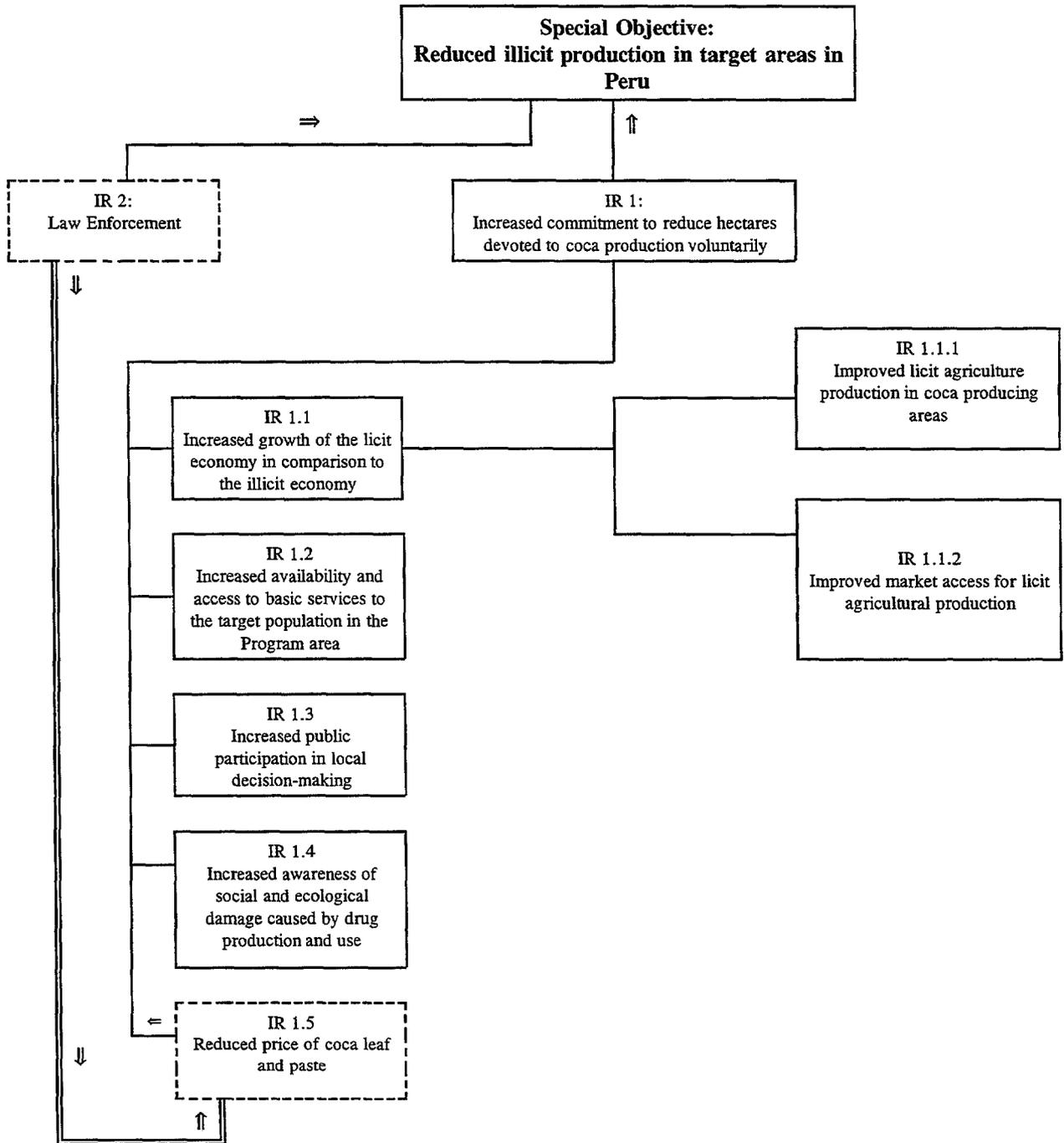
Special Objective 5: Reduced illicit coca production in target areas in Peru

The development hypothesis for achieving this Special Objective (SpO) remains as it was articulated in the design of the AD Project in 1995-- given a set of assumptions concerning law enforcement, interdiction, security, and economic potential, an integrated package of alternative development activities, provided at a minimally acceptable level of resources and responsive to the needs of the people and their communities, will result in voluntary reduction of coca cultivation and a sustainable transfer to licit economic activities within a strengthened civil society that responds to the social, political, and economic needs of its citizens. However, the programmatic strategy to test this hypothesis has evolved, treating former USAID projects as activities of an overall, integrated AD Program strategy. Accordingly, to date, the SpO has tapped into the Alternative Development, Local Government Development, Narcotics Education, and Microenterprise and Small Producers Support activities to provide the mix of undertakings required to address the productive, infrastructure, basic social services, local governance, and awareness requirements of the AD Program.

Successes of these activities over the past years were the basis of the development of a ten-year, \$250 million USG strategy, approved by the country team and cabled to Washington, to apply this development hypothesis to Peru's principal coca growing areas to virtually eliminate illicit coca in Peru. Starting in late 1997, AD Program interventions will be designed and obligated at the Special Objective (AD Program) level, instead of at individual activity levels. This will result in greater flexibility to respond to the evolving needs of Program customers.

In accordance with the above, the SO results framework was modified from a set of discrete results to better reflect our integrated AD Program (see attached.) Intermediate Results (IR) modifications were made, including the addition of a new IR to reflect the results produced by alternative development opportunities-- to produce a behavior change in coca farmers through increased commitment to reduce coca production. Five sub-IRs (formally IRs) were subsumed under the new IR to unify all results produced by the Alternative Development Program (SpO). This portrays the interaction of all the sub-IR results that are needed to strengthen the commitment of farmers to reduce coca cultivation on a sustainable, long-term basis. These sub-IRs include: increased growth of the licit economy; increased availability and access to basic services; increased public participation in local decision-making; increased awareness of social and ecological damage caused by drug production; and, reduced price of coca leaf and paste. The latter sub-IR does not depend on USAID interventions, but rather on the continued successful law enforcement and interdiction actions of other USG and GOP entities.

Special Objective Results Framework



Special Concerns or Issues

Following are concerns and issues that the Mission wishes LAC intervention or advice:

Strategic Objective One:

The GoP has undertaken a significant judicial reform effort. Up to this time, LAC has proscribed Mission assistance to the Public Ministry pending the passage of a new criminal procedures code. While we cannot predict the outcome of the judicial reform, it is very possible that it may introduce changes that would open opportunities for USAID assistance that can have beneficial impacts for promoting greater access to justice. **The Mission wishes to explore opportunities for providing assistance to the judicial sector, including the Public Ministry, where it can be expected reasonably to help the GoP move in the right direction on judicial reform.**

Strategic Objective Two:

The GoP will most likely not reach its ambitious goal of reducing extreme poverty by nearly 50 percent by the year 2000. In order to approach this goal, however, an annual GDP growth rate of at least 5 percent will be required for the next three years, as well as a continued focus on social sector investments. This could be further constrained by the nearly \$1.3 billion in combined annual debt service payments required to meet both Paris Club and Brady Plan obligations. The GoP has pursued debt swaps with donor countries (e.g., Canada, Germany, Finland, Switzerland) to reduce its debt obligations and to finance investments that the private sector is unlikely to undertake, such as in alternative development, environment and poverty reduction. **A debt swap with the USG for purposes of poverty reduction would provide double benefits through reduction of debt payments and sustained social sector investments.** Mission requests LAC follow-up with State and USTR to get approval for debt swaps.

Strategic Objective Three:

As stated elsewhere, the GoP's strong support for family planning is positive, in that it means an increase in GoP resources dedicated to the family planning program, as well as over-arching political support. At the same time, zeal to perform according to targets should not result in compromises to the quality of care offered. The GoP is attempting simultaneously and within a short time period to scale its program up and increase program production considerably. Scaling up within a quality of care framework requires certain inputs in infrastructure, training and client education materials, among others. USAID/Peru is working continuously with the GoP to exercise caution and good judgment in this regard. **No actions are required by LAC at this time.**

Strategic Objective Four:

The Mission believes that a regional approach to deliver cost effective USG assistance to conserve biological diversity issues should be seriously considered. The Agency supports several discrete conservation activities in Amazon basin countries. **The Global and LAC Bureaus should make an integrated regional approach to eastern slope biodiversity conservation a reality by FY99 and USAID/Peru requests LAC support to be a participant in such an activity.**

Special Objective:

1. USAID has worked closely as part of the U.S. Country Team in Peru to develop a comprehensive strategy (the "Big Picture" cable of February 1997) to achieve the USG's goal to virtually eliminate the flow of illicit drugs from Peru to the United States. The Alternative Development component of this strategy has been approved by the Country Team and submitted to several agencies in Washington--USAID/LAC, the Department of State/INL, and the Office of the National Drug Control Program (ONDCP). This strategy requires a ten-year, \$250 million USG contribution to alternative development. Several USG agencies in Washington will be working with the U.S. Congress to obtain these funds for the Program. With the continued success of law enforcement/interdiction activities in holding down the price paid for coca leaf, we believe strongly that our AD strategy could work, and that it has already been validated. With sufficient new INC resources, we can virtually wipe out illicit coca in Peru

over the next ten years. **Therefore, it is essential to have continued strong support of the LAC Bureau in the coordination and approval process for receiving the full ten year INC resources requested.**

2. To manage the implementation an expanded Program, it is anticipated that USAID/Peru will need two additional full time staff. This increase is needed to cover the additional field visits, coordination with GoP counterparts, and donor coordination that will be involved in undertaking a nearly nine-fold increase in SO funding. These will be project-funded positions, therefore there will be no increased OE costs associated with these positions. **The Mission requests LAC approve two new positions above the ceiling for Alternative Development Program management.**

3. Under the recently signed credit agreement between INADE and Banex (a private financial institution), which is planned for USAID funding, an issue has arisen which the Mission wishes to bring to the attention of the LAC Bureau and AA/LAC. Credit to former coca farmers and farmer groups will be provided to support productive activities, many of which will be agriculture-based. Under this component, farmers will be borrowing local currency, at market rates, from an intermediate credit institution (ICI) to purchase local agricultural commodities such as rice, coffee, and cacao seeds, etc. Under the ADS, standard restrictions applicable to procurements of agricultural commodities apply generally to procurements conducted by borrowers under ICI programs, when related loans exceed \$5,000. (See ADS 316.5.2d and ADS 312.5.3a1.)

Under ADS 312.5.3a2(b) and (c), in order for USAID to finance procurement of non-U.S. agriculture products (apparently even under an ICI program as is contemplated), USAID must either determine the parity position of each product in consultation with USDA or USAID/W (i.e., AA/LAC, in consultation with OP and GC/CCM, must determine that "the commodit[ies] to be financed could not reasonably be procured in the United States in fulfillment of the objectives of a particular assistance program under which such commodity procurement is to be financed.") Under this provision, USAID may authorize non-U.S. procurement of agricultural products:

...when development projects do not contain a potential for financing of agricultural commodities exported from the United States, such as a project involving the purchase of local agricultural commodities for cooperative marketing...."

The Mission believes that in the case of our particular program we can safely say that this development program does not contain a potential for financing of agricultural commodities exported from the United States. The cited ADS provisions appear to require AA/LAC authorization to proceed with an activity of this type which involves procurement of non-U.S. agricultural products. **We request the AA/LAC's authorization for this action as part of the Bureau-Mission management contract.**

Environmental Compliance

SO1: The Local Government Development Project has environmental procedures established for small infrastructure works. INADE is responsible for conducting the required evaluation and monitoring actions through the Central and Regional Environmental Units established for the Alternative Development Project.

SO2: Although the MSP Project does not fund purchases of pesticides, the Environmental Assessment recommended some measures related to the use of pesticides and fertilizers by Project assisted farmers. In 1996, all the technical production packages designed for MSP's clients, included topics such as use of approved pesticides, safe handling of pesticides and use of protection equipment. During field days, practical hands-on demonstrations took place. Over 4,000 small producers have participated in these training programs of MSP's agricultural activities,

USAID is taking action to ensure that all PL-480, Title II activities comply with the requirements under 22 CFR 216. IEEs will be prepared for all activities and Environmental Assessments or Programmatic Environmental Evaluations, as required.

SO3: The Institutional Contractor for the SHIP North or MaxSalud component is monitoring all new construction and remodeling of health centers, to ensure compliance with the procedures established in the Programmatic Environmental Assessment to minimize environmental impacts. Regarding medical waste disposal, the clinics are handling medical waste in strict compliance with Government regulations.

The microenterprise component of the Repro Salud project is still in the initial stage of design. Should a decision be made by project staff to pursue agricultural efforts, proper guidance and approval will be sought.

SO4: The solid waste management pilot activity continues progressing satisfactorily under close monitoring for environmental impacts. Pollution prevention interventions will soon be initiated in two fishmeal plants in the Paracas bay. They will also be closely monitored to determine the environmental impact of the improved practices and technologies. The SENREM pilot demonstration projects have not yet been started. USAID will require the inclusion of environmental analysis in all proposals submitted for the competitive selection process.

SpO: On September 1996, the Grant Agreement for the Alternative Development Project was amended to require the establishment of appropriate environmental review and monitoring mechanisms by INADE, prior to disbursement of funds for activities with potential environmental effects. So far, INADE has established a central and four regional environmental units. These units have officially been assigned responsibility for analyzing and monitoring the environmental impacts of activities, particularly those related to road rehabilitation and agricultural production, according to the procedures and standards stated in USAID Regulation 22 CFR 216. The Institutional Contractor has provided technical assistance to these units during a six-month period. A total of 29 activities have been reviewed, and 12 environmental assessments have been conducted.

USAID will continue working with INADE to ensure that the environmental units are adequately financed and that their personnel are sufficiently trained in environmental analysis and monitoring procedures. USAID will also assure that in the design work over the next few months to incorporate the next tranches of funding, required mitigation measures for the direct and indirect environmental impacts of Project activities are included, and that these are adequately funded and monitored.

Preliminary List of Activities that will require IEEs and/or EAs in FYs 97 and 98.

SO# 1: No new activities scheduled to start up in 1997.

SO# 2: Elements of the new activity, MSP II, will require IEEs and/or Environmental Assessments.
PAPI II: Categorical Exclusion.
Title II FY 1998 Proposals: PAAs

SO# 3: Niño Sano: Categorical Exclusion.
Family Planning Support: Categorical Exclusion.
Emerging Diseases: Categorical Exclusion.

SO# 4: Approximately 12 pilot demonstration projects: IEEs and/or Environmental Assessments.

SpO: New activities will be of the same type as those addressed by the programmatic Environmental Examination.

IV. RESOURCE REQUEST

Program Resource Request by Objective

This section presents USAID/Peru's program budget request for the FY 1997-1999 period. The FY 1997 budget corresponds to the FY 1997 OYB; the FY 1998 request is based on the FY 1998 Congressional Presentation; and the FY 1999 budget reflects the Mission's best estimate of resource needs by objective to meet its expected performance targets to comply with the management contract, taking into account projected pipeline and expenditures. Supplementary tables provide information on support from Global activities that the Mission is counting on over the R4 period. Over the three fiscal year period, the Mission requests \$330.8 million, including \$149.5 million in Title II food assistance; \$106.3 million in DA; and \$75.0 million in INC funds. Of the total amount, \$306.2 million will be managed by the Mission and \$24.6 million will be provided through field support programs primarily to finance field support for SO#3.

The FY 1999 Development Assistance Fund (DAF) budget request includes a significant increase in funding for democracy (SO#1), reflecting the primary importance the Mission places on ensuring political stability by deepening and broadening citizen participation in democratic process, and the need to compensate for the lack of ESF or INC funds for democracy that were anticipated under the management contract (see USAID's Country Development Strategy for Peru: FY 1997-FY 2001). Achievement of this objective will require the Mission to expand its activities to provide greater support to the legislative branch of government and to local governments, while continuing its efforts to develop civil society. Particular emphasis will be given to activities that show potential for expanding opportunities for participation to groups traditionally excluded from the political process and who often are the victims of social and economic discrimination -- i.e., women, minorities, and indigenous and non-Spanish speaking populations.

The FY 1999 DAF budget for increasing incomes of the poor (SO#2) will need to increase significantly over current DA levels, and represents the approximate annual levels needed to fully achieve the objective within its established timeframe. With the depletion of Title III local currency, and the restrictions on INC funds, which limit their use almost exclusively to activities in coca growing regions, this strategic objective will need to rely entirely on DAF for activities that support the microenterprise and small agricultural producer sectors, and to address emerging policy issues that Peru will be facing as it moves beyond economic stabilization to an increased emphasis on poverty alleviation within a framework of sustainable economic growth. Examples of emerging policy issues include micro-finance, human capacity development, and intellectual property rights as well as other issues that may arise as Peru prepares to enter into an eventual hemispheric free trade arrangement. The Title II food aid levels reflect the multi-year program approved by USAID/Washington last year.

Improved health, including family planning, for high risk populations (SO#3) funding for FY 1999 will be used not only for the traditional HPN programs, but also to finance a shift in emphasis to focus more closely on emerging diseases, quality of care, basic and girls education, and sustainability issues in the health care system. Over the three fiscal years, costs of these programs will rise, while the Mission expects the GoP dependence on USAID-financed contraceptives to decline by as much as one-third over the same period.

The Mission's objective to improve environmental management in targeted sectors (SO#4) will require a significant level of DAF to ensure full achievement of its goals. These levels are required to compensate for the substantial reductions in the request levels for FY 1996, and FY 1997. The FY 1999 program will build on recent and expected policy and regulatory changes by expanding pilot efforts in urban and industrial pollution abatement, and will expand significantly the Mission's program to support biodiversity and environmental health activities.

The FY 1997-1999 budget for INC funds reflects full funding for its alternative development program. This is based on the importance of counternarcotics activities to the USG, Peru's performance in reducing coca cultivation (Peru experienced an 18 percent reduction in hectares of coca between 1996-1997), and the track record of the Mission's alternative development program to reduce coca cultivation and convert coca production regions to an increasing licit economy. Recently, the Mission put forward a comprehensive ten-year strategy aimed at reducing

significantly the remaining 82,000 hectares of illicit coca (see LIMA 001734, February 1997). The Mission's ability to fund this program is dependent entirely on the availability of INC funds.

Although not included in this budget request, the Mission is exploring potential uses for the Micro and Small Enterprise Development fund (MSED), and when authorized, the Mission will explore ways to take advantage of the Development Credit Authority Program (a.k.a. Enhanced Credit Program or ECP). Both MSED and ECP would be directed only to those activities deemed developmentally sound and credit worthy, and activity designs would be developed in accordance with the policies and procedures pertaining to each of these facilities.

Under MSED, the Mission has identified possible uses to support development of finance institutions supporting microenterprises, small businesses, and small-producers. For example, MSED could be used to permit financial institutions to float bond issues to increase capitalization; encourage commercial banks to make small business loans and also block loans to NGOs, who would on-lend to micro and small enterprises; or allow NGOs to collateralize loans they could access from the private banking system. Should the ECP be authorized during the period of this R4, the Mission intends to explore how that facility could be used to enhance its efforts to promote decentralization by working with private lenders or the private pension funds or similar private sector financial entities to underwrite municipal bond issues. Similarly, ECP might be considered for support to private sector environment service enterprises to acquire needed capitalization, or for capitalization to support expansion of HMO-type health service providers.

Prioritization of Strategic and Special Objectives

All of the Mission's objectives are closely related with each other. The synergies among them reinforce the need to provide adequate resources to meet each and every one. With that caveat, the discussion below attempts to provide a sense of the relative priority among the objectives.

Political stability in Peru is the number-one priority. Without it, investor confidence will wane and adversely affect economic growth and poverty alleviation. Political stability will depend increasingly on broadening and deepening the political process. This requires close attention to strengthening the independent role of the judiciary and legislative branches and increasing decentralization of the public sector; while simultaneously fostering the development of a civil society capable of articulating issues, engaging in public policy debates, and mobilizing the citizenry to participate in the political life of the nation. Consequently, the top priority for USAID funding in Peru is democracy building, and specifically the strategic objective to broaden citizen participation in democratic processes.

As in many newly established democracies, many Peruvians equate the efficacy of the democratic system of government with economic performance. The expectations of public for a broader sharing of the income generated by the sound economic policies of the current government require the GoP to pay close attention to poverty alleviation. In fact, the GoP has identified poverty reduction as its number one priority for the remainder of the decade. Although poverty declined significantly between 1991 and 1994, Peru's income distribution is among the most uneven in Latin America. The poor, who make up approximately one-half the population, receive less than one third of the national income; the poorest fifth of the population receives only five percent of the total income. Therefore, the USAID program to strengthen economic performance and assist Peru to increase the incomes of the poor (of which the Mission's Title II program is an integral part), which is critical to helping build the political support for a democratic system of government, is USAID/Peru's second highest priority for funding.

Improving the economic well-being of the poor requires not only the creation of income and asset accumulation opportunities, but also improvements in human capacity development. Affordable, accessible, and quality health and family planning services are pivotal to ensuring adequate infant and child development. The severe and chronic malnutrition of a large number of Peruvian children will have an impact on their prospects for educational attainment, with concomitant repercussions for their future employment opportunities and earning power. The relationship between growth in per capita GDP and population growth rates, and the strong correlation of girls' education with use of modern contraceptives together reinforce the need to ensure that children's nutritional and health needs are met. Therefore, health, including family planning, services for high-risk populations is the Mission's third most important objective.

Sustainable economic growth and improved health are increasingly dependent on appropriate management of the natural resource base and on measures to abate urban and industrial pollution. Prudent management of renewable and non-renewable resource is important to ensuring the inputs required for Peru's agricultural and industrial development. Mitigating environmental health threats can improve economic productivity and permit the poor to more fully participate in the economic life of the nation. For instance, lead Emissions affect the cognitive development of children and ultimately their educational attainment. The Mission's work in reducing lead Missions can be expected to have a notable positive impact on human resource development. As more nations set environmental standards for products they import, Peruvian industry's ability to comply will increasingly affect its export sector. Since Peru is among the richest countries in biodiversity, its ability to conserve and manage this resource base may have consequences for the rest of the world, especially in the pharmaceutical industry, but also in the more intangible sense of preserving biodiversity as a world resource. Hence, improved environmental management is the Mission's fourth priority.

The Mission also has a special objective for reducing illicit coca production, which together with the our democracy objective, is a number one priority. This objective was undertaken to address the high priority that the USG places on reducing source country supply of narcotics to the United States and other international markets. The U.S. Congress has established a special fund to finance alternative development programs in source countries. The International Narcotics Control Fund (INCF) was established for this purpose and its allocation among source countries is controlled by the Department of State's Bureau for International Narcotics and Law Enforcement (INL). Thus, the funding of this special objective does not compete with the allocation of other USAID budgetary resources. Consequently, the Mission's ability to meet this objective depends on the relative priority which the Department of State and the Office of the National Drug Control Policy place on financing alternative development in Peru relative to other source countries.

USAID FY 1997 Budget Request by Program/Country
(\$000)

02-May-97
03:18 PM

Country/Program: USAID/Peru

S.O. #	Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 96	FY 1997 Request								Est Expend. FY 97	Est Total cost life of SO	Mortgage at end of 1997
					FY 1997 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ			
SO 1: Broader Citizen Participation in Democratic Processes															
DA	Bilateral		1,270	1,707	0	100	0	0	0	0	0	1,607	2,065	27,670	24,693
	Field Spt		69	0	0	0	0	0	0	0	0	0	69	69	
	Total		1,339	1,707	0	100	0	0	0	0	0	1,607	2,134	27,739	24,693
SO 1: Broader Citizen Participation in Democratic Processes															
ESF	Bilateral		4,143	0	0	0	0	0	0	0	0	0	3,639	4,143	
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		4,143	0	0	0	0	0	0	0	0	0	3,639	4,143	0
SO 2: Increased Incomes of the Poor															
DA	Bilateral		2,914	5,456	0	5,356	0	100	0	0	0	0	5,200	54,370	46,000
	Field Spt		1,224	0	0	0	0	0	0	0	0	0	870	1,224	
	Total		4,138	5,456	0	5,356	0	100	0	0	0	0	6,070	55,594	46,000
SO 2: Increased Incomes of the Poor															
ESF	Bilateral		2,671	0	0	0	0	0	0	0	0	0	2,671	2,671	0
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		2,671	0	0	0	0	0	0	0	0	0	2,671	2,671	0
SO 2: Increased Incomes of the Poor															
PL480	Bilateral		0	51,054	0	0	0	0	0	0	0	0	0	233,371	182,317
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	51,054	0	0	0	0	0	0	0	0	0	233,371	182,317
SO 3: Increased Health, including Family Planning, of High-Risk Populations															
DA	Bilateral		28,342	16,557	350	0	11,357	4,200	250	400	0	0	21,065	137,151	92,252
	Field Spt		4,284	6,400	0	0	6,000	400	0	0	0	0	8,216	52,814	42,130
	Total		32,626	22,957	350	0	17,357	4,600	250	400	0	0	29,281	189,965	134,382
SO 4: Improved Environmental Management in Targeted Sectors															
DA	Bilateral		4,503	2,350	0	0	0	200	0	0	2,150	0	3,430	28,991	22,138
	Field Spt		185	50	0	0	0	0	0	0	50	0	235	285	50
	Total		4,688	2,400	0	0	0	200	0	0	2,200	0	3,665	29,276	22,188
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru															
DA	Bilateral		127	0	0	0	0	0	0	0	0	0	63	127	
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		127	0	0	0	0	0	0	0	0	0	63	127	0
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru															
ESF	Bilateral		34,218	0	0	0	0	0	0	0	0	0	29,180	34,218	0
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		34,218	0	0	0	0	0	0	0	0	0	29,180	34,218	0
SPO1: Reduced Illicit Coca Production in Target Areas in Peru															
INC	Bilateral		0	25,000	0	0	0	0	0	0	0	0	0	250,000	225,000
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	25,000	0	0	0	0	0	0	0	0	0	250,000	225,000
SSO:															
Other	Bilateral		0	120	0	120	0	0	0	0	0	0	100	680	560
	Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	120	0	120	0	0	0	0	0	0	100	680	560
Total Bilateral			78,188	102,244	350	5,576	11,357	4,500	250	400	2,150	1,607	67,413	773,392	592,960
Total Field Support			5,762	6,450	0	0	6,000	400	0	0	50	0	9,390	54,392	42,180
TOTAL PROGRAM			83,950	108,694	350	5,576	17,357	4,900	250	400	2,200	1,607	76,803	827,784	635,140

FY 97 Budget Request by Appropriation - (\$000's)	
Development Assistance	32,640
Development Fund for Africa	0
Economic Support Funds	25,000
SEED	0
FSA	0
PL 480 Title II	51,054
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

* Includes \$8.114 million POP FY 96 carryover.

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USAID FY 1998 Budget Request by Program/Country
(\$000)

02-May-97
03:18 PM

Country/Program: USAID/Peru

S.O. #	Title	Approp Acct	Bilateral/Field Spt	Est. SO Pipeline at end of FY 97	FY 1998 Request								Est Expend. FY 98	Est Total cost life of SO	Mortgage at end of 1998	
					FY 1998 Total Request	Basic Education for Chldrm	Other Economic Growth	Populatio	Child Survival	HIV/AIDS	Other Health	Environ				D/G
SO 1: Broader Citizen Participation in Democratic Processes																
	DA	Bilateral	912	1,900	0	0	0	0	0	0	0	0	1,900	2,256	27,670	22,793
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	69	0
		Total	912	1,900	0	0	0	0	0	0	0	0	1,900	2,256	27,739	22,793
SO 1: Broader Citizen Participation in Democratic Processes																
	ESF	Bilateral	504	0	0	0	0	0	0	0	0	0	0	504	4,143	0
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0
		Total	504	0	0	0	0	0	0	0	0	0	0	504	4,143	0
SO 2: Increased Incomes of the Poor																
	DA	Bilateral	3,170	5,940	0	5,940	0	0	0	0	0	0	0	7,305	54,370	40,060
		Field Spt	354	0	0	0	0	0	0	0	0	0	0	354	1,224	0
		Total	3,524	5,940	0	5,940	0	0	0	0	0	0	0	7,659	55,594	40,060
SO 2: Increased Incomes of the Poor																
	ESF	Bilateral													2,671	0
		Field Spt													0	0
		Total													2,671	0
SO 2: Increased Incomes of the Poor																
	PL480	Bilateral		48,917	0	0	0	0	0	0	0	0	0	0	233,371	133,400
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0
		Total	0	48,917	0	0	0	0	0	0	0	0	0	0	233,371	133,400
SO 3: Increased Health, including Family Planning, of High-Risk Populations																
	DA	Bilateral	23,834	14,113	153	0	8,405	4,655	200	700	0	0	0	20,076	137,151	78,139
		Field Spt	2,468	9,080	0	0	8,695	385	0	0	0	0	0	9,132	52,814	33,050
		Total	26,302	23,193	153	0	17,100	5,040	200	700	0	0	0	29,208	189,965	111,189
SO 4: Improved Environmental Management in Targeted Sectors																
	DA	Bilateral	3,423	3,350	0	0	0	0	0	0	3,350	0	0	4,500	28,991	18,788
		Field Spt		50	0	0	0	0	0	0	50	0	0	50	285	0
		Total	3,423	3,400	0	0	0	0	0	0	3,400	0	0	4,550	29,276	18,788
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru																
	DA	Bilateral	64	0	0	0	0	0	0	0	0	0	0	64	127	0
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0
		Total	64	0	0	0	0	0	0	0	0	0	0	64	127	0
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru																
	ESF	Bilateral	5,038	0	0	0	0	0	0	0	0	0	0	5,038	34,218	0
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0
		Total	5,038	0	0	0	0	0	0	0	0	0	0	5,038	34,218	0
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru																
	INC	Bilateral	25,000	25,000	0	0	0	0	0	0	0	0	0	11,762	250,000	200,000
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0
		Total	25,000	25,000	0	0	0	0	0	0	0	0	0	11,762	250,000	200,000
SSO																
	Other	Bilateral	20	60	0	60	0	0	0	0	0	0	0	80	680	500
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0
		Total	20	60	0	60	0	0	0	0	0	0	0	80	680	500
Total Bilateral			61,965	99,280	153	6,000	8,405	4,655	200	700	3,350	1,900	51,585	773,392	493,680	
Total Field Support			2,822	9,130	0	0	8,695	385	0	0	50	0	9,536	54,392	33,050	
TOTAL PROGRAM			64,787	108,410	153	6,000	17,100	5,040	200	700	3,400	1,900	61,121	827,784	526,730	

FY 98 Budget Request by Appropriation - (\$000's)	
Development Assistance	34,493
Development Fund for Africa	0
Economic Support Funds	25,000
SEED	0
FSA	0
PL 480 Title II	48,917
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

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USAID FY 1999 Budget Request by Program/Country
(\$000)

02-May-97
03:18 PM

Country/Program: USAID/Peru

S.O. #	Title	Approp Acct	Bilateral/Field Spt	Est. SO Pipeline at end of FY 98	FY 1999 Request										Est Expend. FY 99	Est Total cost life of SO	Mortgage at end of 1999
					FY 1999 Total Request	Basic Education for Childm	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G				
SO 1: Broader Citizen Participation in Democratic Processes																	
	DA	Bilateral		556	4,600	0	0	0	0	0	0	0	0	4,600	3,530	27,670	18,193
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	69	
		Total		556	4,600	0	0	0	0	0	0	0	0	4,600	3,530	27,739	18,193
SO 1: Broader Citizen Participation in Democratic Processes																	
	ESF	Bilateral														4,143	
		Field Spt															
		Total														4,143	
SO 2: Increased Incomes of the Poor																	
	DA	Bilateral		1,805	10,000	0	10,000	0	0	0	0	0	0	9,870	54,370	30,060	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	1,224		
		Total		1,805	10,000	0	10,000	0	0	0	0	0	0	9,870	55,594	30,060	
SO 2: Increased Incomes of the Poor																	
	ESF	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	2,671	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total		0	0	0	0	0	0	0	0	0	0	0	2,671		
SO 2: Increased Incomes of the Poor																	
	PL480	Bilateral			49,500	0	0	0	0	0	0	0	0	0	0	233,371	83,900
		Field Spt			0	0	0	0	0	0	0	0	0	0	0	0	
		Total			49,500	0	0	0	0	0	0	0	0	0	233,371	83,900	
SO 3: Increased Health, including Family Planning, of High-Risk Populations																	
	DA	Bilateral		17,871	14,986	500	0	6,852	4,564	300	2,770	0	0	25,269	137,151	63,153	
		Field Spt		2,416	9,050	0	0	8,720	330	0	0	0	0	10,335	52,814	24,000	
		Total		20,287	24,036	500	0	15,572	4,894	300	2,770	0	0	35,604	189,965	87,153	
SO 4: Improved Environmental Management in Targeted Sectors																	
	DA	Bilateral		2,273	4,400	0	0	0	0	0	0	4,400	0	4,385	28,991	14,388	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	285		
		Total		2,273	4,400	0	0	0	0	0	0	4,400	0	4,385	29,276	14,388	
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru																	
	DA	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	127	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total		0	0	0	0	0	0	0	0	0	0	0	127	0	
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru																	
	ESF	Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	34,218	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total		0	0	0	0	0	0	0	0	0	0	0	34,218		
SPO 1: Reduced Illicit Coca Production in Target Areas in Peru																	
	INC	Bilateral		38,238	25,000	0	0	0	0	0	0	0	0	18,000	250,000	175,000	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total		38,238	25,000	0	0	0	0	0	0	0	0	18,000	250,000	175,000	
SSO																	
	Other	Bilateral		0	100	0	100	0	0	0	0	0	0	80	680	400	
		Field Spt		0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total		0	100	0	100	0	0	0	0	0	0	80	680	400	
Total Bilateral				60,743	108,586	500	10,100	6,852	4,564	300	2,770	4,400	4,600	61,134	773,392	385,094	
Total Field Support				2,416	9,050	0	0	8,720	330	0	0	0	0	10,335	54,392	24,000	
TOTAL PROGRAM				63,159	117,636	500	10,100	15,572	4,894	300	2,770	4,400	4,600	71,469	827,784	409,094	

FY 99 Budget Request by Appropriation - (\$000's)	
Development Assistance	43,136
Development Fund for Africa	0
Economic Support Funds	25,000
SEED	0
FSA	0
PL 480 Title II	49,500
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

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GLOBAL FIELD SUPPORT

Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)								
				FY 1997		FY 1998		FY 1999				
				Obligated by:		Obligated by:		Obligated by:				
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau			
S.O.3: Improved Health, including Family Planning, of High-Risk Population	POPULATION											
	936-3024 POP Tech	Low	1 year (1997-1998)		100		50					
	936-3030 INOPAL	Medium-high	5 years (1997-2001)		-----		400					400
	936-3038 FP Logistics Management	Medium-high	5 years (1997-2001)		-----		200					100
	936-3046 Demographic Data Init. BUCEN	Medium-low	2 years (1999-2000)		-----		-----					100
	936-3050 POP Council	Medium	2 years (1997-1999)		-----		100					100
	936-3051 Social Marketing III	Medium	2 years (1997-1999)		50		100					20
	936-3052 POP Communication Services	High	5 years (1997-2001)		250		450					400
	936-3055 FP Management Development	High	5 years (1997-2001)		300		400					300
	936-3057 Contraceptives	High	5 years (1997-2001)		3600		3800					4000
	936-3058 CARE	High	5 years (1997-2001)		400		650					700
	936-3060 Evaluation of Family Impact	Medium	3 years (1997-2000)		-----		100					200
	936-3061 Natural Family Planning	Medium-low	2 years (1998-1999)		-----		100					100
	936-3062 Pathfinder International	High	5 years (1997-2001)		450		550					500
	936-3068 AVS	High	5 years (1997-2001)		250		450					300
	936-3069 JHPIEGO	High	5 years (1997-2001)		350		450					500
	936-3070 Population Leadership Fellowship	High	5 years (1997-2001)		100		100					100
	936-3072 PRIME (Primary Providers T&ERH)	Medium	2 years (1998-1999)		-----		200					200
	936-3073 ADOL	High	5 years (1997-2001)		150		395					500
	936-3078 The Policy Project	Medium	2 years (1998-1999)		-----		200					200
	SUB-TOTAL POPULATION				6000		8695					8720

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GLOBAL FIELD SUPPORT

Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)							
				FY 1997		FY 1998		FY 1999			
				Obligated by:		Obligated by:		Obligated by:			
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau		
	CHILD SURVIVAL										
	936-3982 Linkages	Medium	3 years (1997-1999)		100		100				50
	936-6006 Basic Support for Inst.	Medium-low	3 years (1997-1999)		50		50				50
	936-597408 Rational Pharmaceutical Management	Medium-high	3 years (1997-1999)		50		50				50
	936-5974.13 Partnerships for Health Reform	Medium-high	3 years (1997-1999)		100		100				60
	936-5991 Data for Decision Making	Medium-high	3 years (1997-1999)		50		35				50
	936-5992 Quality Assurance	Medium-high	3 years (1997-1999)		50		50				20
	936-5994 Environmental Health	Medium-high	3 years (1997-1999)		-----		-----				50
	SUB-TOTAL CHILD SURVIVAL				400		385				330
	OTHER (HEALTH)										
	SUB-TOTAL OTHER (HEALTH)				0		0				
	TOTAL S.O. 3				6400		9080				
S.O.4: Improved Environmental Management in Targeted Sectors	936-5517 Env. Planning & Management II WRI	Medium	1 year (1997-1998)		15		15				
	936-5559 Env. Pollution Prevention	Medium-high	1 year (1997-1998)		25		25				
	936-5994 Environmental Health	Medium-high	1 year (1997-1998)		10		10				
	TOTAL S.O. 4				50		50				
GRAND TOTAL.....					6450		9130				9050

*For Priorities use high, medium-high, medium, medium-low, low

OE and Staffing

In FY 1996, USAID provided economic assistance totaling \$75.96 million to Peru which was the second largest program in the LAC Bureau. During the period covered by the R4, USAID/Peru will continue to be one of the most significant providers of assistance in the region. In addition, USAID/Peru will expand from a strictly bilateral Sustainable Development Mission to one with regional service responsibilities.

USAID/Peru has increased the efficiency of its program administration. Last year, in response to a lower LAC Bureau funding level and the full liquidation of its operating trust fund, the Mission significantly reduced its OE dollar and OE-funded workforce levels. These efforts to economize while still maintaining the organizational strength necessary to achieve and monitor program results are continuing during the R4 period. Most notably, the Mission is assuming significant regional responsibilities in contracting, legal services, and financial support while still experiencing a reduction in local staff. During FY 1997, the RCO and RLA offices will be established and staffed within the present workforce ceiling. In early FY 1999, USAID/Peru will take over the regional financial oversight responsibilities with the existing staff. This absorption of regional responsibilities by USAID/Peru will result in fewer of its staff members working directly on the Mission program. It will also engender substantial savings in staff and operating expenses in Ecuador, and to a lesser extent in Colombia, as support responsibility is transferred to Lima.

As discussed in Section II of this document, a substantial augmentation of INC resources has been proposed by USAID/Peru and the US Country Team for the alternative development activities within the special objective for the reduction of coca. The full proposal entails an eight fold increase in resources to the activity. To manage these resources, the Mission will require two additional program funded staff members beginning FY 1997. Other than this particular case, the Mission believes that although the workforce ceilings from LAC for the R4 period will demand some difficult staff reprogramming decisions, they will be satisfactory to effectively oversee the USAID program with careful management of resources. However, within the workforce ceilings, the mission requests that the staffing allocations be modified as follows: FY98- USDH 19; Local Hires 96; Program Funded 43; FY99- USDH 19; Local Hires 93; Program Funded 43.

Another major change which will significantly affect operating resource needs is the move of all Mission offices and personnel to a new building on the US Embassy compound. As discussed below and reflected in the budget tables, funds are needed for the purchase of furniture and furnishings (F&F) in FY 1998/99. However, after this period, there will be on-going savings in rental costs of approximately \$600,000 per year. Furthermore, although not expected to influence resource requirements, another major operational transformation will take place with the implementation of the ICASS by the US Embassy and services organizations.

Overview of FY 1997 Request (\$ 5.4 million)

During this fiscal year, USAID/Peru will finalize the set-up of a regional services capability for contracting and legal support which involves the reallocation of existing personnel resources within the Mission. USDH personnel to staff the regional legal advisor and regional contractor officer units have been identified and the assignment process completed. Local staff to support these offices is being identified from those already on-board and will be transferred accordingly. As a result, the operational expense level of \$5.4 million will be adequate to fund this year's costs of operation. An increase in workforce ceiling of either one or two depending on the level of INC funding.

Overview of FY 1998 Request (\$5.8 million)

This Mission has been given an operating expense budget target of \$5.5 million net of ICASS for FY 1998. USAID/Peru is fully prepared to operate within this limitation with one exception--the furniture and furnishings requirements (F&F) for the new office building.

New Office Building (NOB): The Agency in conjunction with the State Department made a decision in 1994 that it would serve all interests to construct an office building for USAID on the Embassy property as soon as possible. Among the reasons for this were a desire to locate the USAID staff with the staff of the other 14 US Government

agencies for management and security reasons and for the reduction of support costs. On December 23, 1996, Congress approved the reprogramming of \$ 6.5 million in Agency funds for the construction. A design contract was prepared for signing to begin Phase I; FBO is reviewing another design with the A&E contractor. FBO will be in charge of contracting for the actual construction of the building through full and open competition. All building-related actions have been fully coordinated within USAID and State.

FBO has estimated the cost of the F&F for the building at \$840,000 plus \$120,000 for transport to Post. By FBO regulation, these costs cannot be included in the NOB construction budget. As reported in previous Action Plans (1995-96; 1996-97; 1997-2001), USAID has been advised that inability to fund the purchase of the appropriate modular (open architecture) furniture for the reduced space, which is mandated by shrinking office space allocation standards within the USG, would result in the need to modify the building plans to build a larger structure. FBO has advised us that this would be cost prohibitive and bureaucratically indefensible. In short, \$480,000 will be needed in FY 1998 to place the advance order for the F&F so that relocation of the USAID offices can proceed as planned. A similar amount will be required in FY 1999 in order to fund the remainder of the F&F procurement.

ICASS: FAAS services which USAID/Peru obtains from the Embassy are modest (\$55,000 for FY 97); we anticipate an increase in ICASS charges to \$109,358 in FY 1998. With the advent of the ICASS cost, we assume our budget will be adjusted upward in an amount equal to its cost.

Requirements for FY 1999 (\$5.9 million)

USAID/Peru will assume financial support and service responsibilities for Ecuador and Colombia early in FY 1999. Although it is anticipated that those programs will have been reduced and consolidated by that time, they will still demand significant financial backstopping for financial analysis, accounting and disbursement. We expect that service demands can be met with a reallocation of responsibilities which will be possible with the full functionality of NMS. USAID/Peru has been also been provided a ceiling of \$5.5 million for FY 1999, which as in the previous year, will be adequate except for the F&F requirements. Significant savings will be effected beginning in FY 2000 due to the elimination of the rental expense.

OVERSEAS MISSION BUDGET REQUEST

OE-25527.wk4

Org. Title: USAID/Peru
 Org. No: OE-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
11.1 Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1 Base Pay & pymt. for annual leave balances - FNDH	518.0	0.0	518.0	542.7	0.0	542.7	573.8	0.0	573.8	573.8	0.0	573.8
Subtotal OC 11.1	518.0	0.0	518.0	542.7	0.0	542.7	573.8	0.0	573.8	573.8	0.0	573.8
11.3 Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3 Base Pay & pymt. for annual leave balances - FNDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5 Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5 USDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5 FNDH	23.4	0.0	23.4	23.5	0.0	23.5	23.5	0.0	23.5	23.5	0.0	23.5
Subtotal OC 11.5	23.4	0.0	23.4	23.5	0.0	23.5	23.5	0.0	23.5	23.5	0.0	23.5
11.8 Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8 USPSC Salaries	170.0	0.0	170.0	196.0	0.0	196.0	196.0	0.0	196.0	196.0	0.0	196.0
11.8 FN PSC Salaries	1,380.0	0.0	1,380.0	1,406.0	0.0	1,406.0	1,479.1	0.0	1,479.1	1,479.1	0.0	1,479.1
11.8 IPA/Details-In/PASAs/RSSAs Salaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 11.8	1,550.0	0.0	1,550.0	1,602.0	0.0	1,602.0	1,675.1	0.0	1,675.1	1,675.1	0.0	1,675.1
12.1 Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Educational Allowances	241.8	0.0	241.8	296.2	0.0	296.2	273.3	0.0	273.3	273.3	0.0	273.3
12.1 Cost of Living Allowances	72.4	0.0	72.4	79.4	0.0	79.4	79.3	0.0	79.3	79.3	0.0	79.3
12.1 Home Service Transfer Allowances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12.1 Quarters Allowances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12.1 Other Misc. USDH Benefits	9.0	0.0	9.0	9.3	0.0	9.3	2.7	0.0	2.7	2.7	0.0	2.7
12.1 FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FNDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12.1 Other FNDH Benefits	39.1	0.0	39.1	38.5	0.0	38.5	42.9	0.0	42.9	42.9	0.0	42.9
12.1 US PSC Benefits	8.0	0.0	8.0	8.0	0.0	8.0	8.0	0.0	8.0	8.0	0.0	8.0
12.1 FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FN PSC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12.1 Other FN PSC Benefits	110.2	0.0	110.2	106.1	0.0	106.1	123.0	0.0	123.0	123.0	0.0	123.0
12.1 IPA/Detail-In/PASA/RSSA Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 12.1	480.5	0.0	480.5	537.5	0.0	537.5	529.2	0.0	529.2	529.2	0.0	529.2
13.0 Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FNDH	36.5	0.0	36.5	37.8	0.0	37.8	39.7	0.0	39.7	39.7	0.0	39.7
13.0 Other Benefits for Former Personnel - FNDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13.0 FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FN PSCs	94.1	0.0	94.1	101.0	0.0	101.0	106.4	0.0	106.4	106.4	0.0	106.4
13.0 Other Benefits for Former Personnel - FN PSCs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 13.0	130.6	0.0	130.6	138.8	0.0	138.8	146.1	0.0	146.1	146.1	0.0	146.1

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OVERSEAS MISSION BUDGET REQUEST

OE-25527.wk4

Org. Title: USAID/Peru
 Org. No: OE-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
21.0 Travel and transportation of persons												
21.0 Training Travel	33.0	0.0	33.0	35.0	0.0	35.0	35.0	0.0	35.0	35.0	0.0	35.0
21.0 Mandatory/Statutory Travel												
21.0 Post Assignment Travel - to field	19.5	0.0	19.5	23.8	0.0	23.8	6.8	0.0	6.8	6.8	0.0	6.8
21.0 Assignment to Washington Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Home Leave Travel	15.2	0.0	15.2	44.4	0.0	44.4	36.5	0.0	36.5	36.5	0.0	36.5
21.0 R & R Travel	50.5	0.0	50.5	34.3	0.0	34.3	38.5	0.0	38.5	38.5	0.0	38.5
21.0 Education Travel	17.5	0.0	17.5	14.0	0.0	14.0	10.5	0.0	10.5	10.5	0.0	10.5
21.0 Evacuation Travel	4.6	0.0	4.6	4.5	0.0	4.5	4.5	0.0	4.5	4.5	0.0	4.5
21.0 Retirement Travel	1.3	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Pre-Employment Invitational Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Other Mandatory/Statutory Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Operational Travel												
21.0 Site Visits - Headquarters Personnel	40.0	0.0	40.0	64.0	0.0	64.0	64.0	0.0	64.0	64.0	0.0	64.0
21.0 Site Visits - Mission Personnel	19.0	0.0	19.0	20.0	0.0	20.0	20.0	0.0	20.0	20.0	0.0	20.0
21.0 Conferences/Seminars/Meetings/Retreats	13.0	0.0	13.0	23.0	0.0	23.0	23.0	0.0	23.0	23.0	0.0	23.0
21.0 Assessment Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Impact Evaluation Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Disaster Travel (to respond to specific disasters)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Recruitment Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0 Other Operational Travel	15.0	0.0	15.0	22.0	0.0	22.0	22.0	0.0	22.0	22.0	0.0	22.0
Subtotal OC 21.0	228.6	0.0	228.6	285.0	0.0	285.0	260.8	0.0	260.8	260.8	0.0	260.8
22.0 Transportation of things												
22.0 Post assignment freight	112.5	0.0	112.5	113.9	0.0	113.9	32.5	0.0	32.5	32.5	0.0	32.5
22.0 Home Leave Freight	14.0	0.0	14.0	40.5	0.0	40.5	33.6	0.0	33.6	33.6	0.0	33.6
22.0 Retirement Freight	12.0	0.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22.0 Transportation/Freight for Office Furniture/Equip.	46.0	0.0	46.0	95.2	0.0	95.2	92.4	0.0	92.4	92.4	0.0	92.4
22.0 Transportation/Freight for Res. Furniture/Equip.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 22.0	184.5	0.0	184.5	249.6	0.0	249.6	158.5	0.0	158.5	158.5	0.0	158.5
23.2 Rental payments to others												
23.2 Rental Payments to Others - Office Space	464.1	0.0	464.1	496.1	0.0	496.1	530.1	0.0	530.1	530.1	0.0	530.1
23.2 Rental Payments to Others - Warehouse Space	23.0	0.0	23.0	23.0	0.0	23.0	26.4	0.0	26.4	26.4	0.0	26.4
23.2 Rental Payments to Others - Residences	441.3	0.0	441.3	475.1	0.0	475.1	486.0	0.0	486.0	486.0	0.0	486.0
Subtotal OC 23.2	928.4	0.0	928.4	994.2	0.0	994.2	1,042.5	0.0	1,042.5	1,042.5	0.0	1,042.5
23.3 Communications, utilities, and miscellaneous charges												
23.3 Office Utilities	103.0	0.0	103.0	103.0	0.0	103.0	103.0	0.0	103.0	103.0	0.0	103.0
23.3 Residential Utilities	87.0	0.0	87.0	92.8	0.0	92.8	93.6	0.0	93.6	93.6	0.0	93.6
23.3 Telephone Costs	76.0	0.0	76.0	76.0	0.0	76.0	76.0	0.0	76.0	76.0	0.0	76.0
23.3 ADP Software Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23.3 ADP Hardware Lease	2.2	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23.3 Commercial Time Sharing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23.3 Postal Fees (Other than APO Mail)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23.3 Other Mail Service Costs	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	6.0
23.3 Courier Services	2.8	0.0	2.8	2.8	0.0	2.8	2.8	0.0	2.8	2.8	0.0	2.8
Subtotal OC 23.3	277.0	0.0	277.0	280.6	0.0	280.6	281.4	0.0	281.4	281.4	0.0	281.4

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OVERSEAS MISSION BUDGET REQUEST

OE-25527.wk4

Org. Title: USAID/Peru
 Org. No: OE-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
24.0 Printing and Reproduction	1.5	0.0	1.5	1.5	0.0	1.5	1.5	0.0	1.5	1.5	0.0	1.5
Subtotal OC 24.0	1.5	0.0	1.5	1.5	0.0	1.5	1.5	0.0	1.5	1.5	0.0	1.5
25.1 Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1 Studies, Analyses, & Evaluations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.1 Management & Professional Support Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.1 Engineering & Technical Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2 Office Security Guards	116.4	0.0	116.4	117.6	0.0	117.6	120.0	0.0	120.0	120.0	0.0	120.0
25.2 Residential Security Guard Services	124.8	0.0	124.8	128.4	0.0	128.4	134.4	0.0	134.4	134.4	0.0	134.4
25.2 Official Residential Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Representation Allowances	1.9	0.0	1.9	1.9	0.0	1.9	1.9	0.0	1.9	1.9	0.0	1.9
25.2 Non-Federal Audits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Grievances/Investigations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Insurance and Vehicle Registration Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Vehicle Rental	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Manpower Contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Records Declassification & Other Records Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Recruiting activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Penalty Interest Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Other Miscellaneous Services	188.0	0.0	188.0	174.0	0.0	174.0	174.0	0.0	174.0	174.0	0.0	174.0
25.2 Staff training contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 ADP related contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 25.2	431.1	0.0	431.1	421.9	0.0	421.9	430.3	0.0	430.3	430.3	0.0	430.3
25.3 Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3 ICASS	0.0	0.0	0.0	110.0	0.0	110.0	110.0	0.0	110.0	110.0	0.0	110.0
25.3 All Other Services from Other Gov't. accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 25.3	0.0	0.0	0.0	110.0	0.0	110.0	110.0	0.0	110.0	110.0	0.0	110.0
25.4 Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4 Office building Maintenance	2.4	0.0	2.4	5.0	0.0	5.0	5.0	0.0	5.0	5.0	0.0	5.0
25.4 Residential Building Maintenance	3.6	0.0	3.6	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	6.0
Subtotal OC 25.4	6.0	0.0	6.0	11.0	0.0	11.0	11.0	0.0	11.0	11.0	0.0	11.0
25.6 Medical Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 25.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.7 Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7 ADP and telephone operation and maintenance costs	14.0	0.0	14.0	14.0	0.0	14.0	14.0	0.0	14.0	14.0	0.0	14.0
25.7 Storage Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.7 Office Furniture/Equip. Repair and Maintenance	22.4	0.0	22.4	9.7	0.0	9.7	9.7	0.0	9.7	9.7	0.0	9.7
25.7 Vehicle Repair and Maintenance	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0
25.7 Residential Furniture/Equip. Repair and Maintenance	4.0	0.0	4.0	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	6.0
Subtotal OC 25.7	50.4	0.0	50.4	39.7	0.0	39.7	39.7	0.0	39.7	39.7	0.0	39.7

db

OVERSEAS MISSION BUDGET REQUEST

OE-25527.wk4

Org. Title: USAID/Peru
 Org. No: OE-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
25.8 Substance and support of persons (by contract or Gov't.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 25.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26.0 Supplies and materials	114.0	0.0	114.0	121.5	0.0	121.5	121.5	0.0	121.5	121.5	0.0	121.5
Subtotal OC 26.0	114.0	0.0	114.0	121.5	0.0	121.5	121.5	0.0	121.5	121.5	0.0	121.5
31.0 Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0 Purchase of Residential Furniture/Equip.	86.0	0.0	86.0	36.1	0.0	36.1	25.9	0.0	25.9	25.9	0.0	25.9
31.0 Purchase of Office Furniture/Equip.	44.1	0.0	44.1	436.1	0.0	436.1	438.4	0.0	438.4	438.4	0.0	438.4
31.0 Purchase of Vehicles	82.0	0.0	82.0	28.0	0.0	28.0	28.0	0.0	28.0	28.0	0.0	28.0
31.0 Purchase of Printing/Graphics Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31.0 ADP Hardware purchases	264.9	0.0	264.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31.0 ADP Software purchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 31.0	477.0	0.0	477.0	500.2	0.0	500.2	492.3	0.0	492.3	492.3	0.0	492.3
32.0 Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0 Purchase of Land & Buildings (& construction of bldgs.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32.0 Purchase of fixed equipment for buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32.0 Building Renovations/Alterations - Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32.0 Building Renovations/Alterations - Residential	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42.0 Claims and indemnities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal OC 42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BUDGET	5,401.0	0.0	5,401.0	5,859.7	0.0	5,859.7	5,897.2	0.0	5,897.2	5,897.2	0.0	5,897.2

The following line is to be used to show your estimate of FY 98 and FY 99 Program Funded ICASS costs.
 Enter dollars in thousands - same format as above.

FY 98 FY 99
 Est. Est.

ICASS - Program Funded

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COST of CONTROLLER OPERATIONS

CO-25527.WK4

Org. Title: USAID/Peru
 Org. No: CO-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
11.1 Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1 Base Pay & pymt. for annual leave balances - FNDH	93.7	0.0	93.7	102.0	0.0	102.0	107.7	0.0	107.7	107.7		107.7
Subtotal OC 11.1	93.7	0.0	93.7	102.0	0.0	102.0	107.7	0.0	107.7	107.7	0.0	107.7
11.3 Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3 Base Pay & pymt. for annual leave balances - FNDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5 Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5 USDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
11.5 FNDH	4.2	0.0	4.2	4.2	0.0	4.2	4.2	0.0	4.2	4.2		4.2
Subtotal OC 11.5	4.2	0.0	4.2	4.2	0.0	4.2	4.2	0.0	4.2	4.2	0.0	4.2
11.8 Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8 USpsc Salaries	74.0	0.0	74.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0		100.0
11.8 FN PSC Salaries	417.3	0.0	417.3	444.8	0.0	444.8	468.7	0.0	468.7	468.7		468.7
11.8 IPA/Details-In/PASAs/RSSAs Salaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 11.8	491.3	0.0	491.3	544.8	0.0	544.8	568.7	0.0	568.7	568.7	0.0	568.7
12.1 Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Educational Allowances	0.0	0.0	0.0	28.9	0.0	28.9	16.9	0.0	16.9	16.9		16.9
12.1 Cost of Living Allowances	8.3	0.0	8.3	8.3	0.0	8.3	7.9	0.0	7.9	7.9		7.9
12.1 Home Service Transfer Allowances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
12.1 Quarters Allowances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
12.1 Other Misc. USDH Benefits	1.3	0.0	1.3	1.3	0.0	1.3	0.0	0.0	0.0	0.0		0.0
12.1 FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FNDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
12.1 Other FNDH Benefits	6.4	0.0	6.4	6.2	0.0	6.2	7.0	0.0	7.0	7.0		7.0
12.1 US PSC Benefits	4.0	0.0	4.0	4.0	0.0	4.0	4.0	0.0	4.0	4.0		4.0
12.1 FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FN PSC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
12.1 Other FN PSC Benefits	26.0	0.0	26.0	25.5	0.0	25.5	29.9	0.0	29.9	29.9		29.9
12.1 IPA/Detail-In/PASA/RSSA Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 12.1	46.0	0.0	46.0	74.2	0.0	74.2	65.7	0.0	65.7	65.7	0.0	65.7
13.0 Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FNDH	7.0	0.0	7.0	7.6	0.0	7.6	8.0	0.0	8.0	8.0		8.0
13.0 Other Benefits for Former Personnel - FNDH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
13.0 FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FN PSCs	29.6	0.0	29.6	32.6	0.0	32.6	34.4	0.0	34.4	34.4		34.4
13.0 Other Benefits for Former Personnel - FN PSCs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 13.0	36.6	0.0	36.6	40.2	0.0	40.2	42.4	0.0	42.4	42.4	0.0	42.4

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COST of CONTROLLER OPERATIONS

CO-25527.WK4

Org. Title: USAID/Peru
 Org. No: CO-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
21.0 Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0 Training Travel	7.6	0.0	7.6	8.1	0.0	8.1	8.1	0.0	8.1	8.1		8.1
21.0 Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0 Post Assignment Travel - to field	2.6	0.0	2.6	3.4	0.0	3.4	0.0	0.0	0.0	0.0		0.0
21.0 Assignment to Washington Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Home Leave Travel	0.3	0.0	0.3	2.5	0.0	2.5	4.3	0.0	4.3	4.3		4.3
21.0 R & R Travel	2.1	0.0	2.1	3.5	0.0	3.5	4.9	0.0	4.9	4.9		4.9
21.0 Education Travel	3.5	0.0	3.5	3.5	0.0	3.5	0.0	0.0	0.0	0.0		0.0
21.0 Evacuation Travel	0.6	0.0	0.6	0.5	0.0	0.5	0.5	0.0	0.5	0.5		0.5
21.0 Retirement Travel	1.3	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Pre-Employment Invitational Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Other Mandatory/Statutory Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0 Site Visits - Headquarters Personnel	0.8	0.0	0.8	1.3	0.0	1.3	1.3	0.0	1.3	1.3		1.3
21.0 Site Visits - Mission Personnel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Conferences/Seminars/Meetings/Retreats	1.6	0.0	1.6	3.0	0.0	3.0	3.0	0.0	3.0	3.0		3.0
21.0 Assessment Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Impact Evaluation Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Disaster Travel (to respond to specific disasters)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Recruitment Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
21.0 Other Operational Travel	1.5	0.0	1.5	2.2	0.0	2.2	2.2	0.0	2.2	2.2		2.2
Subtotal OC 21.0	21.9	0.0	21.9	28.0	0.0	28.0	24.3	0.0	24.3	24.3	0.0	24.3
22.0 Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22.0 Post assignment freight	16.0	0.0	16.0	16.3	0.0	16.3	0.0	0.0	0.0	0.0		0.0
22.0 Home Leave Freight	1.4	0.0	1.4	2.4	0.0	2.4	4.3	0.0	4.3	4.3		4.3
22.0 Retirement Freight	12.0	0.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
22.0 Transportation/Freight for Office Furniture/Equip.	9.7	0.0	9.7	20.3	0.0	20.3	19.8	0.0	19.8	19.8		19.8
22.0 Transportation/Freight for Res. Furniture/Equip.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 22.0	39.1	0.0	39.1	39.0	0.0	39.0	24.1	0.0	24.1	24.1	0.0	24.1
23.2 Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2 Rental Payments to Others - Office Space	83.5	0.0	83.5	89.3	0.0	89.3	95.3	0.0	95.3	95.3		95.3
23.2 Rental Payments to Others - Warehouse Space	4.1	0.0	4.1	4.1	0.0	4.1	4.8	0.0	4.8	4.8		4.8
23.2 Rental Payments to Others - Residences	40.8	0.0	40.8	45.6	0.0	45.6	43.0	0.0	43.0	43.0		43.0
Subtotal OC 23.2	128.4	0.0	128.4	139.0	0.0	139.0	143.1	0.0	143.1	143.1	0.0	143.1
23.3 Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3 Office Utilities	18.5	0.0	18.5	18.5	0.0	18.5	18.5	0.0	18.5	18.5		18.5
23.3 Residential Utilities	9.0	0.0	9.0	9.6	0.0	9.6	9.8	0.0	9.8	9.8		9.8
23.3 Telephone Costs	13.7	0.0	13.7	13.7	0.0	13.7	13.7	0.0	13.7	13.7		13.7
23.3 ADP Software Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
23.3 ADP Hardware Lease	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
23.3 Commercial Time Sharing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
23.3 Postal Fees (Other than APO Mail)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
23.3 Other Mail Service Costs	1.1	0.0	1.1	1.1	0.0	1.1	1.1	0.0	1.1	1.1		1.1
23.3 Courier Services	0.5	0.0	0.5	0.5	0.0	0.5	0.5	0.0	0.5	0.5		0.5
Subtotal OC 23.3	43.2	0.0	43.2	43.4	0.0	43.4	43.6	0.0	43.6	43.6	0.0	43.6

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COST of CONTROLLER OPERATIONS

CO-25527.WK4

Org. Title: USAID/Peru
 Org. No: CO-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
24.0 Printing and Reproduction	0.3	0.0	0.3	0.3	0.0	0.3	0.3	0.0	0.3	0.3		0.3
Subtotal OC 24.0	0.3	0.0	0.3	0.3	0.0	0.3	0.3	0.0	0.3	0.3	0.0	0.3
25.1 Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1 Studies, Analyses, & Evaluations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.1 Management & Professional Support Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.1 Engineering & Technical Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2 Office Security Guards	20.9	0.0	20.9	21.1	0.0	21.1	21.6	0.0	21.6	21.6		21.6
25.2 Residential Security Guard Services	13.6	0.0	13.6	14.1	0.0	14.1	14.9	0.0	14.9	14.9		14.9
25.2 Official Residential Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Representation Allowances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Non-Federal Audits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Grievances/Investigations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Insurance and Vehicle Registration Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Vehicle Rental	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Manpower Contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Records Declassification & Other Records Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Recruiting activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Penalty Interest Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 Other Miscellaneous Services	33.8	0.0	33.8	31.3	0.0	31.3	31.3	0.0	31.3	31.3		31.3
25.2 Staff training contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.2 ADP related contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 25.2	68.3	0.0	68.3	66.5	0.0	66.5	67.8	0.0	67.8	67.8	0.0	67.8
25.3 Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3 FAAS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.3 ICASS	0.0	0.0	0.0	19.8	0.0	19.8	19.8	0.0	19.8	19.8		19.8
25.3 All Other Services from Other Gov't. accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 25.3	0.0	0.0	0.0	19.8	0.0	19.8	19.8	0.0	19.8	19.8	0.0	19.8
25.4 Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4 Office building Maintenance	0.4	0.0	0.4	0.9	0.0	0.9	0.9	0.0	0.9	0.9		0.9
25.4 Residential Building Maintenance	0.6	0.0	0.6	1.1	0.0	1.1	1.1	0.0	1.1	1.1		1.1
Subtotal OC 25.4	1.0	0.0	1.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0	2.0
25.6 Medical Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 25.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.7 Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7 ADP and telephone operation and maintenance costs	4.2	0.0	4.2	4.2	0.0	4.2	4.2	0.0	4.2	4.2		4.2
25.7 Storage Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
25.7 Office Furniture/Equip. Repair and Maintenance	3.9	0.0	3.9	1.7	0.0	1.7	1.7	0.0	1.7	1.7		1.7
25.7 Vehicle Repair and Maintenance	1.8	0.0	1.8	1.8	0.0	1.8	1.8	0.0	1.8	1.8		1.8
25.7 Residential Furniture/Equip. Repair and Maintenance	0.7	0.0	0.7	1.1	0.0	1.1	1.1	0.0	1.1	1.1		1.1
Subtotal OC 25.7	10.6	0.0	10.6	8.8	0.0	8.8	8.8	0.0	8.8	8.8	0.0	8.8

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COST of CONTROLLER OPERATIONS

CO-25527.WK4

Org. Title: USAID/Peru
 Org. No: CO-25527
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
25.8 Subsistence and support of persons (by contract or Gov't.)	0.0	0.0	0.0	0.0		0.0	0.0		0.0		0.0	0.0
Subtotal OC 25.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26.0 Supplies and materials	21.5	0.0	21.5	24.2	0.0	24.2	24.2	0.0	24.2	24.2		24.2
Subtotal OC 26.0	21.5	0.0	21.5	24.2	0.0	24.2	24.2	0.0	24.2	24.2	0.0	24.2
31.0 Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0 Purchase of Residential Furniture/Equip.	11.2	0.0	11.2	4.7	0.0	4.7	3.4	0.0	3.4	3.4		3.4
31.0 Purchase of Office Furniture/Equip.	6.6	0.0	6.6	82.9	0.0	82.9	83.3	0.0	83.3	83.3		83.3
31.0 Purchase of Vehicles	15.5	0.0	15.5	5.3	0.0	5.3	5.3	0.0	5.3	5.3		5.3
31.0 Purchase of Printing/Graphics Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
31.0 ADP Hardware purchases	61.0	0.0	61.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
31.0 ADP Software purchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 31.0	94.3	0.0	94.3	92.9	0.0	92.9	92.0	0.0	92.0	92.0	0.0	92.0
32.0 Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0 Purchase of Land & Buildings (& construction of bldgs.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
32.0 Purchase of fixed equipment for buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
32.0 Building Renovations/Alterations - Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
32.0 Building Renovations/Alterations - Residential	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42.0 Claims and indemnities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Subtotal OC 42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BUDGET	1,100.4	0.0	1,100.4	1,229.3	0.0	1,229.3	1,238.7	0.0	1,238.7	1,238.7	0.0	1,238.7
Less FAAS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Mission Budget	1,100.4	0.0	1,100.4	1,229.3	0.0	1,229.3	1,238.7	0.0	1,238.7	1,238.7	0.0	1,238.7

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TRUST FUNDS & FSN SEPARATION FUND

FN-25527.WK4

Orgno.: FN-25527
 Org. Title: USAID/Peru

Foreign National Voluntary Separation Account

Action	FY 97			FY 98			FY 99		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits	130.6	72.0	202.6	138.8	76.5	215.3	146.1	80.5	226.6
Withdrawals	130.6	72.0	202.6	138.8	76.5	215.3	146.1	80.5	226.6

Local Currency Trust Funds - Regular (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalent, not in Local Country Equivalent

Local Currency Trust Funds - Real Property (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalent, not in Local Country Equivalent

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**Workforce Resources
FY 1997 Position Allocation of Staff Ceilings**

Organization: USAID/PERU

Staff	Strategic Objective 1: Broader Citizen Participation in Democratic Processes	Strategic Objective 2: Increased Incomes of the Poor	Strategic Objective 3: Increased Health, including Family Planning, of High-Risk Populations	Strategic Objective 4: Improved Environmen. Management in Targeted Sectors	Special Objective: Reduce Illicit Coca Production in Target Areas in Peru	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
							Mission Mgt.	Con-troller	EXO	Con-tracts	Legal	Program	Other		
USDH	2	2.5	2	1	2.5	10	2	2	1	1	1	2		9	19
USPSC (OE/TF) Locally Recruited	0.5	1			0.5	2	1		1					2	4
USPSC (Program Funded) Internationally Recruited					1	1								0	1
USPSC (Program Funded) Locally Recruited			2			2								0	2
FSN/TCN Direct Hire (OE/TF) Internationally Recruited						0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited	2		0.5			2.5	0.5	3	8	1	0.5			13	15.5
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited						0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited	1.5	1.5	2	1.5	1.5	8		14	49.5	1.5		4.5		69.5	77.5
FSN/TCN Non-Direct Hire (Program Funded)	5	10	10	4	10	39								0	39
Other (RSSA, PASA, IPA) (OE/TF Funded)						0								0	0
Other (RSSA, PASA, IPA) (Program Funded)						0								0	0
Total Staff by Objective	11	15	16.5	6.5	15.5	64.5	3.5	19	59.5	3.5	1.5	6.5	0	93.5	158
TAACs*															
Fellows*															

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Workforce Resources FY 1998 Position Allocation of Staff Ceilings

Organization: USAID/PERU

Staff	Strategic Objective 1: Broader Citizen Participation in Democratic Processes	Strategic Objective 2: Increased Incomes of the Poor	Strategic Objective 3: Increased Health, including Family Planning, of High-Risk Populations	Strategic Objective 4: Improved Environmen. Management in Targeted Sectors	Special Objective: Reduce Illicit Coca Production in Target Areas in Peru	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
							Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH	2	2.5	2	1	2.5	10	2	2	1	1	1	2		9	19
USPSC (OE/TF) Locally Recruited	0.5	1			0.5	2	1		1					2	4
USPSC (Program Funded) Internationally Recruited					1	1								0	1
USPSC (Program Funded) Locally Recruited			2			2								0	2
FSN/TCN Direct Hire (OE/TF) Internationally Recruited						0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited	2		0.5			2.5	0.5	3	8	1	0.5			13	15.5
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited						0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited	1.5	1.5	2	1.5	1.5	8		14	49.5	1.5		5.5		70.5	78.5
FSN/TCN Non-Direct Hire (Program Funded)	4	10	10	4	10	38								0	38
Other (RSSA, PASA, IPA) (OE/TF Funded)						0								0	0
Other (RSSA, PASA, IPA) (Program Funded)						0								0	0
Total Staff by Objective	10	15	16.5	6.5	15.5	63.5	3.5	19	59.5	3.5	1.5	7.5	0	94.5	158
TAACs*															
Fellows*															

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**Workforce Resources
FY 1999 Position Allocation of Staff Target Levels**

Organization: USAID/PERU

Staff	Strategic Objective 1: Broader Citizen Participation in Democratic Processes	Strategic Objective 2: Increased Incomes of the Poor	Strategic Objective 3: Increased Health, including Family Planning, of High-Risk Populations	Strategic Objective 4: Improved Environment Management in Targeted Sectors	Special Objective: Reduce Illicit Coca Production in Target Areas in Peru	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
							Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH	2	2.5	2	1	2.5	10	2	2	1	1	1	2		9	19
USPSC (OE/TF) Locally Recruited	0.5	1			0.5	2	1		1					2	4
USPSC (Program Funded) Internationally Recruited					1	1								0	1
USPSC (Program Funded) Locally Recruited			2			2								0	2
FSN/TCN Direct Hire (OE/TF) Internationally Recruited						0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited	2		0.5			2.5	0.5	3	8	1	0.5			13	15.5
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited						0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited	1.5	1.5	2	1.5	1.5	8		14	46.5	1.5		5.5		67.5	75.5
FSN/TCN Non-Direct Hire (Program Funded)	4	10	10	4	10	38								0	38
Other (RSSA, PASA, IPA) (OE/TF Funded)						0								0	0
Other (RSSA, PASA, IPA) (Program Funded)						0								0	0
Total Staff by Objective	10	15	16.5	6.5	15.5	63.5	3.5	19	56.5	3.5	1.5	7.5	0	91.5	155
TAACs*															
Fellows*															

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ANNEX 1: PERU ANNUAL TITLE II RESULTS REPORT FOR FY 1996

Cooperating sponsors under the PL 480 Title II Program in Peru submit Annual Results Reports to USAID/Peru which document the achievement or progress towards results during the fiscal year. These results are to a large extent reflected in the body of USAID/Peru's R4 report under the SO# 2 and SO# 3 performance sections. However, the results in the R4 are not necessarily specific only to Title II inputs, but also encompass investments of Title II, DA, GoP and other donor assistance.

In order to assist BHR/FFP in the preparation of Title II specific results for its own R4, and to have additional management information regarding the Title II program, the following annual indicators are compiled. These indicators are measured across the four Peru Cooperating Sponsor programs, and are disaggregated to permit comparative performance analyses. Fiscal year 1996 activities served to establish baselines and targets for FYs 1997 and 1998, against which actual performance will be measured.

Performance Highlights

In FY 1996, USAID-supported Title II cooperating sponsor agencies initiated new multi-year programs to address the problem of food insecurity and its underlying causes. Approximately 95,000 metric tons of food aid, valued at \$58.0 million, were delivered to CARE, CARITAS, ADRA, and PRISMA during the year. Food used in supplementary and food for work programs amounted to 63,500 metric tons, while 31,400 metric tons were monetized to support the costs of internal transport and handling, technical assistance, and other complementary inputs. Title II activities were conducted in thousands of communities in the country.

Among the efforts to improve the nutritional status of "food insecure" Peruvians, the programs provided food supplements for nutritional rehabilitation, conducted growth monitoring, supported immunizations of high risk children and their mothers, trained mothers in health and nutrition practices, guided families in family planning techniques, provided production and economic skills training, and built wells, sewage systems and latrines.

Title II programs assisted over 210,000 children under 3 years of age, and over 312,000 under 5 years, and their mothers, making an important contribution towards the reduction of malnutrition. Chronic malnutrition, low height for age or stunting, currently is estimated to affect 27 percent of children under five on a national scale and 42 percent of children in rural areas (*Encuesta Demografica y de Salud Familiar 1996*). These same indicators in 1991 showed 34 percent nationwide, and 48 percent in rural areas. In the past five years, during which time the Title II programs and associated USAID investments in health, income generation, and social safety nets were significant, chronic malnutrition decreased by 20.5 percent nationwide, and 12.5 percent in rural areas.

As demonstrated in the indicators below, rates of complete immunization among Title II assisted children, aged 12 months to 23 months, were between 72 and 85.4 percent, which were well above the national average in 1996 of 63 percent. Children in all programs also showed positive weight gains. One fifth to a third of all malnourished children showed gains of at least one standard deviation from their normal weights. "Graduation" from food assistance (when the assisted child has demonstrated positive growth, received all immunizations, and when parents have attended the minimal cycle of nutrition and health training) was over 60 percent in one cooperating sponsor program. Setting a standard of achievement for the other programs.

Title II programs also targeted and provided effective assistance to food deficit communities to build and rehabilitate productive infrastructure, such as feeder roads, irrigation canals, and soil conservation terraces. They provided technical and training assistance in the areas of agricultural production and marketing, so that production costs could be reduced, output maximized, post harvest food reserves protected, and incomes of food insecure families enhanced.

In FY 1996, the programs promoted sustainable soil conservation and agroforestry practices with over 48,000 rural families. Food for work was provided for the rehabilitation of over 5,000 kilometers of access roads, and numerous irrigation, marketing and sanitary infrastructure works. Over 116,000 heads of households found temporary employment in infrastructure investment and rehabilitation projects.

Microcredit activities emerged as important elements of the Title II programs. With a view towards improving income and employment, and ensuring sustainable food security, cooperating sponsors organized and trained community groups in the management of revolving funds for microcredit lending. Over 6,200 extremely poor participants (4,900 women) benefited from microcredits, which averaged slightly below \$150 per credit. Loan recovery ranged from 93 to 97 percent.

The Title II program also made a notable contribution to "alternative development" efforts in Peru. "Food insecurity" is one of the major reasons why poor farmers turn to illicit coca production, and working to improve the underlying causes of food insecurity can reduce the reliance on this illicit activity. The majority of the Title II resources in Peru went to extremely poor zones in the highland and jungle areas of the country, which incidentally happen to be the areas of out-migration to the coca producing zones. Furthermore, more than 7,000 extremely poor families in the coca producing zones themselves were enrolled in Title II nutrition, production, and income generation programs.

With respect to the management of Title II, the USAID mission and the cooperating sponsors initiated the new multi-year programs with improved targeting criteria. Whereas 31.6 percent of the food aid resources went to the large metropolitan area of Lima/Callao in FY 1995 with less than 10 percent of the country's "extremely poor", in FY 1996 resources to those areas were reduced to 16.4 percent. Beneficiary selection and periods of participation have been made more rigorous, to ensure that Title II is directed towards the "most needy" and that the assistance is viewed as a short-term, results-oriented investment, rather than an entitlement. The programs themselves have been focused on sustainable nutrition and production-related interventions. Measurements of socio-economic conditions of Title II-assisted communities have been taken, and will serve as the baseline for impact evaluations of the program in the coming years. Food supplements continue to play an important role, but technical and training assistance, as well as other non-food inputs, are assuming a greater importance.

An impact evaluation, covering the period 1990 through 1995 was conducted, as well as an extensive IG audit on Title II management. The evaluation documented significant contributions of the program to Peru during the period of economic and civil crisis, noting efforts at organizing and supporting community-based feeding and nutrition centers, improving the level of appropriate nutrition practices, and enhancing soil conservation and production practices in the countryside. It recommended reviews of targeting criteria, and improvements in training and technology transfer in both nutrition and food production interventions supported with Title II. The audit focused its recommendations on ways to use food aid more efficiently and cost effectively. It recommended improvements in: geographic targeting mechanisms; monitoring and supervision; ration standardization; graduation criteria; accounting systems; and the integration of Title II in the Mission's strategic framework, among others. No material or financial deficiencies were detected.

Annual Progress Indicators

Performance Indicator	Indicator Definition and Unit of Measurement	PVO	Baseline 1996		Targets 1997		Targets 1998	
1. Children in Title II Nutrition and Growth Monitoring Programs	Definition: Children under a) 36 and b) 60 months of age who are enrolled in child nutrition programs. Unit: Number		a) < 36 mo.	b) < 60 mo.	a) < 36 mo.	b) < 60 mo.	a) < 36 mo.	b) < 60 mo.
		CARE	25,946	50,250	36,137	74,045	43,358	72,096
		CARITAS	57,542	92,693	44,480	84,725	50,835	84,800
		ADRA	20,035	20,035	24,192	40,320	24,192	40,320
		PRISMA	<u>107,406</u>	<u>150,450</u>	<u>115,487</u>	<u>157,674</u>	<u>113,945</u>	<u>155,190</u>
	TOTAL	210,929	313,428	220,296	356,764	232,330	352,406	
2. Children With Completed Immunizations Under Title II Programs	Definition: a) Children under 12 months who have received the recommended immunizations. b) Children aged 12 to 24 months with completed immunizations, including the measles vaccine. Unit: Percent Note: The Peruvian Ministry of Health recommends the measles vaccine after 12 months.		a) < 12 mo.	b) 12-24 mo.	a) < 12 mo.	b) 12-24 mo.	a) < 12 mo.	b) 12-24 mo.
		CARE	65.0	72.0	70	75	70	72
		CARITAS	47.5	n/m	45	65	50	75
		ADRA	60.0	83.0	70	80	70	80
		PRISMA	80.1	85.4	85	90	85	90
3. Children Showing Positive Growth Trends	Definition: a) Malnourished children under 36 months of age showing gains of at least one standard deviation from normal weight/age on Ministry of Health charts; b) Average weight gains as reflected in changes in the average standard deviation, "z" scores, of beneficiary weight/age from normal. Unit: a) Percent; b) average change of "z" from beginning to end of period		a)	b)	a)	b)	a)	b)
		CARE	47.0	N/m	35	N/p	43	N/p
		CARITAS	20.0	N/m	35	.7	40	1.0
		ADRA	36.0	N/m	40	N/p	40	N/p
		PRISMA	33.5	.444	36	N/p	38	N/p
4. Children Graduating from Feeding Programs	Definition: Children "graduating" from Title II nutrition programs during the period - stop receiving supplementary feeding from the program. "Graduation" is defined by the following minimum criteria: positive weight gains over last three months; completed immunizations; and mothers attending the minimum cycle of health and nutrition training. Unit: Number							
		CARITAS		N/m		68,830		73,500
		ADRA		7,012		23,040		23,040
	PRISMA		94,783		103,002		100,407	

Performance Indicator	Indicator Definition and Unit of Measurement	PVO	Baseline 1996		Targets 1997		Targets 1998	
5. Beneficiaries that have completed cycle of training events.	Definition: Number of beneficiaries that have completed the minimal cycle of training events provided by the PVO. The standard minimal cycle includes training in: acute respiratory and intestinal infections; prenatal control; immunizations; family planning/responsible parenting (CARITAS); and nutrition and feeding practices. Unit: a) Number; b) Percentage	CARE (* % of parents of assisted children) CARITAS ADRA PRISMA(** % of mothers)	N/m N/m N/m N/m	a) 57,480 23,040	b) 80 percent* 95 percent**	a) 56,498 23,040	b) 80 percent* 95 percent**	
6. Number of Hectares under Improved Soil Conservation/Agroforestry Practices	Definition: Hectares affected by one or more of the following: contour planting, terracing, intercropping, reforestation, infiltration ditches and river defenses. Unit: a) Number of Hectares; b) Families served	CARE CARITAS ADRA TOTAL	a) Hectares 5,469 1,932 480 7,881	b) Families 48,015 N/m N/m	a) Hectares 5,777 6,924 256 12,957	b) Families 51,390 24,119 7,290 82,799	a) Hectares 8,098 5,600 256 13,954	b) Families 64,800 19,600 7,290 91,690
7. Hectares incorporated under improved production technologies	Definition: Hectares affected by one or more of the following: the use of high yielding seed varieties, proper use of fertilizer, proper weeding and appropriate spacing. Unit: a) Number of Hectares; b) Families served	CARE CARITAS ADRA PRISMA TOTAL	a) Hectares 1,200 198 662 785 2,845	b) Families 9,638 N/m N/m 974	a) Hectares 3,069 918 905 1,330 6,222	b) Families 10,395 8,387 7,241 1,008 27,031	a) Hectares 1,974 360 718 1,466 4,518	b) Families 22,213 5,200 5,745 1,336 34,494
8. Hectares incorporated under new or rehabilitated irrigation systems	Definition: Hectares affected by one or more of the following: construction or rehabilitation of canals, reservoirs or wells Unit: a) Number of Hectares; b) Families served	CARITAS ADRA TOTAL	a) Hectares N/m 454	b) Families N/m N/m	a) Hectares 5,120 269 5,389	b) Families 20,482 3,645 24,127	a) Hectares 4,240 269 4,509	b) Families 16,960 3,645 20,605
9. Kilometers of access roads rehabilitated	Definition: Rural roads * Includes new and rehabilitated Unit: a) Number of Kilometers; b) Families served	CARE CARITAS ADRA TOTAL	a) Kilometers 4,174 *428 721 5,323	b) Families 65,002 N/m N/m	a) Kilometers 2,338 1,663 600 4,601	b) Families 36,405 16,796 6,075 59,276	a) Kilometers 3,755 1,040 630 5,425	b) Families 67,590 10,560 6,075 84,225
10. Number of marketing infrastructure facilities constructed	Definition: marketing and infrastructure facilities include: warehouses or packing, processing or marketing stalls. Unit: a) Number of facilities; b) Families served	CARITAS ADRA TOTAL	a) Facilities 6 N/m	b) Families N/m N/m	a) Facilities 53 41 94	b) Families 2,476 6,150 8,626	a) Facilities 48 50 98	b) Families 2,248 7,500 9,748

Performance Indicator	Indicator Definition and Unit of Measurement	PVO	Baseline 1996		Targets 1997		Targets 1998	
			a) Works	b) Families	a) Works	b) Families	a) Works	b) Families
11. Number of sanitary/health infrastructure works constructed or installed	Definition: Sanitary/health infrastructure works include: latrines, sewage systems, potable water systems, wells and health posts. Unit: a) Number of works; b) Families served	CARE latrines	709	709	300	300	1,800	1,800
		CARITAS latrines&public toilets	7,857	N/m	4,616	4,760	4,716	4,860
		- community faucets	405	N/m	0	0	20	200
		- domestic water connections	805	805	4,189	4,189	3,350	3,350
		- health posts	24	N/m	10	445	7	350
		-pharmacies	0	0	40	1,271	45	1,430
		ADRA latrines - water systems	3,138	3,138	900	900		
		16	2,880	8	1,200			
12. Temporary employment generated under Title II Food for Work programs	Definition: Number of families employed with food for work wages to improve their productive or socio-economic capacity. Unit: Number of families	CARE	31,500		36,495		64,800	
		CARITAS	64,448		56,000		54,500	
		ADRA	21,566		24,300		24,300	
		TOTAL	117,514		116,795		143,600	
13. Value of microcredit loan portfolio	Definition: Value of outstanding loans made in cash and in-kind from PVOs or through rotating funds established by PVOs, etc. Unit: US\$	CARE	167,000		328,300		374,000	
		ADRA	354,078		1,287,467		1,287,467	
		PRISMA	392,448		646,743		900,000	
		TOTAL	913,526		2,262,510		2,561,467	
14. Number of loans	Definition: Number of loans made from the various sources of microcredit from PVO sources. Unit: a) Total number; b) Loans to women	CARE	a) Total 4,080	b) Women 4,080	a) Total 3,200	b) Women 3,200	a) Total 4,080	b) Women 4,080
		ADRA	404	160	3,150	2,880	8,625	8,310
		PRISMA	1,824	657	2,308	900	3,169	1,250
		TOTAL	6,308	4,897	8,658	6,980	15,874	13,640
15. Delinquency Rates	Definition: Percent of loans made from various PVO sources that have not been repaid within 90 days beyond due dates, i.e. delinquent for more than 90 days. Payments past due as a percent of the total loans outstanding. Unit: Percent	CARE	0.0		2.0		2.0	
		ADRA	5.0		4.0		4.0	
		PRISMA	3.6		4.0		4.0	

Performance Indicator	Indicator Definition and Unit of Measurement	PVO	Baseline 1996	Targets 1997	Targets 1998
16. Loan Default Rates	Definition: Total amount of loans past due one year or more as a percentage of the total unpaid loan balance. Unit: Percent	CARE	4 Women Inc. Gen. (WIG) Project 7 Microenterprise Project (MP)	3 WIG Project 10 MP	3 WIG Project --
		ADRA	7 Ag. Inc.Gen. (AIG) Project	7 AIG Project	7 AIG Project 3 Infant Nutrition Project
		PRISMA	4.9	4	4
17. Families Assisted in Coca Producing Zones	Definition: Numbers of families selected and participating in Title II nutrition and production activities, who also are located in coca-producing areas of Peru (provinces targeted by Alternative Development programs). Unit: Number	CARITAS	N/m	957	957
		ADRA	N/m	2,286	2,286
		PRISMA	7,238	<u>8,000</u>	<u>8,500</u>
		TOTAL		11,243	11,743
18. Project Supervision	Definition: Percentage of supervisory field visits by central office technical staff executed as a percent of visits planned for period Unit: percent	CARE	N/m	90	90
		CARITAS	N/m	100	100
		ADRA	N/m	84	107
		PRISMA	N/m	100	100
Comments/Notes: N/m: Not measured yet. N/p: Not projected yet. WIG: Women's Income Generation Project. AIG: Agricultural Income Generation Project.					

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AID/LAC/SPM:JWEBER AID/DAA/LAC:NPARKER

AID/LAC/RSD:TJOHNSON (DRAFT) AID/LAC/SAM:WTATE (DRAFT)

AID/LAC/DPB:DCHIRIBOGA (DRAFT) AID/LAC/SPM:GBERTOLIN (DRAFT)

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TAGS:

SUBJECT: PERU STRATEGY FOR FY 1997 - FY 2001 AND R4
REVIEW - MANAGEMENT CONTRACT

1. SUMMARY: THE REVIEW OF USAID/PERU'S FY 1997-2001
STRATEGIC PLAN AND FY 1995 RESULTS REVIEW WAS HELD ON
TUESDAY, APRIL 30, 1996. THE DAEC WAS CHAIRED BY AA/LAC
MARK L. SCHNEIDER; LAC DAAS NORMA PARKER AND ERIC ZALLMAN
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WERE ALSO PRESENT. IN ATTENDANCE WERE REPRESENTATIVES OF
M/B, PPC, G/PHN, G/EG, G/ENV, AND ALL APPROPRIATE LAC
OFFICES, AND AMBASSADOR-DESIGNATE TO PERU DENNIS JETT.
USAID/PERU WAS REPRESENTED BY MISSION DIRECTOR GEORGE
WACHTENHEIM, DEPUTY DIRECTOR DON BOYD, AND PROGRAM/PROJECT
OFFICE DIRECTOR JOSEPH LOMBARDO. THE AA/LAC COMMENDED THE
MISSION ON A WELL-PREPARED PLAN, NOTING THAT THE STRATEGIC
APPROACH PRESENTED WAS AN APPROPRIATE RESPONSE TO PERU'S
PROJECTED DEVELOPMENT NEEDS. HE ALSO NOTED STRONG
ENDORSEMENT OF THE STRATEGIC PLAN BY THE US AMBASSADOR TO

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PERU. THE STRATEGY WAS APPROVED BY THE BUREAU, FOLLOWING DISCUSSION OF VARIOUS ASPECTS OF THE PLAN AS REFLECTED BELOW. END SUMMARY.

2. POLITICAL TRANSITION: THE AA/LAC ASKED HOW THE

MISSION'S PROGRAM IS CHANGING IN ORDER TO ASSIST IN THE POLITICAL AND ECONOMIC TRANSITIONS CURRENTLY OCCURRING IN PERU. MISSION REPRESENTATIVES RESPONDED THAT THE MISSION WILL WORK TO STRENGTHEN MIDDLE-LEVEL INSTITUTIONS AND MECHANISMS FOR PARTICIPATION AND FOR PROTECTING BASIC RIGHTS, AS WELL AS CIVIL SOCIETY'S ABILITY TO CONDUCT A DIALOGUE WITH GOVERNMENT. THE AA EXPRESSED CONCERN THAT MONITORING PLANS FOR THE DEMOCRACY OBJECTIVE, SO 1, SHOULD INCLUDE INDICATORS THAT DIRECTLY MEASURE PROGRESS IN PROTECTION OF BASIC RIGHTS AND ACCESS TO JUSTICE. HE CITED EXAMPLES OF POSSIBLE INDICATORS SUCH AS LENGTH OF TIME DETAINEES ARE HELD INCOMMUNICADO; ACCESS TO ATTORNEYS IN THE PRELIMINARY STAGES OF DETENTION; INCIDENCE OF TORTURE; AND TRIAL OF CIVILIANS IN CIVILIAN RATHER THAN MILITARY COURTS. OTHER INDICATORS MIGHT BE DEVELOPED TO

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TRACK GROWTH OF THE INFLUENCE OF NEW INSTITUTIONS SUCH AS THE OMBUDSMAN AND JUDICIAL COUNCIL. THE MISSION AGREED TO CONSIDER THESE INDICATORS IN DEVELOPING THE PERFORMANCE MONITORING PLAN FOR THE SO. THE AA CONGRATULATED THE MISSION ON ITS EFFORTS TO STRENGTHEN SUPPORT FOR HUMAN RIGHTS ORGANIZATIONS, SAYING THAT ITS LINKAGES WITH THESE ORGANIZATIONS COULD SERVE AS A MODEL FOR OTHER MISSIONS.

3. POVERTY REDUCTION: THE MISSION REPORTED THAT THE GOVERNMENT OF PERU (GOP) HAS RECENTLY MADE POVERTY REDUCTION A MAJOR FOCUS. OTHER DONORS HAVE STRUCTURED THEIR ASSISTANCE AROUND THE GOP'S ANTI-POVERTY STRATEGY, WHICH INCORPORATES THE FOOD SECURITY STRATEGY PREPARED BY USAID/PERU. THE AA/LAC COMMENDED THE MISSION'S PROPOSED INDICATORS FOR THE ECONOMIC GROWTH OBJECTIVE (SO 2), WHICH HE SAID ARE APPROPRIATELY RELATED TO POVERTY REDUCTION.

4. ENVIRONMENTAL HEALTH ISSUES: THE MISSION WAS ASKED ABOUT ITS WORK ON ENVIRONMENTAL ISSUES SUCH AS WATER AND SANITATION WHICH IMPACT ON RECURRING HEALTH PROBLEMS, INCLUDING CHOLERA. THE MISSION REPORTED THAT THE WORLD BANK AND GOP ARE CURRENTLY ADDRESSING THESE ISSUES, AND THAT ACTIVITIES UNDER THE NEW ENVIRONMENT SO, WHICH ARE SCHEDULED TO BEGIN IN FY 1998, WILL ALSO DEAL WITH ENVIRONMENTAL HEALTH ISSUES. MEANWHILE, A PILOT SOLID WASTE ACTIVITY FUNDED BY THE MISSION HAS BEEN ADOPTED FOR REPLICATION BY THE EUROPEAN UNION.

5. DRUG AWARENESS: IT WAS REPORTED THAT THERE IS SOME CONCERN IN STATE/INL THAT CEDRO, THE USAID-FUNDED NGO

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WORKING IN DRUG AWARENESS, HAS STRAYED FROM ITS ORIGINAL
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PURPOSE AND IS NOW FOCUSING INAPPROPRIATELY ON FARMERS.
THE MISSION DIRECTOR STATED THAT, TO HIS KNOWLEDGE, CEDRO
HAS CONTINUED TO FOCUS ON DRUG EDUCATION, WHILE EXTENDING

THESE ACTIVITIES TO RURAL AREAS. THE AA/LAC OBSERVED THAT
THE MISSION NEEDS TO MAKE A CASE WITH INL FOR CEDRO'S
CURRENT FOCUS AND THE ACTIVITIES AND RESULTS THAT IT PLANS
TO ACCOMPLISH IN THE NEXT ONE TO THREE YEARS.

6. MISSION BUDGET AND PRIORITIES: THE MISSION WAS ASKED
ABOUT THE SCOPE OF ITS PROGRAM AND ITS PRIORITIES AMONG
THE PROGRAM'S VARIOUS ELEMENTS, IN THE CONTEXT OF LOWER
THAN PLANNED RESOURCE LEVELS. THE CONSENSUS OF THE REVIEW
WAS THAT THE MISSION'S APPROACH REFLECTED AN APPROPRIATE
AND INTEGRATED STRATEGY. MISSION REPRESENTATIVES OBSERVED
THAT, WHILE THE FY 1996 OYB FOR PERU IS SIGNIFICANTLY
LOWER THAN EXPECTED, CURRENT FY 1997 DA CONTROL LEVELS ARE
ACTUALLY QUITE CLOSE TO MISSION REQUEST LEVELS. HOWEVER,
CONGRESSIONAL EARMARKS MAY REQUIRE THE MISSION TO REVIEW
ITS DISTRIBUTION OF FUNDS AMONG OBJECTIVES. THE MISSION
HAD REQUESTED U.S. DOLS 20 MILLION PER YEAR IN ESF/INL
FUNDS THROUGHOUT THE STRATEGY PERIOD. IT IS NOT POSSIBLE
AT THIS TIME TO DETERMINE AVAILABILITY OF ESF/INL FUNDS
FOR USAID/PERU IN FY 97 AND BEYOND. THE MISSION REPORTED
THAT ALTERNATIVE DEVELOPMENT ACTIVITIES REPRESENT THE
HIGHEST PRIORITY FOR ESF/INL FUNDS. SECOND AND THIRD
PRIORITIES FOR USE OF ESF ARE, RESPECTIVELY, LOCAL
GOVERNMENT AND MICROENTERPRISE DEVELOPMENT ACTIVITIES
WHICH ALSO SUPPORT USG COUNTERNARCOTICS OBJECTIVES.

7. NEW BUILDING: IT WAS REPORTED THAT FUNDS ARE
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AVAILABLE IN THE STATE DEPARTMENT'S FBO BUDGET FOR
CONSTRUCTION OF USAID/PERU'S NEW BUILDING. THE NEXT STEP
IS FOR STATE/FBO TO NOTIFY CONGRESS SO THAT DESIGN OF THE
BUILDING CAN PROCEED. THE BUREAU ADVISED THAT AN
ADDITIONAL U.S. DOLS 800,000 IN OPERATING EXPENSES (OE)
THAT THE MISSION REQUESTED FOR NEW FURNITURE IS UNLIKELY
TO BE AVAILABLE. THE AA/LAC RECOMMENDED THAT THE MISSION
AND BUREAU WORK WITH THE STATE DEPARTMENT TO ENSURE THAT
THE BUILDING DESIGN PERMITS USE OF THE MISSION'S EXISTING
FURNITURE. THE BUREAU WILL STUDY THE PROBLEM OF OBTAINING
AN ADDITIONAL U.S. DOLS 130,000 IN OE FOR A TELEPHONE
SYSTEM FOR THE NEW BUILDING.

8. REGIONAL SERVICE CENTER: IN RESPONSE TO R4 GUIDANCE,

USAID/PERU INCLUDED IN ITS STRATEGIC PLAN A PROPOSAL FOR ESTABLISHING A REGIONAL SERVICE CENTER IN LIMA TO SERVE THE SOUTH AMERICA SUBREGION. THE AA/LAC ADVISED THAT A STUDY WILL BE PERFORMED TO COMPARE OPTIONS FOR A NEW SOUTH AMERICAN REGIONAL SERVICE CENTER, CONSIDERING COSTS AND OTHER ISSUES. OPTIONS TO BE REVIEWED WILL INCLUDE LOCATING THE REGIONAL CENTER IN LIMA, IN LA PAZ, OR SPLITTING REGIONAL FUNCTIONS BETWEEN THE TWO MISSIONS.

THE BUREAU WILL INFORM THE MISSION FOLLOWING THE COMPLETION OF THIS STUDY.

9. PRIVATIZATION: THE AA/LAC REQUESTED THAT USAID/PERU PROVIDE A WRITTEN DESCRIPTION OF PERU'S PRIVATIZATION EXPERIENCE, INCLUDING THE EXTENT OF PRIVATIZATION THUS FAR AND THE EXTENT TO WHICH PRIVATIZED COMPANIES HAVE EXPANDED

EMPLOYMENT AND OTHERWISE DEMONSTRATED THE BENEFITS OF
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PRIVATIZATION.

10. PERUVIAN ECONOMY: MISSION REPRESENTATIVES REPORTED THAT THEY DO NOT BELIEVE THAT CURRENT WEAKENING OF THE PERUVIAN ECONOMY WILL SIGNIFICANTLY AFFECT THE USAID PROGRAM IN AN ADVERSE MANNER. NEGOTIATIONS BETWEEN THE IMF AND GOP ARE GOING WELL, AND ANY RESTRUCTURING THAT RESULTS IS EXPECTED TO STRENGTHEN THE ECONOMY IN THE LONG RUN. THE GOP IS EXPECTED TO CONTINUE ITS STRATEGY OF INCREASING EXPENDITURES FOR THE SOCIAL SECTORS.

11. ALTERNATIVE DEVELOPMENT SPECIAL OBJECTIVE: ISSUES WERE RAISED REGARDING WHETHER THE ALTERNATIVE DEVELOPMENT SPECIAL OBJECTIVE SHOULD BE DEFINED AS A STRATEGIC OBJECTIVE, OR AS AN INTERMEDIATE RESULT SUPPORTING THE MISSION'S ECONOMIC GROWTH SO. REVIEWERS CONCURRED THAT THIS ISSUE WAS STRICTLY PRESENTATIONAL, AS THERE IS NO QUESTION REGARDING USAID'S CONTINUED SUPPORT FOR THE MISSION'S ALTERNATIVE DEVELOPMENT ACTIVITIES. IT WAS AGREED THAT PRESENTING THESE ACTIVITIES AS A SPECIAL OBJECTIVE WAS THE CLEAREST WAY OF EXPRESSING THE ALTERNATIVE DEVELOPMENT PROGRAM'S UNIQUE PLACE IN THE MISSION PORTFOLIO.

12. GENDER CONCERNS: A CONCERN WAS EXPRESSED THAT DESCRIPTIONS OF WOMEN'S PARTICIPATION UNDER SO 2 (INCREASED INCOMES OF THE POOR) DID NOT CLEARLY DESCRIBE THE EXTENT TO WHICH WOMEN AND GENDER CONCERNS WILL BE INTEGRATED IN ACTIVITIES UNDER THIS SO. MISSION REPRESENTATIVES STATED THAT WOMEN ARE SEEN AS ACTIVE PARTICIPANTS IN ALL ASPECTS OF THE VARIED ECONOMIC

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ACTIVITIES SUPPORTING THIS SO. WOMEN'S PARTICIPATION IS DESCRIBED IN A SEPARATE MISSION WRITE-UP ON TREATMENT OF GENDER UNDER SO 2. FURTHER RECOMMENDATIONS REGARDING TREATMENT OF GENDER IN IMPLEMENTING THE NEW STRATEGIC PLAN AND PERFORMANCE REPORTING HAVE BEEN PROVIDED TO THE MISSION IN A SEPARATE MEMORANDUM DATED MAY 2, 1996, FROM THE LAC BUREAU'S WID ADVISOR, PATRICIA MARTIN.

13. HUMAN RESOURCE DEVELOPMENT: RESPONDING TO ISSUES RAISED REGARDING HUMAN RESOURCE DEVELOPMENT NEEDS IN PERU,

THE MISSION REPORTED THAT IT LACKED SUFFICIENT RESOURCES TO ADDRESS BASIC EDUCATION NEEDS COMPREHENSIVELY. HOWEVER, THE MISSION HAS HELD DISCUSSIONS WITH THE MINISTRY OF EDUCATION AND OTHER ORGANIZATIONS REGARDING EDUCATION POLICY ISSUES, AND PLANS TO CONTINUE THAT DIALOGUE. LAC/RSD/EHR AND THE MISSION AGREED TO COLLABORATE IN THE AREA OF EDUCATION POLICY, POSSIBLY USING RESOURCES FROM THE LAC REGIONAL PERA ACTIVITY. THE WORLD BANK AND IDB HAVE MAJOR EDUCATION ACTIVITIES

UNDERWAY IN PERU.

14. TITLE II: AN ISSUE WAS RAISED REGARDING WHETHER USAID/PERU'S RESULTS FRAMEWORKS SHOULD SHOW THE TITLE II PROGRAM AS SUPPORTING SO 3, IMPROVED HEALTH, AS WELL AS SO 2, INCREASED INCOMES OF THE POOR. MISSION REPRESENTATIVES SUGGESTED THAT BHR AND LAC STAFF VISIT USAID/PERU TO DISCUSS THIS ISSUE WITH THE RESPECTIVE SO TEAMS. DEPENDING ON THE RESULTS OF THIS VISIT, THE MISSION WOULD THEN REEXAMINE THE INCORPORATION OF TITLE II IN ITS RESULTS FRAMEWORKS.

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15. RESULTS FRAMEWORKS: A NUMBER OF ISSUES WERE RAISED REGARDING RESULTS FRAMEWORKS AND ILLUSTRATIVE INDICATORS OF MEASUREMENT FORMULATED BY THE MISSION FOR ITS STRATEGIC OBJECTIVES. THESE ISSUES WERE ALL RESOLVED DURING THE ISSUES MEETING OR IN SIDE MEETINGS.

16. NEW DEMOCRACY SO: QUESTIONS WERE RAISED REGARDING THE SCOPE AND FOCUS OF THE STRATEGIC PLAN'S SO 1, BROADER CITIZEN PARTICIPATION IN DEMOCRATIC PROCESSES. THESE QUESTIONS WERE RESOLVED IN A SIDE MEETING BETWEEN REPRESENTATIVES OF THE MISSION AND OF G/DG.

17. GLOBAL HEALTH ISSUES: A NUMBER OF ISSUES WERE RAISED BY THE USAID/W PERU COUNTRY TEAM FOR POPULATION, HEALTH, AND NUTRITION. THESE ISSUES WERE SETTLED WITH THE MISSION OUTSIDE THE ISSUES MEETING AND ARE DOCUMENTED IN A MEMORANDUM FROM ESTELLE QUAIN, G/PHN/POP/CMT, DATED APRIL

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23, 1996.

18. BUDGET: THE FY 96 DA OYB FOR USAID/PERU IS DOLS 24.428 MILLION (EXCLUDING DOLS 900,000 FOR THE INSTITUTE FOR LIBERTY AND DEMOCRACY AND DOLS 3.8 MILLION FOR CONTRACEPTIVES). THE ESF/INL LEVEL FOR FY 96 IS CURRENTLY DOLS 3 MILLION, SUBJECT TO FURTHER ASSESSMENT OF USAID/PERU'S FUNDING NEEDS. TITLE II RESOURCES WILL TOTAL DOLS 52.484 MILLION.

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