

AMENDMENT TO
LAC REGIONAL STRATEGIC PLAN
FY 2003 - FY 2006

FEBRUARY 13, 2003

Executive Summary

The purpose of the Latin America and Caribbean (LAC) regional program (the Regional Program) is to support and strengthen critical U.S. national interests in the LAC region that are beyond the scope of the bilateral and sub-regional programs. The Regional Program supports development activities that (i) address critical regional needs that cannot be filled by bilateral or sub-regional programs; (ii) support Summit mandates; (iii) support pilot and other innovative activities such as regional alliances that field missions typically would not fund, and; (iv) support Congressionally-mandated initiatives that are managed most efficiently at the regional level.

During FY03-FY06, the funding period of this Strategic Plan amendment, the Regional Program will continue to build on the strategy that was approved in 1995. Some Strategic Objectives (SOs) included in that strategy have been completed and follow-on SOs were approved to build on the successes of those earlier efforts. The basic purpose of the original strategy; however, remains the same though the areas of sub-program emphasis may have changed somewhat over time. The core areas of focus continue to be:

- encouraging broad-based economic growth through trade and greater access to markets to reduce poverty and economic inequality;
- promoting and strengthening the democratic gains of the last 20 years through support for judicial reform, accountability and transparency, decentralization and civil society involvement in the political process;
- promoting equitable access and quality education to the region's children and young people through educational reform, greater community and parental involvement and the development of standards;
- improving health status in the region by increasing access and quality of maternal child health care including voluntary family planning, by combating the spread of HIV/AIDS and other infectious diseases, and by improving the organization and financing of health care; and
- conserving the region's natural resource base and protecting environmentally fragile areas while addressing global environmental issues such as preserving bio-diversity and reducing the threat of global climate change.

The SOs included in this amendment represent the currently approved program direction except in two instances: 1) the presentation of a new health SO proposed to begin in FY04; and 2) a revised economic growth SO that incorporates regional trade capacity building into the SO to improve the access of the poor to markets and extends the funding period of the SO through FY06. Besides approval of the new health SO and the revised economic growth SO, this amendment seeks approval to increase the life-of-objective cost and extend the funding period of other strategy elements.

LAC/RSD is requesting additional resources to address several important Agency and Bureau priorities (trade, the Centers of Excellence in Teacher Training, anti-corruption and energy). If additional resources became available in FY03, LAC/RSD is prepared to accelerate activities in the priority areas. LAC/RSD is also requesting the approval of one additional U.S. Direct Hire position.

Overall Assistance Environment and Rationale for a LAC Regional Program

A. U.S. National Interests and Program Rationale

The purpose of the Latin America and Caribbean (LAC) regional program (the Regional Program) is to support and strengthen critical U.S. national interests in the LAC region that are beyond the scope of the bilateral and sub-regional programs. U.S. foreign policy interests in the region include fostering peace, stability and economic prosperity and reducing illegal immigration and the flow of narcotics to the U.S. The Regional Program supports these objectives by promoting free trade and equitable economic growth, strengthening and consolidating democracy in the region, fostering responsible management of the natural resource base and promoting quality education and health care. These goals are addressed at different levels including bilateral, sub-regional, regional and multilateral. USAID implements bilateral programs in 16 LAC countries, has three sub-regional programs (Eastern Caribbean, Central America, and the Andean region of South America) and a LAC-wide regional program managed by the Office of Regional Sustainable Development (RSD), which is based in Washington. At all levels, these programs coordinate and interact with host countries, the multilateral development banks, other bilateral donors and the private sector, including a host of non-governmental groups.

The Regional Program addresses the many development problems that cross national borders such as HIV/AIDS and other infectious diseases. It also supports programs that are more efficient and cost effective when addressed regionally such as the sharing of best practices and information among countries or establishing regional networks on such issues as human rights and local government. The Regional Program also plays a key role in supporting the Summit of the Americas goals such as initiatives to strengthen local government and property registration systems. Also responding to Summit mandates are other LAC regional programs and technical support in the areas of economic growth, education, and health, especially HIV/AIDS. The Regional Program proposed and designed the recent Summit initiative, the Centers of Excellence for Teacher Training, as a public-private partnership to support the creation of three sub-regional centers to improve the instruction of reading at the early grade levels.

The Regional Program is uniquely positioned to catalyze regional or sub-regional initiatives that respond to new priorities. For example, the Regional Program led the conceptualization and development process for: (i) new partnerships with the private sector to address the coffee crisis in Central America; (ii) alliances for certified forest products; (iii) an alliance for the conservation of the Meso-America coral reefs; (iv) an innovative program to tap the potential of remittances for development purposes; and (v) a regional trade capacity building program to assist the Andean countries prepare for the Free Trade Area of the Americas (FTAA) Agreement.

In summary, the Regional Program supports development activities that (i) address critical regional needs that cannot be filled by bilateral or sub-regional programs; (ii) support Summit mandates; (iii) support pilot and other innovative activities such as regional alliances that field missions typically would not fund, and; (iv) support Congressionally-mandated initiatives that are managed most efficiently at the regional level. The Regional Program also supports the analysis of regional trends to help shape and guide Bureau-wide assistance programs. RSD staff advise and provide recommendations on technical policy issues and participate actively in the inter-agency, multilateral, other donor and non-governmental coordination process to ensure that USAID resources in the region do not duplicate, but rather complement and support, those of other donors and development actors.

B. Assistance Environment

The decade of the 1990s was a tumultuous one for LAC. Except for Cuba, all governments in the region were elected democratically and overall economic conditions improved in many countries. However, many countries continued to have pervasive pockets of poverty. Upon entering the new Millenium, many gains that the LAC region made in the 1990s have regressed. The economies of several countries have become precarious, with the most glaring one being Argentina, whose economic collapse has had a negative ripple effect upon its neighbors. The democracies in several countries have become more fragile, with Haiti and Venezuela being leading examples. Additionally, the physical security of individuals has become a major concern - the significant number of kidnappings in Colombia, Mexico, Guatemala, Brazil and Argentina has made security costs a major factor in doing business there. Natural disasters had a negative impact on the economies and infrastructure in Central America and the Caribbean, setting back development in some countries by several years. Finally, the effects of September 11, 2001 have had an adverse impact on almost all sectors of the region's economy.

1. Economic Growth

Income disparities continue to be a serious problem, with rural populations most likely to suffer from poverty. One-third of the total LAC population continues to live in poverty and, of these, over 50% live in rural areas. Of the USAID-assisted countries, Mexico was the notable exception. Evidence suggests that the North American Free Trade Agreement contributed to Mexico's broad growth (NAFTA).

Trade is an engine for economic growth, particularly for countries with small economies. Increased trade both generates employment and increases job quality, thus raising wages. Hence, free trade has been shown to promote economic prosperity. For example, since the inception of NAFTA, employment in Mexico has grown by 28%, compared to

population growth of only 11%, generating some 2.7 million jobs. Several LAC countries made progress in liberalizing trade policies, opening their economies and establishing new trading arrangements. With the exception of Cuba, all countries in the region are committed to achieving the FTAA by 2005, and recently the U.S. and the Central American nations agreed to negotiate a Central America Free Trade Agreement, which they expect to conclude in 2003.

To fulfill these agreements, LAC countries have expressed the need for a range of trade capacity building assistance. In response, the LAC Bureau has made trade capacity building and achievement of the FTAA its top priority. The Regional Program is assisting missions develop their own trade activities and has established a “rapid response” mechanism to provide trade capacity building assistance to missions, governments and the private sector. Because disseminating information about trade issues is also vital as the region moves closer to a FTAA, the Regional Program produces a monthly trade newsletter for field missions to advance this effort and will be providing additional information on trade issues and business constraints to governments and the private sector.

To address poverty in rural areas more directly, in 2001-02, the Regional Program developed a new Rural Prosperity Framework to refocus attention on increasing rural incomes by developing agriculture and non-agriculture diversification activities, rural-to-urban marketing links and international business alliances. The multi-year Opportunity Alliance and its sub-sector Coffee Alliance are applying this Framework throughout Central America. The Opportunity Alliance seeks to promote rural prosperity and competitiveness through diversification to higher value products, business development, more productive use of technology, niche marketing and legal, regulatory and policy reform. The Coffee Alliance will help small farmers enhance the quality of their coffee and deliver it to specialty markets that pay higher prices for premium coffee. As necessary, RSD will support the implementation of these program, especially when issues arise that link to the other sub-regions.

Achieving widespread prosperity means expanding access to opportunities, including good governance of property rights which enables broad asset growth. At the same time, unresolved disputes over land tenure can trigger conflict and can hinder peace-building in post-conflict settings. Our regional program gives priority to helping create effective property rights systems throughout the region. The program supports a donor forum, engages in policy dialogue with host-country partners and provides technical assistance to missions to integrate solutions to land and property rights issues into their strategies for economic growth, democracy and conflict management, and the environment.

Remittances, estimated to total \$23 billion annually, are a significant and growing boost to LAC economies. For example, Mexicans living in the U.S. remit over \$9 billion to Mexico annually. The Regional Program will research and test several activities with the potential to reduce the transaction costs of sending remittances, provide low income remittance recipients greater access to a range of financial services and improve the quality of community projects that receive funding from hometown associations in the U.S. This is an area that may have great development potential.

2. Democracy and Governance

In the political arena, all the countries of the hemisphere save Cuba have joined the community of democracies in the 1990s. This was a major achievement after the military and leftist dictatorships and the civil conflicts of the 1970s and 1980s. USAID has made significant progress in building the institutional foundation that has been essential to the successful development and functioning of democracies. In the areas of judicial reform and rule of law, transparency and anti-corruption and local government and civil society strengthening, USAID has helped develop the building blocks and constituencies for democracy and good governance in the region.

Despite this impressive progress and 10-15 years of democracy, as noted previously, in some countries its condition is very fragile. Threats to democratic stability include little change in poverty rates and unemployment; increased crime and violence, which many democratic governments lack resources to restrain; and wide-scale corruption and the lack of transparency and accountability. Surveys of democratic values conducted in several LAC countries indicate that, while governments remain committed to democracy, citizens who are crime victims or who have been disadvantaged by poverty and corruption have less confidence in democracy to solve their problems.

The Regional Program supports activities that strengthen the trend toward greater democracy in the region. Key areas include justice and human rights, transparency and accountability, decentralization and democratic local governance, and civil society strengthening. While maintaining investments in these core areas, RSD will seek opportunities to increase and expand support for activities targeted on reducing and preventing corruption, crime and violence and other forms of conflict that threaten the democratic process

2. Education

LAC has made significant progress in increasing the access to education, particularly at the primary level. In 1992, the net enrollment rate for primary school for the region as a whole was 87.5%, though gross inequities existed between countries. By 1998, the net enrollment rate in LAC had increased to 97%, which shows that the region is approaching universal primary coverage at this level. Although in most LAC countries a lower proportion of the young adult population is illiterate than for older generations, Central American countries and Haiti maintain similar levels of illiteracy from one generation to another. Policies supporting compulsory education and extending the years of schooling have flourished in the Caribbean. However, years of compulsory education in Latin America are about half those of the majority of the Caribbean countries and range between six to nine years compared to 12-13 years.

Gains in education coverage mask the serious deficiencies plaguing the schools in the region. Despite the low levels of illiteracy, LAC suffers from a deficit of skills among young adult populations. Grade repetition in LAC is the world's highest with \$3 billion each year wasted on children repeating grades. The region reports alarmingly high dropout rates, low primary school completion rates, and generally provides a poor quality of schooling. Today, the average years of schooling in LAC is 5.3 years, two years fewer than the world average and less than half the number of years required to receive an income above the poverty line. In Central America, only 25% of the population have attained more than six years of schooling.

The Regional Program addresses these challenges in several ways. It supports activities that improve the environment for education reform by expanding the national-level debate and by stimulating advocacy at the local level. USAID support for comparable education indicators, a Summit Education Initiative, is contributing to increased transparency and accountability of the regions' school systems. The Regional Program sponsors activities that improve the skills of teachers and school administrators. A key activity is the Centers of Excellence for Teacher Training (CETT), a Presidential Summit Initiative, that aims to improve reading instruction through new training methodologies for teachers. The Regional Program also targets improving the relevance and skills of the workforce through U.S. paraprofessional training. RSD is also exploring ways to focus more attention on improving secondary education through regional activities.

3. Environment

The trends for the environment in LAC are alarming. Despite successes by USAID and other donors to preserve selected environmentally fragile areas, to promote more responsible agriculture and forest harvesting, to protect important watersheds and to promote various pollution prevention and environmental management programs, the rate of environmental degradation is accelerating. The LAC region is the most biologically diverse area in the world and contains almost 50% of the world's tropical forests. It also includes important coral reefs and large fresh water resources. Unfortunately, these resources are being decimated by population pressures (despite a lowering in the population growth rate in LAC countries), over-exploitation, pollution and inadequate management. The World Bank estimates that poor environmental policies and management cause a four to eight percent drag on gross domestic product. Poor environmental management also creates conditions that worsen the impact of natural disasters. Many of the region's economies depend heavily upon the natural resource base. Continued over-exploitation and mismanagement reduces economic opportunities and propels people to migrate to seek their fortune elsewhere, often to the U.S.

The Regional Program addresses these challenges in several ways. First, it supports programs aimed at protecting the region's biodiversity while providing employment opportunities to local communities. Through the Parks in Peril (PiP) program and its successor, PiP 2000, LAC supports protected areas working closely with local non-governmental organizations (NGOs) and communities to demonstrate how appropriate natural resource management can protect the environment and provide sustainable income to local residents. This Congressionally-mandated program receives substantial mission buy-in that, in FY02 was more than double the amount provided under the Regional Program. The Regional Program also supports the U.S.-LAC environmental partnership that sponsors the use of technology for pollution prevention and clean production, funds regional environmental advisors and special regional assessments and supports pilot interventions in water and sanitation. LAC is also exploring ways to focus more attention on the energy sector through regional activities such as the U.S.-LAC environmental partnership or the Opportunity Alliance in Central America. Further, through the Reefs at Risk program, RSD is improving the information available for sound coral reef management and protection in the Caribbean, and providing tools to analyze the impacts of human activities on them.

4. Health

Countries where USAID works are generally the poorest in the region and many areas have health situations as difficult as anywhere else in the developing world. Infectious diseases are of particular concern to the U.S. due to the proximity of its neighbors to the South and the increasing pace of migration and travel between the U.S. and LAC. Supporting development by improving health is an excellent investment, especially in LAC, which has functioning institutions to work with, and where linguistic and cultural cohesion facilitates economies of scale. The recent Summits of the Americas provide a framework for health sector reform and service improvements.

While the health sector has achieved many successes in the LAC region, much remains to be done to improve the health status of the population. Family planning efforts must expand to reach all couples who want such health care, especially in remote rural areas. Increases in the use of contraceptives in Haiti, Bolivia, Guatemala and Peru exceeded 45% in the last decade; however, these countries have the lowest contraceptive use among those LAC countries in which USAID works. Maternal mortality continues to be a major problem in LAC resulting in approximately 24,000 deaths per year, most of which could be prevented. Haiti, Bolivia, Guatemala, Brazil, Nicaragua, Peru, Honduras and Ecuador have more than 200 deaths for every 100,000 live births compared to just 11 deaths per 100,000 births in North America. Mortality among children under five declined by 30% or more in seven countries (Bolivia, Ecuador, Peru, El Salvador, Honduras, Brazil, and Jamaica) from 1990-2000; yet the annual rate of deaths among children under five in Haiti hovers near 130 per 1,000 births. HIV/AIDS takes an increasing toll in LAC, especially in the Caribbean, where the prevalence of HIV/AIDS in adults is second only to sub-Saharan Africa. Malaria, tuberculosis (TB) and other infectious diseases are increasingly resistant to treatment therapies. On a per capita basis, total health expenditures average \$383 for USAID countries, about one-tenth that of the U.S. and resources spent on health care are not allocated efficiently and effectively.

The Regional Program addresses these challenges by supporting regional actions to enhance the security of contraceptive supplies in the region, and by assuring that USAID leadership in LAC is fully informed regarding the latest developments HIV/AIDS prevention and care. Models for improving maternal health care and for communities and health facilities to respond quickly and effectively to obstetric emergencies are being disseminated and scaled up in the region. Child survival is further supported by improving the access to and quality of both Integrated Management of Childhood Illnesses and vaccination programs in target

countries. Infectious diseases are being addressed through monitoring laboratory performance, expanded adaptation of regional standardized treatment guidelines, and promotion of rational anti-microbial drug use through strengthening of pharmacy and therapeutics committees. Finally, health reform progress is being monitored, experiences in the region made more accessible, and methodologies and tools (including a provider payment policy primer, comparative analysis of social insurance mechanisms in LAC, institutionalization of national health accounting and hospital reform) are being adapted for policy makers.

C. Strategic Focus

The Regional Program will continue to build on the strategy that was approved in 1995. The basic purpose of the original strategy (to support and strengthen critical U.S. national interests in the LAC region that are beyond the scope of the bilateral and sub-regional programs) remains the same, though the areas of sub-program emphasis may have changed somewhat over time. The core areas of focus continue to be:

- Encouraging broad-based economic growth through trade and greater access to markets to reduce poverty and economic inequality;
- Promoting and strengthening the democratic gains of the last twenty years, advances that are fragile and cannot be taken for granted, through support for judicial reform, accountability and transparency, decentralization and civil society involvement in the political process;
- Promoting equitable access and quality education to the region's children and young people through educational reform, greater community and parental involvement and the development of standards;
- Improving health status in the region by increasing access and quality of maternal child health care including voluntary family planning, by combating the spread of HIV/AIDS and other infectious diseases, and by improving the organization and financing of health care; and
- Conserving the region's natural resource base and protecting environmentally fragile areas while addressing global environmental issues such as preserving bio-diversity and reducing the threat of global climate change.

USAID seeks to mainstream attention to gender issues throughout its programs. The regional human rights program addresses specifically discrimination against marginalized groups, including women. Under the Parks in Peril program, the first female fishing cooperative in Mexico was established. Approximately 40 percent of the students under the Cooperative Association of States for Scholarships program are women. The entire health program focuses on meeting the needs of women and children.

D. Inter-Sectoral Linkages

The Regional Program recognizes the strong linkages and cross-cutting issues among the five sectors and has made substantial progress in addressing them. Historically, linkages have been made between trade and the environment, water and sanitation and child survival, fertility and mortality levels and girls' and women's education. More recently, RSD has been exploring the linkages between economic growth and democracy and governance, specifically about how corruption and the lack of transparency hampers trade and investment and thereby impinges upon economic growth. In conjunction with several missions, the Regional Program is also assessing whether antiquated or cumbersome commercial laws constrain trade and investment, and exploring ways to incorporate commercial law activities into ongoing administration of justice activities or developing new activities that link objectives in democracy and governance and economic growth. Crime and violence is another area with strong democratic governance-economic growth linkages as well as health implications. Recent trends in the LAC region show an alarming increase in crime and violence, which depresses commercial investment and strains the capabilities of police, justice and health care systems. The Regional Program supports a newly-formed Inter-American Coalition for the Prevention of Violence that is exploring inter-sectoral ways of addressing this critical problem.

E. Partners and Strategic Alliances

The Regional Program has been developed and maintained through close collaboration with a wide array of international organizations, other donors, U.S. Government (USG) agencies, NGOs, universities and the private sector. Traditional partners include the World Bank, the Inter-American Development Bank (IDB), the Organization of American States (OAS), the Pan American Health Organization (PAHO) and other United Nations agencies (UNICEF, UNESCO, UNAIDS), the U.S. Departments of State, Education, Health and Human Services, Justice, Labor and Commerce, the Environmental Protection Agency, the Office of the U.S Trade Representative (USTR) and many U.S and LAC private voluntary organizations and NGOs active in economic growth, trade and agriculture, democracy and human rights, health, education and the environment.

The Regional Program has developed numerous new public-private partnerships and alliances with the private sector (corporations, foundations, universities) that unite new partners with mutual interests in addressing a development problem. Working closely with the Global Alliance Secretariat, the USAID pillar bureaus and LAC missions, RSD has developed four new alliances. The Alliance to address the coffee crisis in Central America brings together coffee industry companies such as Proctor & Gamble, Green Mountain Coffee, Starbucks, the multilateral development banks, and other U.S. and regional industry,

environment and consumer organizations to undertake a joint action plan focusing on coffee quality improvements, business development and marketing services and an improved policy environment.

In the environment area, the Regional Program has developed two alliances: one to conserve the Meso-American coral reef through a partnership between the tourism industry, environmental NGOs and the United Nations Foundation; and the second to increase the capacity to provide certified forest products to meet the demand, build market systems and improve forest management techniques and policy. Partners in the certified forest alliance include U.S. and regional timber and wood products companies, environmental NGOs and the U.S. Forest Service.

Another innovative program aims to tap the potential of remittances to help move their recipients into the formal banking sector, thereby expanding their access to financial services and increasing the pool of resources available for productive enterprises. The Regional Program is working with U.S. and regional banks and credit unions to implement several pilot activities.

F. Coordination with Central Bureaus and Missions

During the development/review/approval of the LAC Regional SOs, LAC/RSD worked very closely with the technical staff in the former Global Bureau, the Bureau for Program Policy Coordination and field missions on program coordination and implementation. As appropriate, their comments/concerns were taken into consideration and incorporated in the final SO documents and subsequent amendments. The proposed new health SO was vetted with Mission PHN staff at the PHN State-of-the-Art Conference held last spring and LAC/RSD continues its very close working relationship with the Global Health Bureau in finalizing the SO. This Strategic Plan amendment will be shared with LAC Bureau Missions to keep them informed of changes being made to the program and to help ensure program complementarity.

LAC/RSD utilizes Field Support mechanisms managed by the Pillar Bureaus to implement significant elements of its portfolio. During FY 2002, approximately \$6.5 million was transferred to the Pillar Bureaus for Field Support. As decisions made with respect to the Agency reorganization are implemented, additional funds will be transferred to the Pillar Bureaus for the day-to-day management of activities included in the LAC Regional portfolio.

G. Summary of Changes that Require Approval

As mentioned above, this Strategic Plan amendment follows largely the strategy approved in 1995. Since then, however, some Strategic Objectives (SOs) included in the 1995 strategy have been completed and follow-on SOs were approved to build on the successes of earlier efforts. The SOs included in this amendment represent the currently approved program direction except in two

instances: 1) the presentation of a new health SO proposed to begin in FY04; and 2) a revised economic growth SO that incorporates regional trade capacity building into the SO to improve the access of the poor to markets and extends the funding period of the SO through FY06.

Besides approval of the new health SO and the revised economic growth SO, this amendment seeks approval to increase the life-of-objective cost and extend the funding period of the following strategy elements through FY06:

- Democracy and Governance: Civil society and local governance (for which funding ended in FY02) and transparency and accountability (currently funded through FY05). Funding for human rights and rule of law activities is already approved through FY06. The life-of-objective cost is being increased to \$253 million. (In the past, the SO had no specific life-of-objective cost and was shown to be "continuing");
- Environment: U.S.-LAC Environmental Partnerships (funded through FY04) and conservation of biological resources (funded through FY05). Life-of-objective costs are being increased from 5 million to \$6.273 million and from \$27 million to \$30.866 million, respectively; and
- Education and Training: Elements of the education and training SO are currently funded through FY05. It is proposed that the funding period for the Georgetown Cooperative Association of States for Scholarships (CASS) program be approved through FY08 to accommodate a new six-year Cooperative Agreement. (The CASS program provides one- and two-year scholarships at community colleges and universities across the United States for socio-economically disadvantaged Latin American scholars who have demonstrated leadership potential in their communities and at their place of employment.) The life-of-SO cost is being increased from \$68.5 million to \$110.902 million to provide additional funds for the CETT program.

II. Strategic Objectives

Reinforcement of Regional Trends that Strengthen Democracy in LAC (598-005)

A. Background

This LAC Regional Strategic Objective (SO) aims to reinforce regional trends that deepen democracy in Latin America and the Caribbean. Three Intermediate Results (IRs) were identified as essential to achieving it: 1) strengthened regional mechanisms to promote human rights and the rule of law; 2) strengthened regional approaches to improve public sector legitimacy; and 3) strengthened regional mechanisms to promote pluralism. This SO contributes directly to several key U.S. foreign policy objectives, e.g., democracy, human rights and economic development.

The SO is premised on the need to further support the consolidation of the emerging democracies in the region by reinforcing key trends associated with the process of deepening democracy, e.g., efforts to build legitimacy of public institutions or to counter trends that may adversely affect the consolidation of democracy in Latin America, e.g., affects of drug trafficking on corruption and personal security. Although the long-term trend toward consolidating democracy in the region is generally positive, democratic governments in LAC are facing their greatest challenges since the end of military and authoritarian regimes in the 1970s and 1980s. Steady gains in developing and building better justice systems and stronger local governments throughout the region have been achieved. Citizens are also continuing to organize into civil society and business organizations to work for reform from “within the system.” But despite this progress, crime and corruption continue to flourish. Citizens have very little confidence in their justice systems, and their lack of personal security threatens to undermine democracies in the region. Dysfunctional democracies are impeding the stability and development of the region. While most citizens continue to support democracy over any other form of government, they are highly disillusioned with its limited ability to reduce crime and violence and provide economic growth.

B. Performance to Date

RSD has supported the establishment of independent regional organizations to strengthen regional mechanisms to promote human rights and rule of law in the hemisphere. Through the Inter-American Human Rights Institute, RSD promoted cultural inclusion, conflict prevention and establishing early warning systems to prevent human rights abuses. The Institute also supported a regional network of human rights experts and human rights education programs. These efforts enabled human rights workers in several cases to report on and successfully redress citizens’ rights violations and to gain support of key member states to sign the Democracy Charter. The Justice Center of the Americas, created out of

the Summit of the Americas, provided a regional forum for information sharing, comparative research, networking and technical assistance on justice reform. Working with the Inter-American Coalition for the Prevention of Violence, RSD supported the dissemination and implementation of strategies and best practices to combat and reduce crime and violence. The International Criminal Investigative Training Assistance Program (ICITAP) helped to professionalize and democratize police forces in the region.

RSD supported various initiatives that foster public sector legitimacy and strengthen government accountability and transparency. Its leadership in anti-corruption raised awareness in the Americas about the causes and costs of corruption and put the issue of anti-corruption on the international donor agenda. With its regional American Accountability Anti-Corruption Project, RSD pioneered the design and application of integrated financial management systems, now utilized in all the countries of the region, except Cuba. This program also assisted USAID Missions, the OAS, other donors, local governments and civil society organizations (e.g., NGOs and professional organizations) to promote unified financial management systems and accountability related strategies. The RSD-funded RESPONDANET, the most visited anti-corruption web site on the Internet, serves as a repository and clearinghouse for accountability and anti-corruption information and best practices in the hemisphere and has proven to be a cost-effective vehicle for disseminating anti-corruption information to local governments, professional associations and NGOs.

LAC's support of the Center for Electoral Promotion and Assistance (CAPEL) provided neutral technical assistance and support to regional networks of election commissions to strengthen the capacity of electoral institutions and tribunals, resulting in free and fair elections that have spread across the hemisphere over the last 20 years. Of note, CAPEL played a central role with LAC missions in promoting the legitimacy of highly-scrutinized elections in Nicaragua and Peru.

LAC's decentralization initiatives complemented the efforts of bilateral programs to devolve authority and decision-making to elected local governments. Support to two sub-regional associations of municipalities, IULA and FEMICA, has strengthened the ability of the municipal association movement in Latin America to influence national policies and programs. Responding to a 1998 summit mandate, the regional program also helped establish the International Forum for Cooperation on Local Government in Latin America and the Caribbean to improve the sharing of donor information on successful local government strengthening programs.

RSD's support has proven invaluable to help develop a more pluralistic and participatory democratic culture across the hemisphere. LAC's Inter-American Democracy Network (IADN), which began as a consortium of five founding members committed to expanding citizen participation in public decision-making, has expanded to include more than 229 civil society organizations in 24 LAC

countries. The IADN has become one of the most influential regional actors and its members are being more fully consulted and contributing more actively on a wide range of regional, national and local issues. Notably, IADN members led in the formulation of national Summit agendas in 18 countries and the development of national and local agendas to address anticorruption, crime and violence and other significant issues. IADN also provided sustained support to civil society organizations in the region. Over 180 such organizations from 21 countries received training and technical assistance from IADN on the use of techniques and methodologies to increase citizen participation in decision-making. More recently, IADN members signed “international partnerships” in 13 countries adapting cross-border exchanges of best practices to create better local government service delivery and stronger civil society capacity and influence.

C. Need for a Modification

Implementation of all elements of the SO is proposed to be extended through the end of FY07 (with additional funding in FY05 and FY06), thereby corresponding to the proposed completion date for the amended LAC Regional Strategic Plan. The extension will allow RSD to complete its human rights/rule of law activities and to extend and/or amend activities in anti-corruption, local government and civil society currently slated to end in 2003-04, furnishing LAC with the basic tools needed to respond to U.S. foreign policy priorities and mandates that cannot be filled by field missions. The need for this modification is justified by an analysis, conducted by RSD’s Democracy and Human Rights Team (DHR), of current trends in the region and the conditions affecting the institutionalization of democratic practices in LAC that reaffirmed the relevance of the SO to deepen democracy in the region. The life-of-objective cost is being increased to \$253 million.

As noted above, the principal challenge to the stability of the democratic states in the Americas comes from increased citizen disillusionment with the limited returns from democracy reflected in LAC governments’ inability to decrease poverty, reactivate economies, diminish public corruption, or deal with escalating crime and violence rates that affect personal security. Recent events demonstrate the fragility of democracy in the region and the need to support democratic norms and processes through U.S. foreign policy dialogue and with program assistance. This program will address critical regional needs; support Summit mandates and; support innovative pilots, alliances and regional networks, typically not funded by bilateral or sub-regional field missions. The modified strategy will support expanded and new approaches to promote accountability and transparency, decentralization, and democratizing political processes and systems, all pillars of democratic governance.

D. Results Framework

The Results Framework will not need to be modified. However, RSD will update the Performance Monitoring Plan to reflect changes in indicators and targets as it finalizes plans for implementing the expanded and new approaches noted above.

E. Illustrative Activities/Approaches

1. IR1 - Strengthened Regional Mechanisms to Promote Rule of Law and Human Rights

RSD will continue to support regional approaches to strengthen justice systems and justice sector modernization, while ensuring that human rights protections are expanded. It will continue to partner with regional organizations and strengthen regional networks to solidify respect for human rights and advance the process of justice sector modernization. This includes supporting alliances of human rights professionals and organizations to address the long overlooked issue of discrimination and exclusion in the Americas, and helping strengthen human rights workers in the Americas to expand access to justice. RSD will continue its support to the Justice Center of the Americas and its efforts to analyze justice reform impact, successes and obstacles, thereby improving future interventions. The program will also help foster the broad constituencies needed to sustain justice reforms and collaborate with RSD's Broad-Based Economic Growth Team (BBEG) to strengthen the link between justice modernization and economic growth initiatives.

Consistent with the Agency's priority on conflict prevention, RSD will support innovative regional initiatives to complement bilateral efforts programs to help reverse violent responses to the resolution of disputes. In addressing the critical issue of citizen insecurity, and its costs and damaging effects on economic, social and democratic development, RSD will support sound approaches and programs to help prevent crime, improve community-police relations and will foster other community-based approaches to reduce violence, including cross-border exchanges and the application and dissemination of best practices on crime and violence reduction and prevention. RSD will also participate in the Inter-American Coalition for the Prevention of Violence to coordinate efforts with other international organizations, to document lessons learned, models, promising practices and technical resources to expand violence reduction strategies across the hemisphere.

2. IR2 - Strengthened Regional Mechanisms to Improve Public Sector Legitimacy

The RSD approach to improved public sector legitimacy is framed by the Inter-American Convention Against Corruption, supported by the Summit of the Americas process, and complemented by various national plans and initiatives to combat corruption and to improve government transparency and accountability. Support will focus on promoting accountability and transparency, decentralization, and democratizing political processes and systems. This program will continue to document and disseminate best practices to promote internal controls, improve public transparency and develop innovative projects to reduce corruption.

Local government activities will continue to support Summit mandates, including the new Inter-American Decentralization Network of the OAS to further devolve authority and resources to local governments. To improve the climate for investment at local levels, the program will foster closer integration with civil society, anti-corruption and violence prevention programs thereby improving citizen participation, accountability and citizen security. To complement these efforts, the program will collaborate with BBEG and the Guatemala-Central America Program to use municipal financial administration to improve municipal access to domestic capital markets, and with the Environment Team of RSD to help disseminate appropriate technologies in urban water and sanitation.

RSD will continue to support regional associations of electoral organizations to ensure the continuation of efficient, transparent, inclusive elections by monitoring needs for technical assistance and supporting “south-south” cooperation projects to strengthen the independence and capacity of electoral institutions. The program will also seek to improve the capacity of formal representation systems (electoral systems and political parties) to increase representation of all citizens and improve the internal democratization of political parties and election systems. RSD will also examine the dynamics of campaign reform and other reforms to help strengthen the capacity of political organizations to aggregate citizens’ demands and translate them into effective and responsive policy.

3. IR3 - Strengthened Regional Mechanisms to Promote Pluralism

RSD will continue its work to increase citizen participation in public decision-making to promote pluralism. Initiatives include support to improve the capacity of civil society organizations to effectively influence, monitor and oversee public decision-making, and, expanded support to regional networks and cross-border exchanges to empower civil society to play a greater role in reducing corruption and improving good governance

through citizen oversight activities and advocacy for reform. At the hemispheric level, RSD will support civil society efforts to promote dialogue and collaboration between governments and NGOs to advance implementation of Summit agreements, civil society oversight of the implementation of the Inter-American Convention Against Corruption, Free Trade Areas of the Americas preparations and negotiations, and effective participation of civil society in the Summit monitoring process in a broad range of areas, including anti-corruption, economic growth and reform, justice modernization, crime and violence prevention and decentralization.

To further strengthen pluralism, RSD will support the production of independent, reliable surveys in the LAC countries to measure citizens' opinions about critical issues and inform public policies and programs. The objective is to strengthen the local expertise to gather and analyze data and to provide public officials, the media, and the public with the information needed to stay abreast of citizen concerns and better articulate these views in policies and public programs, thereby creating new mechanisms for accountability. RSD will create a web-enabled database to facilitate comparative analysis, coordination and dissemination of data about citizens' opinions, and to help target assistance toward those issues that most affect citizens' confidence in democratic governance. RSD will also develop information on best practices on public opinion surveys, help improve mission use of survey research, and examine ways to institutionalize the capacity to maintain and update the surveys.

Reinforcement of Regional Trends that Deepen Democracy in LAC, 598-005

Fiscal Years 2002-2006

Indicators:

- Number of regional partners, networks and missions that adopt improved practices that promote democracy and good governance as a result of cross border exchanges
- Number of regional institutions that support and work towards the Summit of the Americas Plan of Action or democracy agendas
- Percentage of Summit of the Americas Plan of Action democracy items that are fostered or advanced in LAC

R5.1 Strengthened Regional Mechanisms to Promote Human Rights and Rule of Law

Key Areas:

- Expanded strategies to strengthen human rights protection
- Expanded methods to foster justice sector reform and modernization
- Expanded approaches to reduce crime and violent conflict

Indicators:

- Heightened awareness of human rights and use of human rights networks to improve country level human rights protections
- Increased documentation and sharing of improved practices in areas of crime and violent conflict prevention and justice sector reform on the south-south level

Partners:

- Inter American Institute for Human Rights (IIDH)
- Justice Studies Center of the Americas (CEJA)
- University of Puerto Rico
- International Criminal Investigative Training Assistance Program (ICITAP)
- Inter American Coalition for the Prevention of Violence

IR5.2: Strengthened Regional Approach in Addressing Public Sector Legitimacy

Key Areas:

- Increased sustainable efforts to reduce corruption in the region and improve governmental accountability
- Improved regional networking to strengthen local government capacity
- Strengthened methods to democratize electoral political processes

Indicators:

- More tactics for transparent and accountable government institutions including adoption of international accounting principles and financial standards
- Greater relevance and value of the assistance to local government associations and national partner organizations
- Improved capacity of electoral institutions to introduce and utilize self-correcting mechanisms

Partners:

- Casals and Associates
- Federation of Municipalities of the Isthmus of Central America (FEMICA)
- International City/Council Management Association (ICMA)
- Center for Electoral Promotion and Assistance (CAPEL)
- International Union of Local Associations (IULA)

IR5.3: Strengthened Regional Mechanisms to Promote Pluralism

Key Areas:

- Strengthened NGO networks to increase citizen participation in public decision-making
- Strengthened approaches to increase civil society for oversight and implementation of the Summit of the Americas Plan of Action
- Improved analysis and use of public opinion democracy surveys

Indicators:

- Expanded networks of NGOs that assist and encourage civic activism
- Augmented civil society participation in the Summit
- Increased public access to public opinion democracy surveys

Partners:

- Inter America Development Network (IADN)
- Esquel Group Foundation
- University of Pittsburgh
- Independent Contractors

Critical Assumptions:

- Commitment of Summit signatory governments to implement democracy action items
- Political will of government institutions to implement reforms
- Public willingness to participate in civil society
- Improved practices follow consensus for adoption
- Regional partners, networks, and USAID missions adopt or replicate LAC funded methods or activities

Enabling Environment for Market Access Strengthened (598-017)

A. Background

The LAC regional economic growth portfolio has supported two Summit of the Americas action areas. The five-year, \$28 million "Institutional Infrastructure Improved to Support Access of the Poor to Markets" SO (Market Access, 598-017) approved by the AA/LAC in September 1999, responded to the Santiago Summit's Eradication of Poverty and Discrimination action area and focused on implementing the Inter-Summit Property Systems Initiative, microenterprise, geospatial referencing, as well as other activities. At the same time, the AA/LAC approved the "Continued Participation of LAC Sub-Regional Trading Blocs in the FTAA Process Achieved" Special Objective (Trade Capacity Building SpO, 598-019) to respond to the Santiago Summit's Economic Integration and Free Trade action area with a focus on fostering greater participation of LAC smaller economies and developing countries in the FTAA process. Originally approved for \$2 million, the funding for this SpO was subsequently increased to \$9.2 million over four years. The 2001 Quebec Summit connected the two action areas into the Creating Prosperity Basket. This rubric includes trade, investment and finance initiatives, rural life improvement initiatives, property rights, micro-enterprise, and others aimed at broadening participation in the gains from trade and fostering growth with equity.

Since the Quebec Summit, the development of the Agency's new priorities in the agricultural-based economy and the LAC Bureau's emphasis on improving the enabling environment for trade and investment, interest in these themes has grown dramatically. Most recently, with the passage of Trade Promotion Authority, the USG is now actively engaging with the LAC region to meet the timeframe established by the heads of state to have a Free Trade Area of the Americas in place by 2005. It is also negotiating with the five countries of Central American to have a Central America free trade agreement in place by 2004. In order to meet these ambitious schedules, it is recognized that many of the countries in the region will require extensive assistance in trade capacity building--over a dozen countries have already requested USAID assistance.

The LAC regional economic growth portfolio is being restructured in that context. First, activities to enhance the trade capacity of Andean countries were transferred to USAID/Peru, in accordance with the Agency's reorganization decision to transfer certain activities to the field, in order to effectively fund, manage, and implement the Andean Regional Trade Capacity Building Program. Second, the Market Access SO is being modified to realign activities with the aforementioned current priorities. This document outlines changes proposed for the Market Access SO, which include incorporating region-wide activities related to enabling trade, and extending it for two years through FY06 with additional funding. The revised SO will be called Enabling Environment for Market Access Strengthened.

B. Performance to Date

1. Market Access

USAID has coordinated and implemented vital elements of the Summit of the Americas property systems initiative to help improve the governance of property under the Market Access SO. It emphasizes the need to reform both the legal framework linking title to market, and the efficacy of institutions that support contract enforcement and transactions, e.g., registry systems, cadastre and land titling. USAID efforts led to a donor consultative meeting at which lessons learned in land policy and land administration generated consensus on several key issues, e.g., service orientation, linking geographic and legal property descriptions, the need for private enterprise and civil society participation. It also identified topics for further debate, such as land administration decentralization and effective municipal governance, and initiated steps to address them. LAC is helping to focus attention on and develop a framework for addressing tensions over land as a cause of potential conflict. It helped to establish a capacity-building network, sponsored jointly by the national governments and several donors with public and private participation, to improve the quality and sustainability of land administration in Central America.

The Market Access SO also enabled RSD to develop a rural prosperity strategy in conjunction with host countries and other donors such as the IDB and the World Bank. SO activities also promote the adoption of new technologies and best practices, such as installing certification systems for higher-value products and the use of information and communications technologies, to provide greater market access to small farmers and entrepreneurs. For example, USAID assistance helped the Dominica Banana Marketing Board tap into premium-price niche markets, and enable companies in Peru to access similar types of information for cacao. Timely assessments of the coffee crisis in Central America facilitated the formation of a regional coffee alliance and program to improve coffee quality, expand access to markets and diversity export products..

In the micro-finance area, a pilot activity in Mexico introduced the use of hand-held computers to automate operations, reduce costs and increase efficiency of LAC microfinance institutions (MFIs). The SO is currently testing two other innovations in credit scoring and establishing lines of credit for microfinance customers. RSD also supported the expansion of an institutional rating service for MFIs that, for the first time, will furnish investors with independent, accurate assessments of MFIs as a basis for lending or investment decisions. This service should increase the flow of commercial funds for microenterprise significantly. Further, to improve the supervision and regulation of lending institutions, especially those with savings services, RSD supported a series of regional workshops that

gathered bank supervisors from all over South America to compare and contrast their respective policies and regulatory frameworks. A similar program that was conducted in Central America may improve the policy environment to ultimately lead to increased access to savings.

2. Trade Capacity Building

The Trade Capacity Building SpO supported a variety of activities in the region, notably in countries within the sub-regional trading blocs of the Southern Cone Common Market (Mercosur), the Andean Community, and the Caribbean Community. Areas of achievement included:

- **Competition Policy:** RSD provided technical assistance on competition policy to Brazil, Argentina, Paraguay and Uruguay, and then expanded it to the Andean Community countries through a series of technical workshops on issues such as abuse of dominance, pre-merger analysis, and anti-monopoly. The strong demand for this assistance was illustrated by the Government of Bolivia funding the participation of several Bolivian officials in the workshop.
- **Civil Society Participation:** RSD helped a Chilean NGO foster greater civil society awareness and understanding of the FTAA process. It also supported broader dissemination of the FTAA's second public invitation for civil society to present written submissions on FTAA-related issues of concern to civil society.
- **Sanitary and Phytosanitary Agreement:** Identified unanimously by all five Andean Community countries as the top priority for assistance, RSD partnered with the U.S. Department of Agriculture to help establish an agricultural health and food safety program. In the Caribbean, USAID assisted eight of the 14 Caribbean Community Member States to meet their World Trade Organization (WTO)/Sanitary and Phytosanitary Agreement notification obligations. The U.S. Department of Agriculture, the Caribbean Community and the Inter-American Institute for Cooperation on Agriculture jointly designed distance learning modules to explain the agreement and how to access U.S. markets.
- **Information Sharing:** RSD initiated the LAC Trade Matters newsletter to help LAC Missions reposition their economic growth, democracy, and environment portfolios to strengthen the enabling environment for trade and investment more effectively as USAID's top priority in the LAC region. Twelve newsletters have been published to date.

- **Other Assistance:** USAID also supported workshops for Andean Community country customs officials to design WTO Custom Valuation Agreement assistance.

B. Need for Amendment

RSD decided to integrate the economic growth portfolio into a single SO to streamline management units and support economic growth objectives more effectively under the reorganization. The revised Market Access SO will provide a hemisphere-wide mechanism to deliver trade capacity building support that complements a growing LAC portfolio of bilateral and sub-regional trade capacity building programs to expand participation of LAC country producers in markets to foster rural prosperity. RSD proposes to extend the Market Access SO by two years to provide funding in FY05 and FY06 for activities that will build upon ongoing efforts to strengthen the enabling environment for market access. The life-of-objective cost is proposed to increase from \$27.750 million to \$32.950 million.

C. Results Framework

The Results Framework for the revised Market Access SO has two IRs: 1) asset-related constraints to broad participation reduced; and 2) trade-related business constraints reduced. It focuses on reducing constraints to the enabling environment in order to increase access to productive assets and global trading opportunities. Three basic premises guide the program: 1) this SO contributes to a goal that is market-led and encourages expansion of income-earning opportunities; 2) trade and investment are the basis for such expansion; and 3) private enterprise and civil society must be USAID allies in creating a vibrant and sustainable market economy that engenders poverty reduction.

E. Illustrative Activities/Approaches

LAC bilateral and regional missions (especially under the Opportunity Alliance) and the Bureau for Economic Growth and Trade (EGAT) are investing increasingly in the areas outlined above, and USAID recently joined the Inter-Agency Working Group on Rural Development. Donor partners also renewing emphasis on rural economy. Hence, USAID will gear SO activities to ensure consistency across mission portfolios, facilitate coordination to leverage partner efforts, and catalyze innovative approaches and new analysis into the reach of bilateral and regional missions. It will integrate innovative science and technology applications, especially in information and communications, across the activities as opposed to being separate foci.

1. **IR1 - Asset-Related Constraints to Broad Participation Reduced**

This IR will focus on providing support in three main areas: a) promoting effective property rights systems; b) fostering demand-driven rural prosperity, and; c) stimulating innovation in financial products. It will emphasize enabling small and medium enterprises and the poor to increase their participation in markets. Through regional policy dialogue, analyses and pilot activities it will identify needs and opportunities to reduce asset-related constraints. The activities chosen will complement ongoing bilateral and regional mission programs and will both build from and into partner programs. More specifically, the SO will focus activities and catalyze reform through:

- **Promoting Effective Property Rights Systems:** Like security of one's person, security of property rights is an essential element of a sound environment for trade-led broad prosperity to gain a foothold. The lack of formalized property rights and access to property are key barriers for the poor to economic opportunity, the improvement of which is a key mandate under the Summit of the Americas. Hence, LAC/RSD manages and funds the Inter-Summit Property Systems Initiative to facilitate linkages between Mission programs with substantial IDB and World Bank lending portfolios in property and land market development. Policy dialogue, capacity building and specific technical assistance will continue to support improved and simplified legal and regulatory frameworks and expanded participation in property markets.
- **Fostering Demand-Driven Rural Prosperity:** In LAC, although the rural economy is an important source of employment and income generation, rural poverty continues to be problematic. In line with the Quebec Summit Initiative on Agriculture and Rural Life and the LAC Bureau's new framework for promoting rural prosperity, RSD will offer support to help strengthen and diversify rural enterprise. Increasing non-traditional rural exports as well as expanding local and regional market access for non-traditional agricultural products is a prime interest. USAID's technical analyses on the coffee crisis in Central America illustrates how coordinating with donors and private sector allies at the technical, policy and program level can address a regional problem with tangible results-driven programs.

Activities will emphasize 'management assets,' such as market intelligence and technical and organizational expertise that facilitates market-driven production, increase opportunities for income expansion, and help manage risk. Cluster level 'management assets' that are important to competitiveness and that help reduce challenges of commercialization and market penetration may also be addressed.

Examples of the need for better information and more ‘know-how’ include access to agro-ecological, climatic, and market data; contract negotiation, compliance with standards, gender equity, producer organizations and competitiveness councils. Further, analyses and pilot activities will help identify and disseminate viable strategies/products for improved risk management, thereby reducing economic vulnerability.

- **Fostering Innovative Financial Products:** This IR will support analysis and demonstration activities to foster innovation in financial products, including risk management tools and remittances in a manner that complements ongoing and new bilateral and regional financial market initiatives. Remittances are a major source of financing in LAC countries; they total more than \$20 billion annually and dwarf levels of official development assistance. In Nicaragua and El Salvador, they account for over 10% of GDP. Thus, structuring programs that can tap just a portion of these flows for development purposes has the potential to influence the direction of a country’s economic growth. The IDB, the World Bank and USAID are also seeking ways to encourage viable private rural finance services. Activities such as the Small Enterprise Assistance Fund using private capital have demonstrated the potential impact of both small-scale loans and equity investment. Plans are already underway to utilize Development Credit Authority to help leverage U.S. private capital available to smaller and poorer rural entrepreneurs in Mexico and Central America.

RSD’s BBEG Team will work closely with missions to shape new opportunities to reduce asset-related constraints to market participation. It will deliver assistance under IR1 through a combination of several mechanisms including: 1) BBEG staff support; 2) a technical assistance mechanism through an Indefinite Quantity Contract task order to support workshops, targeted technical assistance to help missions or partners develop strategies or solve problems in ongoing activities, and situational and strategic analyses; 3) public international organization grants to key partners; and, 4) other mechanisms to be used as determined effective.

2. IR2 - Trade-Related Business Constraints Reduced

This IR will focus on three main areas: a) information and issues analysis on free trade area and related themes; b) trade-related business constraints analysis and support; and c) trade capacity building to complement bilateral and sub-regional programs. Activities will assist governments, civil society, and the productive sectors in the LAC region better understand and prepare for trade by providing succinct information and

analytical tools on pertinent FTAA issues. It will support forums where associations in the region (e.g., chambers of commerce, export associations, environmental groups) can gather to discuss and better understand issues that are being negotiated. It will support the development of analytical capacity so that the productive sector can identify, prioritize, and, working with governments as appropriate, eliminate key business constraints in the LAC region, thereby helping make businesses more competitive. RSD expects that private sector and civil society groups will use the analysis to lobby for change in their respective countries.

Areas that LAC might support, consistent with existing WTO obligations and emerging FTAA agreements include: a) developing uniform regulatory and legal frameworks to promote trade; b) harmonizing financial rules and regulations to facilitate the flow of transparent financial transactions; c) harmonizing accounting standards to facilitate financial comparisons in different countries; d) harmonizing ground transportation standards (overall size and weights of trucks, required inspections, licensing, and insurance requirements); e) harmonizing shipping documents and customs procedures as well as coordinating the times that border crossings are open; f) establishing mechanisms for acceptance of sealed containers across customs checkpoints, thus not having to inspect transit containers at every border crossing; and, g) ensuring clear, current, and readily accessible lists of the various country fees for transporting goods across borders.

BBEG will work closely with bilateral missions to enable their country-specific trade capacity building programs to draw upon and mesh smoothly with regional efforts. This could include technical assistance and training on FTAA related issues, e.g., market access; investment; services; government procurement; dispute settlement; agriculture; intellectual property rights; competition policy; subsidies; antidumping and countervailing duties, and; e-commerce.

BBEG will deliver assistance under IR2 through a combination of several mechanisms including: a) BBEG staff support; b) a “rapid response” technical assistance mechanism to respond to trade-related technical assistance requests made by the USTR, USAID bilateral missions, LAC countries, and/or LAC sub-regional trading blocs (note: the mechanism will also provide the principal resource for the Bureau’s support for trade capacity building in non-presence countries throughout the LAC region and will allow missions to buy-in directly), and; c) Inter-Agency Agreements.

Enabling Environment for Market Access Strengthened, 598-017

Indicators: Index of trade readiness of LAC countries
 Percentage of LAC countries participating in FTAA negotiation
 Polls indicating continued/increased popular support for the FTAA

IR17.1

Asset-related constraints to broad participation reduced

Foci:

- Effective Property Rights Systems
- Rural Prosperity
- Innovative Financial Products

Partners: IADB, IBRD, OAS, USAID Missions, IFAD, FAO, private sector and civil society allies from the US and LAC.

Timeframe: FY03–FY06 (activities completed by 9/30/07)

Critical Assumptions

1. Summit participating governments are committed to implement the property registry action items
2. Adoption of best practices will follow consensus
3. The IDB and the IBRD will engage effectively
4. USAID/LAC-funded analyses, pilots and regional policy work will be incorporated into bilateral/regional mission activity design

IR17.2

Trade-related business constraints reduced

Foci:

- Free Trade Area information and issues analysis
- Trade-related business constraints analysis/support
- TCB complementing bilateral/sub-regional programs

Partners: USG Agencies (USTR, etc.), USAID Missions, Tripartite Committee (TPC) Institutions (IDB, OAS Trade Unit, ECLAC), Regional Trade Organizations (e.g., SIECA), Country-level Ministries of Trade.

Timeframe: FY03–FY06 (activities completed by 9/30/07)

Critical Assumptions

1. Policy coherence with USDOS, USTR, and USAID TCB policy
2. TA coordination with FTAA Tripartite Committee (TPC)
3. Sufficient complementary technical assistance provided (e.g., USAID bilateral and sub-regional programs)
4. FTAA and WTO negotiations continue on schedule to be completed by January 2005

Environmental Performance of Targeted LAC Businesses and Communities Improved Through the Promotion of Replicable Market-Based Models (598-018)

A. Background

Approved in September 1999, the goal of the five-year, \$5 million US-LAC Environmental Partnership program (US-LACEP) is to improve environmental performance of targeted LAC businesses and communities through the introduction of replicable technical, policy and financial models (the three IRs). In doing so, US-LACEP contributes to environmentally sustainable economic development and trade and poverty alleviation. Reducing environmental contamination from industrial processes and ensuring the rational use of key natural resources (such as forests, water) are critical to maintaining LAC business competitiveness in international markets. Addressing these issues also is important to poverty alleviation, given their relationship to reducing human health risks, increasing market opportunities for natural resource managers and reducing vulnerability to natural disasters.

The US-LACEP program focuses on priority environmental issues of hemispheric concern, including environmentally sound trade in support of the Free Trade Area of the Americas, sustainable forestry, industrial clean production/pollution prevention, and sound water resources management. The program is designed to complement and strengthen Mission bilateral and regional programs and, where appropriate, support regional or hemispheric activities involving the participation of non-presence countries.

LACEP contributes directly to several key U.S. foreign policy objectives, including, environmentally-sound trade in support of the FTAA, poverty alleviation, conservation of regionally and globally important biodiversity (e.g., tropical forests, coral reef ecosystems), and climate change mitigation.

B. Performance to Date

To date, the program has made considerable progress towards improving the environmental performance of targeted LAC businesses and communities by promoting several models for environmental management, including financial models for industrial clean production in the Andean countries and an approach for improving sanitation in small towns. Direct beneficiaries of the program are the businesses and communities receiving support and technical assistance from the implementing partners. LACEP promotes the win-win approach to enterprise and market competitiveness through programs such as reduced impact logging and certified forestry, cleaner production, and hotel environment management systems.

On **trade and environment** issues, LACEP is enhancing the understanding of trade-related environmental issues through support for hemispheric analyses of key trade-environment issues and is seeking to increase the in-country technical

capacity to undertake environmental assessments of trade agreements. LACEP supports a program with the OAS, the World Resources Institute and the North-South Center to facilitate analysis and dialogue on trade-related challenges and opportunities in the region. LACEP also supported an informed hemispheric dialogue by hosting a technical meeting in Argentina that convened public and private sector representatives to discuss and gain a deeper understanding of the region's needs in this area.

In the **forestry** sector, LACEP launched a program in Central America with the World Wildlife Fund to develop a network of producers to enhance the linkages between international markets and producers of certified forest products. LACEP also supported an assessment of fifteen years of USAID-supported natural forest management programs in seven LAC countries. The recommendations generated by the assessment have informed the development of environment strategies and forestry programs in several LAC Missions.

In the area of **industrial cleaner production**, USAID has invested critical resources since 1993 to promote the adoption of clean production practices to prevent and control water pollution and encourage the efficient use of energy and natural resources. Through case studies and pilot projects, LACEP has demonstrated the business/trade benefits of clean production; introduced clean production policy frameworks; increased industry demand for clean production technologies; and enhanced government commitment to clean production. Since establishment of the USAID-led "partnership for pollution prevention," at the 1994 Summit of the Americas, the LAC Bureau, missions, and other USG entities have funded over 220 pollution prevention activities in 13 LAC countries. These activities have offered both integrated technical cooperation support and case studies tailored to local priorities, e.g., cleaner production policy and the use of Development Credit Authority as an innovative mechanism for financing clean production activities in Peru, environmental management for Jamaica's tourism sector, and in-plant industrial cleaner production assistance in Bolivia. In addition, activities have introduced new and novel methods to minimize waste, prevent emissions, increase energy efficiency, save materials, and recover and recycle resources.

LACEP's cleaner production programs have provided a solid foundation for initiatives supported by other international and bilateral donors, such as the United Nations Industrial Development Organization/United Nations Environmental Program (UNEP), the IDB, and the World Bank. These leverage opportunities include: securing \$1.4 million from the IDB/Multilateral Investment Fund to support Panama's National Environmental Authority to develop a Clean Production Policy Framework; and assisting, both directly and indirectly, in the creation of 14 clean production centers that, when fully operational, can seek U.S. cleaner production knowledge, expertise and technology; and promote trade.

To advance **sound water resources management**, LACEP identified suitable and replicable management models for water supply and sanitation services in smaller towns and rural areas, in the context of the overwhelming regional trends towards the decentralization of these services. Results of the activity, including a compendium of case studies, are already influencing programs of USAID missions and those of other donors active in the region. In cooperation with the PAHO and the World Bank/United Nations Development Program Water and Sanitation Program, LACEP has promoted the decentralization of water supply and sanitation services by developing a participatory field methodology for improving sanitation in small towns that served as the basis for three pilot studies implemented in FY02. Host country governments, the IDB and UNEP have responded positively to the methodology and will consider adopting it as part of their efforts in this area.

C. Need for Amendment

A two-year extension is proposed so that the SO conforms to the timeframe of the revised LAC Regional strategy. Implementation will continue through FY07. The additional two-years of funding (FY05 and FY06) will enable LAC to capitalize and build on the momentum already being generated by this SO. The life-of-objective cost will be increased from \$5 million to \$6.273 million.

More importantly, the extension period will provide a ready mechanism for responding to the region's needs leading up to and immediately following the establishment of the FTAA in 2005. Additionally, LACEP proposes to expand its energy-related activities in response to the increased attention to the role of energy in development. For example, the Senate FY03 appropriation language contains a \$175 million earmark for programs promoting energy conservation, clean energy, energy efficiency, and renewable energy technologies; and the USG made a principal financial commitment at the World Summit on Sustainable Development to support clean sustainable energy development.

D. Results Framework

The Results Framework will not need to be modified as a result of additional funding for the SO. RSD will, however, update its Performance Monitoring Plan to reflect changes in indicators/targets for results to be achieved with additional funds in FY05 and FY06.

E. Illustrative Activities/Approaches

LAC will continue to implement activities in the existing sectors and add energy as an additional area of focus. As the SO matures, it will begin to implement the vision of the FTAA by furthering important USG trade priorities such as those detailed in Trade Promotion Authority legislation signed by the President in August 2002 by "strengthening the capacity of U.S. trading partners to protect the

environment” and “ensuring that trade and environmental policies are mutually supportive.” For example, in the energy sector, considered an engine of growth, LACEP may promote incentives that raise the profile of energy production and conservation as an essential component of development policy and increase the receptiveness of formal lending institutions to finance clean production/energy efficiency activities.

LAC expects to see much stronger levels of demand for a wide range of clean production services to industry and government. To support this growing demand, RSD will pursue a strategy to build on the foundation developed to date. Specifically, in order to ensure greater sustainability, clean production centers will need to strengthen their expertise beyond traditional clean production technical areas to include capabilities in environmental management systems certification, corporate social responsibility, supply chain management, municipal services, waste exchanges and recycling, financing, policy reform and other growing market requirements. To accomplish this, RSD may provide direct technical support, but will increasingly facilitate south-south information exchange and training among clean production centers. In this way, USAID can replicate successful demonstration and pilot efforts, maximize the value of lessons learned, help to develop and consolidate a stronger network of technical capability in the region, and ultimately create stronger and more sustainable clean production centers.

LACEP will continue to provide technical assistance to: 1) enhance understanding of, and commitment by, LAC governments to address critical trade-related environmental issues and establish in-country capacity to assess environmental impacts of trade agreements; and 2) continue support for sanitation and water supply interventions in small towns. At present, LACEP works in partnership with the private sector, NGOs, international organizations, other bilateral and multilateral donors. These sectors will continue to be involved in implementing LACEP activities.

US-LAC ENVIRONMENTAL PARTNERSHIP

Strategic Objective: Environmental performance of targeted LAC businesses and communities improved through the promotion of replicable market-based models*.

SO Indicators :
Indicator : Replicable models of improved environmental management developed and their adoption promoted.

Critical Assumptions for Program Success:
· US and LAC governments maintain their commitment to meeting Summit of the Americas' identified environmental challenges
· LAC governments maintain their commitment to policy reform

Intermediate Result 1:
Policy Frameworks Developed

IR 1.1 Key policy constraints identified and solutions developed.

IR 1.2 Use of economic incentives, certification and other market-based instruments promoted.

IR 1.3 Partnerships between LAC industry, government and NGOs formed for policy reform and compliance

Intermediate Result 2:
Technologies and Practices Available

IR 2.1 Clean technologies and sound environmental practices introduced and disseminated.

IR 2.2 Environmental management systems and certification/labeling programs introduced and promoted.

IR 2.3 Partnerships between US and LAC industry, and USAID and other donors formed for the transfer of technologies and practices.

Intermediate Result 3:
Financing Mechanisms Available

IR 3.1 Constraints to capital access for environmentally-sound investment identified and solutions developed.

IR 3.2 Use of innovative financing tools (CDM, DCA, etc.) introduced and promoted.

IR 3.3 Partnerships between USAID and other donors, US and LAC industry, and private banks and industry formed to mobilize environmentally-sound investment.

* **Environmental performance of targeted LAC businesses and communities** will be improved and their sustainability enhanced through support for (a) advancing key trade/environment issues in conjunction with the Free Trade Area of the Americas process, (b) sustainable forestry, (c) industrial clean production, and (d) sound water resources management. In improving environmental conditions, emphasis will be placed on **market-based approaches** (e.g., economic incentives, environmental certification programs, effluent or user fees, and tradable permits for pollutant discharge or resource use) and the **engagement of the US private sector** as development partners.

Improved Conservation of the Region's Biological Resources (598-022)

A. Background

In April 2001, AA/LAC approved a five-year, \$27 million follow-on SO to improve the conservation of the region's globally significant biological resources. Following the highly successful Parks in Peril (PiP) program under the earlier LAC Regional SO (Protection of Selected LAC Parks and Reserves Important to Conserve the Hemisphere's Biological Diversity), this new SO will further improve the conservation of the LAC region's biological resources. Results will be achieved through: (1) increased conservation capacity at selected sites; (2) strengthened local and national partners for improved conservation; (3) strengthened targeted regional conservation initiatives; and (4) innovative conservation financing mechanisms tested and adopted.

The SO's main activity is *Parks in Peril 2000: A Conservation Partnership for the Americas* (PiP 2000), a cooperative agreement between USAID and The Nature Conservancy (TNC). By leveraging the application of sound conservation across multiple sites and initiating and supporting national and regional alliances for conservation, PiP 2000 builds upon USAID's support over the past ten years of PiP, which has fundamentally changed the way protected areas are managed in the LAC region. Moreover, PiP 2000 serves the critical role of helping the USG meet its commitments under the Rio Earth Summit and the Summit of the Americas. PiP 2000 expands the network of site-based conservation, capitalizing upon sites and partners strengthened in the first phase, promotes development of national systems of conservation areas, advances effective management of cross border issues, and responds to the recommendations of a PiP external evaluation. PiP 2000 is a partnership among TNC, in-country NGOs, local governments, and USAID missions in Latin America.

In addition to PiP 2000, this SO supports conservation partners, such as the Peregrine Fund, and regional conservation initiatives, such as workshops and analyses conducted by NGOs, academic institutions, and other conservation organizations. Field-based and Washington program staff, as well as program support such as environment guidelines, are also included under this SO and contribute to its intermediate results.

B. Performance to Date

The PiP program implemented under the earlier LAC Regional SO strengthened the local capacity for conserving biodiversity and managing site protection efforts in 15 countries, turning 37 "paper parks" into functioning protected areas covering a total of 28.5 million acres. TNC and PiP partners developed a diversity of innovative sources of funding and leveraged \$292 million over the life of the program from governments, bilateral donors, and the private sector to support conservation throughout LAC. The institutional, administrative and management

capacity of 28 NGOs was strengthened to help ensure sustainable long-term management of parks and reserves. Progress was made in identifying and changing national and local policies to support conservation and a number of cutting-edge tools and methodologies were developed to guide, focus and support site conservation.

Building on the successes of the earlier program, during the first year of implementation of the new SO, PiP has identified 11 new “paper parks” for intensive, site-based capacity building in biodiversity conservation. In addition, the program has begun to implement new, higher-level actions that use sites and partners strengthened through the prior PiP program as platforms to leverage conservation across many more sites at the system level and to foster creative alliances that will leverage conservation successes across national and regional boundaries.

The Peregrine Fund successfully hatched nine harpy eagle chicks, the first time Panama's national bird has been bred in captivity in Panama. Five birds have been released into the wild in a Panamanian national park. In the Dominican Republic, the Peregrine Fund's survey for the endangered Hook-billed Kite found only eight remaining pairs, all within one national protected area. The second year of the cooperative agreement will continue activities in both Panama and the Caribbean.

C. Need for Amendment

A one-year extension is proposed during which the continuation of existing SO activities will enable LAC to consolidate any outstanding PiP sites and activities. The extension will conform the SO's timeframe to that of other SOs included in this amendment to the LAC Regional strategy. Thus, funding will be provided for one additional year (FY06) and implementation will continue through FY07. The one-year extension will also allow the Bureau to maintain environmental advisors in the region to continue assisting LAC Mission's with Regulation 216, program design, and monitoring and evaluation. The life-of-SO cost will be increased from \$27 million to \$30.866 million.

D. Results Framework

The Results Framework will not require modification due to additional funding for the SO. RSD will, however, update its Performance Monitoring Plan to reflect changes in indicators/targets for results to be achieved with the additional funds in FY06.

E. Illustrative Activities/Approach

PiP 2000 is the main activity under this objective and builds on ten years of experience at 37 protected areas and reserves in the LAC region. PiP 2000 is expanding the successful site-based model to include ten additional threatened parks and reserves in the LAC region, and also utilizing the extensive network of sites and partners to leverage conservation activities across the region. This is being accomplished through: (1) strengthening and expanding the network of conservation partners; (2) promoting national and regional systems of conservation areas, including protected areas but also, private reserve and indigenous territories; and (3) promoting the most critical conservation initiatives in the region, for example aquatic resources and effective cross border resource management.

Other proposed activities in the SO include the Neotropical Raptor Conservation Program, being implemented by the Peregrine Fund to improve raptor (diurnal birds of prey) conservation through: (1) public education and awareness; (2) restoration of lost and depleted populations; (3) study of species in jeopardy; (4) examination of land utilization; and (5) local capacity building. This activity is being implemented via a cooperative agreement with the Peregrine Fund. The SO also supports regional conservation initiatives such as workshops and special studies, in order to mobilize efforts to address the most critical conservation needs in the LAC region. These workshops and analyses contribute to IRs 4.2–4.4. Appropriate funding mechanisms for workshops and analyses are identified as needs arise.

In addition, the SO supports LAC Bureau environment staff. Currently, three Regional Environment Advisors (one for Central America, one for South America and one for the Caribbean) provide regional coordination and technical support to LAC missions, and three Washington based program staff oversee program implementation. The regional advisors are funded through OYB transfers to their sponsoring Missions (Guatemala and Bolivia) and a Participating Agency Service Agreement (for the Caribbean advisor) through EGAT. Washington program staffers are funded through EGAT's Resources Support Services Agreements and its agreements with the American Association for the Advancement of Science.

Results Framework: LAC Regional Biodiversity Objective

AGENCY GOAL: The World's Environment Protected for Long-term Sustainability

- *Conserving Biological Diversity*
- *Reduced Threat of Global Climate Change*
- *Increased Sustainable Management of Natural Resources*

LAC BUREAU GOAL: Environment, Energy and Natural Resources

- *Preserve Biological Diversity*
- *Reduce Threat from Climate Change*
- *Strengthening Civil Society*

LAC REGIONAL STRATEGIC OBJECTIVE: Improved Conservation of the Region's Biological Resources

Indicator - Number and area of targeted parks, reserves and conservation areas with adequate management

Intermediate Result 22.1:
Increased conservation
capacity of select sites

Intermediate Result 22.2:
Strengthened local and
national partners for
improved conservation

Intermediate Result 22.3:
Targeted regional
conservation initiatives
strengthened for
improved conservation

Intermediate Result 22.4:
Innovative conservation
financing mechanisms
tested and adopted

Critical Assumption - Host government support is at least maintained at baseline levels

Critical Assumption - Counterpart funding commitments, including USAID Missions, are fulfilled

Critical Assumption - Regional, social, economic and political unrest does not severely disrupt program activities

Strengthened Regional Initiatives to Improve Equity and Quality in Education and Training (598-023)

A. Background

On August 21, 2001, the Senior Deputy Assistant Administrator approved the five-year, \$68.5 million SO, "Strengthened Regional Initiatives to Improve Equity and Quality in Education and Training." This SO supports the Summit of the America's education agenda; complements Mission-supported bilateral efforts in educational reform, teacher training and workforce development, and; focuses particularly on Central America, the sub-region with the most serious educational problems. The strategy includes the following IRs:

IR1: Improving the environment for education reform: USAID's strategy of improving the policy environment for education reform is based on the hypothesis that policy reform is essential to improving the quality and equity of education systems in the LAC region, and that before this can occur, stakeholders at all levels of society must begin to demand changes. The LAC regional strategy supports the inclusion of civil society (including NGOs, the private sector, and teachers unions) and local/regional government in education reform dialogue. These are groups that have received limited attention in the Summit dialogue process.

IR2: Improving the skills of teachers and administrators: USAID's strategy to create centers of excellence to boost teacher skills and performance is based on the hypothesis that teachers are the most important ingredient for improving quality in the classroom, and school administrators are the most important ingredient for improving overall quality in the school, for mobilizing resources, and for managing staff.

IR3: Improving the relevance and skills of the workforce: USAID's strategy of improving the relevance and skills of the workforce is based on the hypotheses that a) a productive workforce depends upon equitable access to quality basic education and relevant training; and b) engaging stakeholders in dialogue about national development goals and educational needs will strengthen the link between secondary education and the workplace. Additionally, providing U.S.-based training to disadvantaged youth in targeted fields of importance to national goals will enhance workforce productivity in LAC countries.

The SO is premised on the need to address the poor state of public education systems in the LAC region, which are not educating the region's young adequately, and thus impede the ability of the region to advance economically, politically and socially. Except for the small percentage of the elite who attend private schools, the majority of youth attend weak and under-funded public schools where they fail to acquire basic skills in mathematics, language and science.

Many factors contribute to poor quality public education in the LAC region, including: poor teaching and inadequate teacher training; lack of educational standards; limited opportunities for parental involvement; lack of school transparency and accountability; inadequate educational materials; high grade repetition and dropout rates and low or erratic attendance; and too little money being invested in basic as opposed to tertiary education (which serves the needs of middle and upper-income populations who are strong voting constituencies).

Although most LAC governments have been unwilling to make the tough political choices required, they increasingly recognize the need for action. This was reflected in the 1994 Summit of the Americas meeting in Miami, where the heads of state agreed to pursue three education goals over a 15-year period. In 1998, they reaffirmed their support by naming the Santiago Summit of the Americas the “education summit,” committing themselves to revitalizing education through a ten-step action plan and making education a sustained force for economic development and social equity. Unfortunately, the Summit goals of universal primary education and 75% secondary enrollment by 2010 will not be reached. Moreover some countries, including El Salvador, Honduras, Nicaragua, and Guatemala, expect such significant increases in their school-age populations over the next ten years that they will have to continue investing significant resources just to keep primary enrollment rates from declining.

Despite the probability that most countries will not achieve the Summit goals by 2010, most donors and LAC leaders agree that progress toward them is essential. Thus, RSD is focusing its SO on supporting key Summit objectives, particularly those aimed at strengthening the teaching profession and improving the environment for education reform through expanded national- and civil society-level debate and dialogue about the poor state of public education in LAC and options for reform. This focus on strengthening regional demand for reform is designed to complement mission activities, which remain focused primarily on improving service delivery in targeted communities. Moreover, by working regionally, LAC can potentially energize individual governments to overcome domestic obstacles that they might not otherwise tackle at the national level.

B. Performance to Date

This SO builds on and expands the successes of an earlier SO, “Improved Human Resource Policies Adopted in Selected LAC Countries,” which included the flagship Partnership for Educational Revitalization in the Americas (PREAL in Spanish) program. Since 1996, with USAID support, PREAL has worked with a network of public and private organizations throughout the hemisphere to promote a better understanding of education policy issues and develop a broader, more active constituency for education policy reform. PREAL is co-managed by the Inter-American Dialogue in Washington, DC and the *Corporacion de Investigaciones para el Desarrollo* in Santiago, Chile.

A 2000 evaluation of PREAL stated that it has an excellent network of senior educationalists, conducts solid research, distributes its publications widely to key and influential leaders, and has the ability to create a vision for education reform. Despite these successes, the evaluators noted that policy reform dialogue should go beyond the high-level networks created by PREAL and include various levels of government and greater civil society participation to make its recommendations become a reality and result in actual policy changes. PREAL's new agreement (IR1.1) and the addition of IR1.2 (described below) have been designed to address these recommendations.

USAID also supported the UNESCO Regional Education Indicators Project to construct a set of basic comparable education indicators for the Americas, which is a region-wide initiative of the Second Summit of the Americas and was agreed to specifically by 24 LAC countries. Led by the Government of Chile and UNESCO, USAID became a financial partner in 2000 along with the Governments of Chile, Canada, Brazil, United States (U.S. Department of Education and the National Statistics Institute), and the Andres Bello Foundation.

In late FY02, RSD signed cooperative agreements with three lead institutions to provide funding to implement The Centers of Excellence for Teacher Training (CETT) program, a Presidential Initiative of the 2001 Quebec Summit. To help USAID to solicit matching funds from the private sector, a cooperative agreement was also negotiated with a 501c(3) NGO, which will be responsible for fundraising and fostering long-term public-private partnerships that are expected to be the CETT's primary source of financial sustainability.

To address the workforce deficiencies of the LAC region, since 1985 RSD has supported the Georgetown University Cooperative Association of States for Scholarships (CASS) program. CASS focuses on equipping a broad-based cadre of potential leaders from disadvantaged communities with technical skills, training and academic education; plus an appreciation for the working of a free enterprise economy in a democratic society. The program has consistently high completion and return rates. When evaluated in 2002, it received strong marks for reaching appropriate low-income and minority populations with quality, practical training; and, positively influencing how participants feel about the U.S. and the democratization process in their own countries. CASS supports training in high-demand sectors such as business, environmental administration, primary school education that includes education for people with disabilities, and public health.

C. Need for Amendment

To align the timeframe of the SO with the revised LAC regional strategy, a one-year extension is required. Funding will be provided for one additional year (FY06) and implementation will continue through FY07. During this additional year, the program will continue to build on and solidify efforts to strengthen

regional initiatives to improve education and training. Also, RSD plans to fund one strategy component, the CASS program, for six years, commencing in FY03, rather than three years as originally planned. Thus, this program will recruit its last class of students in FY08, but continue to be implemented through the end of FY10 so that students recruited in FY08 on two-year scholarships can complete their studies. One additional year is then required in order for Georgetown University to file the necessary tax returns that cover the last year of program implementation. This element of the SO, therefore, will be extended through FY11.

The life-of-SO cost will be increased from \$68.5 million to \$110.902 million to provide additional funds for CETT to succeed and fully meet the goals of the Presidential Initiative. The need for the additional funds is fully explained in the section entitled "Estimate of Program Resources Needed."

D. Results Framework

The SO extension and the additional resources requested for CETT will not necessitate the revision of the Results Framework. RSD will, however, finalize the Performance Monitoring Plan that will also incorporate changes in indicators/targets for results to be achieved with the additional funds.

E. Illustrative Activities/Approach

1. IR1 - Improving the Environment for Education Reform

IR1.1 National-level debate on education reform increased: PREAL will focus more intensively on Central America, engage the support of business leaders in reform more intensively, and focus on four objectives: a) set standards for the education system and measure progress towards meeting them; b) give schools and local communities more control over and responsibility for education; c) strengthen the teaching profession; and d) invest more money per student in pre-school, primary and secondary education.

IR1.2 Diversity of civil society actors participating in education reform: This new activity will complement the PREAL policy efforts by expanding the dialogue process in various directions: a) make it more demand-driven; b) advocate around particular and specific experimental reform options; and c) make the advocacy respond to needs from various levels of society. Policy issues center around the four themes proposed by the PREAL Task Force and will focus on Central America and the Dominican Republic. The Academy for Educational Development is implementing this activity.

IR1.3 LAC governments adopting comparable national education indicators: A second phase of the UNESCO Regional Education Indicators Project will build upon the success achieved in the first.

2. IR2 - Improving the Skills of Teachers and Administrators

The Centers of Excellence for Teacher Training, a \$20 million initiative announced by the President at the Summit of the Americas meeting in April, 2001, aims to improve reading instruction through improved teacher training in evidence-based reading instruction (reading instruction that has evidence that supports its efficacy). The program will be implemented in phases through a network of teaching institutions across 23 countries. In addition, support from U.S. and Latin American and Caribbean companies will be sought to ensure the long-term sustainability of the program. A business executive committee comprised of these founding partners will be established to advise USAID on how best to obtain and utilize private sector contributions.

3. IR3 - Improving the Relevance and Skills of the Workforce

IR3.1 Common framework and methodology for assessing relevance of secondary education adopted: LAC proposes to build on the research and regional roundtables initiated by the IDB, the World Bank, and the Academy for Educational Development that began to address obstacles and solutions to expanding enrollment and improving the relevance of secondary education by launching a new initiative - *Regional Forum for the Improvement of Secondary Education in Central America and the Caribbean* - that includes a structured dialogue among targeted stakeholders to facilitate the assessment and targeting of actions needed to make improvements. The Forum proposes to: a) develop a regional framework for assessing education needs and priorities; b) define national priorities and operational frameworks for reforming secondary education; and c) strengthen the relationship between government and civil society, especially business/private sector. Stakeholders will include the existing forum of education vice ministers, business representatives, NGOs, and educators. No work has yet begun on this activity.

IR3.2 Targeted paraprofessional training of disadvantaged youth increased: A new, six-year agreement will be signed in FY03 to continue the CASS program, primarily in Central America, though with the addition of Mexico as a focus country.

Strengthened Regional Initiatives to Improve Equity and Quality in Education and Training

Critical Assumptions:

1. **Stable economic conditions**
2. **Absence of major disasters in region**
3. **Continued political will of LAC governments to reform education**
4. **Continued interest by civil society and private sector to support education reforms in the region**
5. **Continued commitment of development banks to provide loans for education reform**

Agency Goal
Economic Growth, Trade & Agriculture

Agency Objective
Increased Human Capacity through Education & Training

Strategic Objective
Strengthened Regional Initiatives to Improve Equity & Quality in Education & Training

IR23.1
Improved Environment for Education Reform

IR23.2
Improved Skills of Teachers & Administrators

IR23.3
Improved Relevance & Skills of Workforce

IR23.1.1
National-level debate on education reform increased

IR23.1.2
Diversity of civil society actors participating in education reform activities

IR23.1.3
LAC governments adopting comparable national ed. indicators expanded

IR23.2.1
Capacity of institutions in evidence-based reading instruct. increased

IR23.2.2
Capacity of institutions in assessment & diagnostic tools increased

IR23.2.3
Capacity of institutions to electronically share best practices increased

IR23.3.1
Common framework and methodology for assessing relevance of secondary ed. adopted

IR23.3.2
Targeted para-professional training of disadvantaged youth increased

Population, Health, and Nutrition Policies and Programs Developed and Advanced in LAC (598- zzz)

A. Background

This proposed health SO follows earlier LAC regional health programming. The current SO, "More Effective Delivery of Selected Health Services and Policy Interventions," (Health Priorities, 598-003), was originally conceived as a way to advance USAID's population, health and nutrition (PHN) priorities, as articulated in the March 1994 "Strategies for Sustainable Development" and to implement USAID's regional response to the Miami Summit of the Americas. The SO was designed to influence key health services and policy interventions which can contribute to improving infant, child, and maternal survival in USAID-assisted countries of the Latin America and Caribbean region.

Implementation of the SO began in June 1996 with approval of a vaccination initiative. Since that time, initiatives in maternal mortality, integrated management of childhood illnesses (IMCI), health sector reform, anti-microbial resistance, family planning, HIV/AIDS and Amazon Malaria have been incorporated into the SO. Activities under the SO are almost exclusively regional in focus. SO activities are not intended to implement programs to benefit a specific country, but rather to provide regional support for PHN objectives in LAC (such as developing manuals for measles elimination strategies, or identifying successful models for community response to obstetric emergencies). FY03 is the last year of funding for the current SO, although implementation will continue through the end of FY04. No changes are being made to the objective; however, a new follow-on SO is being proposed.

B. Performance of Previous SO (598-003)

Child Survival activities have focused on implementing IMCI and vaccination initiatives. Through the IMCI initiative, countries in the region have successfully implemented new methodologies for improving child health. IMCI action plans have been coordinated with other international agencies and non-governmental organizations (NGOs). Preliminary data developed on diseases targeted by the IMCI strategy show dramatic decreases in deaths in children under five years of age. In 1999, it is estimated that over 8,000 deaths were averted in five of the eight target countries.

The vaccination initiative has contributed significantly to protecting children from vaccine preventable diseases and ensuring that countries can continue to implement national level vaccination programs. Transmission of wild polio virus continues to be eradicated from the hemisphere. Measles cases are declining. Surveillance and assessment systems detected and responded to measles outbreaks in a timely manner in the Dominican Republic and Haiti and detected an at-risk situation for a measles outbreak in Guatemala, enabling timely response to prevent the outbreak. Financial sustainability of vaccination activities continues to improve. Seven of the target countries report that they covered from national sources all costs related to vaccines and syringes for 2001.

The maternal mortality initiative has worked at policy, service delivery and community levels to promote maternal health. All 11 target countries made advances at the policy level. Ten of 11 target countries have increased the use of maternal mortality audits in hospitals and hospital accreditation is advancing in Guatemala. The initiative developed a model that links improved service delivery with community mobilization to reduce maternal mortality, primarily by increasing skilled attendance of complicated births. This model was pilot tested in sites in Bolivia, Ecuador, and Honduras, with impressive results.

Products and experiences of the health sector reform initiative have played a significant role in at least 50% of USAID-presence countries in LAC. Methodologies and tools (including a provider payment policy primer, comparative analysis of social insurance mechanisms in LAC, and institutionalization of national health accounting and hospital reform) were disseminated to over 500 professionals in the health sector reform network. All of the 13 target countries completed a country profile of health sector reform that was incorporated into CD-ROM format and 500 copies distributed throughout the region.

The anti-microbial resistance initiative trained laboratory personnel from seven countries in bacteria identification and testing. Six of these countries were fully integrated into the regional surveillance network and a supranational quality control system. Regional clinical treatment guidelines for anti-microbial drug use were developed and disseminated, and countries are now beginning to adapt these guidelines for local use. In addition, representatives of pharmacy and therapeutics committees were trained in techniques for analyzing the use of anti-microbial drugs and interventions to improve their use.

Three initiatives that began in late FY 2001 are progressing well. The Amazon Malaria initiative supported surveillance system strengthening, and malaria drug resistance studies are underway. These activities will lead to the adoption of evidence based treatment regimens, increase the use of better malaria control practices, and thereby contribute to a reduction in suffering due to malaria in the six target countries. The HIV/AIDS initiative is improving skills for policymakers and program managers and will increase prevention among at-risk groups through capacity building of regional organizations for vulnerable people. HIV/AIDS surveillance systems will be more consistent across countries in the region. Finally, the family planning initiative is increasing the knowledge of program managers and providers about quality improvement in family planning and reproductive health and improving access in Central America and the Dominican Republic. The initiative is also increasing knowledge about emergency contraception throughout the LAC region and the development of supervision tools for institutionalizing post-abortion care services.

C. Need for New Strategic Objective

The current Health Priorities SO was designed as a flexible means to implement cross-country activities in priority areas of USAID's strategic plan for health. It has successfully absorbed additional initiatives in infectious diseases, malaria in the Amazon basin, HIV/AIDS, and family planning that were not initially envisioned. As extended, the Health Priorities SO framework has become administratively unwieldy. Each initiative has a SO-level statement and indicators, as well as separate IRs (there are 27 approved IRs)

and several indicators for each one. Effectively, each initiative functions separately rather than as a unified program. This will become more of a management problem as RSD's PHN Team shrinks from seven to four positions per the Agency reorganization. Therefore, a new SO was developed that builds on the successes of many aspects of the current LAC Regional PHN program, but that simplifies the Results Framework and structure of the program, enabling it to more easily address any of the topics included in the health goal of the Agency's Strategic Plan.

D. Results Framework (598-zzz)

The proposed SO is "Population, health, and nutrition policies and programs developed and advanced in LAC" (Health Advancement). The development hypothesis is that regional actions can advance health programs and policies in three ways. First, regional actions can increase the evidence base for priority actions in health in the region, such as by monitoring the health effects of reform efforts and identifying lessons learned. Second, this expanded evidence base (and other existing information) can be effectively disseminated to decision-makers through regional mechanisms. Third, the decision-makers can be supported to use the information to make improved decisions regarding health programs and policies by providing opportunities for policy dialogue. These means of advancing health programs and policies correspond to the IRs proposed for this SO.

Illustrative indicators at the SO level are: 1) number of targeted countries with policies reflecting advances encouraged by this program, and 2) number of targeted countries with national programs funded to implement advances encouraged by this program. At the time of the Activity Design Document, when program components have been selected and advances identified, these would be made more specific. Matrices displaying the policies and the program advances encouraged per target country may be one way to summarize the progress of this SO as a whole in the region.

The three proposed Intermediate Results are:

- *Evidence base for LAC PHN priorities increased.* This IR will be achieved by adapting to LAC circumstances new knowledge about the sciences of public health or the organization, financing, regulation, and/or delivery of health services. USAID's implementation partners will usually perform this work with the participation of a few countries, to assure that the proposed adaptations are workable in LAC settings.
- *LAC decision-makers better informed.* This IR will be achieved by dissemination of information by various methods designed to reach decision-makers and assure they understand and are able to use information as adapted/applied in LAC. These might include web sites, classification and archiving of experiential literature, networks of decision-makers, conferences, small-group work, training courses, etc.
- *Policy dialogue increased.* This IR will be achieved by motivating and influencing LAC health policy-makers to apply the knowledge newly disseminated after adaptation for use in LAC.

E. Illustrative Activities/Approaches

This SO will focus on activities that are useful in advancing health programs and policies in the region, but that are inappropriate for action at the country or sub-regional level (e.g., synthesis of results of maternal mortality prevention programs) or for which there are significant economies of scale, such as training two people per country in laboratory techniques to detect resistance to first-line drugs for common infections. Regional activities would also include pilots or other untested, but promising areas for which Missions would be more risk-averse; activities for which a common culture and language are binding factors that help facilitate implementation, dialogue, and update; and, in some instances, non-presence country activities.

The activities conducted to achieve each IR will be grouped into four clusters: maternal/child health, nutrition and family planning; HIV/AIDS and infectious diseases; and health sector reform. Critical technical support will also be provided to support LAC leadership and program implementation. For each cluster of activities, there will likely be multiple partners. Implementation mechanisms will likely include instruments specific to RSD/PHN programs (e.g., grants to PAHO), as well as field support transfers to GH. Target countries will be identified for each activity, and indicators will be based on progress in those countries, rather than USAID presence countries as a group or LAC as a whole. The principal beneficiaries will be the Ministries of Health and other in-country health care providers, and the ultimate beneficiaries will be the vulnerable populations who have improved access to better health services.

To improve maternal health and reduce maternal mortality, the LAC Regional program will work to expand the use of successful models of coordinated efforts between communities and health facilities to assure that women have access to essential obstetric care and skilled attendance at birth. Family planning efforts will focus on support for regional mechanisms to ensure the availability of contraceptive supplies in the region, especially in USAID-assisted countries. Child health efforts will center on consistently high vaccination coverage, on increased use of improved IMCI, and on nutrition improvements among young children, which are often the weak link in USAID child health programs. Funding may constrain the range of maternal child health and family planning activities that can be undertaken. Priority would be given to maternal health and family planning activities, rather than child survival activities, given the relative needs for regional actions.

Infectious diseases programming will focus on USAID priority diseases, including HIV/AIDS, TB, malaria, as well as other infectious diseases important in the region such as dengue and Chagas. Approaches will include reducing anti-microbial resistance and enhanced disease surveillance and response. HIV/AIDS efforts will consist of technical support to LAC/W leadership, LAC field missions, and USAID/W dialogue regarding LAC aspects of the epidemic, in addition to trends analyses, web site postings, and State of the Art (SOTA) courses. The Agency's April 2002 Implementation Plan for AIDS moved funding and responsibility for other LAC regional HIV/AIDS programming to the Bureau for Global Health's HIV/AIDS Office.

Health sector reform is defined as activities and efforts that aim to improve the performance of the health sector, by improving access, equity, quality, efficiency, and financial sustainability. Such activities are designed to achieve fundamental changes in the provision, financing, purchasing, and utilization of the public and private health sectors, and are guided by an overall legal and regulatory framework. Regional health reform efforts will focus on more effective implementation and assessment of health reforms and health systems performance to advance resource allocation to and within the health sector; to strengthen the organization and management of health service delivery; and to increase human resource capacity to respond to and implement health reforms in the region.

Technical support will consist of three advisors to provide technical support to LAC leadership and to participate in regional dialogue from the USAID perspective; annual analyses of PHN trends in LAC; the PHN pages of the LAC website; and support in alternate years for LAC/PHN SOTA courses.

1. IR1 - Evidence Base for LAC/PHN Priorities Increased

Many of the annual scientific and program advances on a global level can be made more accessible and more likely to be applied if adapted to LAC settings. In addition, much new experience at the sub-regional, country, or local levels is gained from USAID and other programs in the region which needs to be gathered, analyzed, and synthesized to increase digestibility and potential utility for decision-makers and program managers.

a. Maternal Child Health, Nutrition and Family Planning

The program will develop a methodology for scaling up use of an integrated health facility and community services that increase access to Essential Obstetrical Care (EOC) and skilled attendance at birth, and adapt existing tools for improving maternal and neonatal care. Evaluations of the causes of maternal and neonatal mortality to identify common problems and develop more effective solutions will be conducted in representative countries of the region.

The family planning activities could adapt for general use promising country-specific models identified during a planned feasibility study for forecasting, financing, ordering, assuring quality, warehousing, distribution, and tracking of contraceptive supplies. Appropriate databases regarding vendors, prices, quality, and availability of contraceptives for purchase could be developed for LAC service providers. Operations research to test promising approaches could be conducted in countries that are ready for initial steps to solving these serious problems.

Development of tools and methods that improve vaccination data collection, analysis and use for decision-making will be supported. Gaps in the IMCI evidence base, including a tool to analyze the cost of implementing community

IMCI with a strong focus on preventing malnutrition, a tool to evaluate the supply of IMCI medicines at the local level, and a set of materials that explain the technical basis of IMCI for managers will be undertaken. Nutrition activities will likely include synthesis and analysis of the effectiveness in varied settings in LAC of Integrated Child Attention (Atencion Integral al Nino--AIN) and other models of community action to improve infant and child nutrition.

b. HIV/AIDS and Infectious Diseases

Activities will synthesize information and best practices on topics such as community based interventions (TB in particular), hospital infection control in resource poor environments, and use of incentives to improve health worker and program performance. Existing tools and training materials will be adapted for use in the region (including adaptation for distance learning format as appropriate).

c. Health Sector Reform

Many of the outcomes of health sector reform in LAC over the last 15-20 years, as well as the process of reform, remain to be documented and shared throughout the region. The program will undertake cross-country comparative studies and operations research, and distill best practices and lessons learned on key health reform issues pertaining to resource allocation and targeting, decentralization, risk-pooling and other forms of social insurance, provider payment mechanisms, public-private partnerships, and human resources and quality of care, among others. In addition, the program will monitor and evaluate the impacts of health reform on equity, access, quality, and efficiency of services.

2. IR2 - Decision-Makers Better Informed

The program will disseminate information to decision makers in the region, such as central, provincial, and municipal levels of the Ministries of Health and other public institutions, non-profit health care providers, professional associations, commercial health providers and insurers, and communities themselves.

a. Maternal/Child Health, Nutrition, and Family Planning

The program will disseminate new regional documents to national decision-makers, such as the Interagency Consensus strategy document articulating basic parameters for reducing maternal mortality. In addition, an interactive, internet-based center for technical assistance will be created, where tools, methods and best practices will be available to district level decision-makers and services managers, and technical questions can be answered by experts linked to information centers such as the Latin American Center for Perinatology and Human Development (CLAP).

The tools developed under IR1 to enhance security of contraceptive supply can be shared with decision-makers by means of technical assistance, workshops, web sites, on-line libraries, and a regional technical advisory group. The results of the 2002-03 feasibility study will be widely disseminated as an initial step in dialogue for implementation of recommendations.

Evaluation methods for national immunization programs, strategies to intensify vaccination in low coverage municipalities, and vaccine safety monitoring plans will be shared with national vaccination program leaders. Lessons learned from vaccine programs will be disseminated using a regional newsletter and weekly reports on measles and polio. National program managers will attend the regional Technical Advisory Group for Vaccine Preventable Diseases, and receive technical assistance to increase impact of National Committees on Immunization Practices in target countries. The IMCI program will disseminate the tools and methods developed in IR1 to help national and local health managers more effectively implement IMCI. Technical assistance and workshops will assist medical, nursing and obstetrical schools to incorporate the principles of IMCI in formation of health care professionals and Ministries of Health to use this curricula as part of continuing education. The AIN model, developed in Central America to link community-based nutrition interventions with IMCI, will be documented and disseminated.

b. HIV/AIDS and Infectious Diseases

RSD/PHN will strengthen dissemination of best practices, tools and information, including those developed or adapted for the LAC region under IR1 in part through electronic media and mailings. Training will inform decision-makers, for example about selected tools adapted for LAC use, especially when economies of scale exist for conducting such activities regionally, such as Field Epidemiology Training. The program will also identify and translate existing publications, guidelines, norms and standards into Spanish, French and/or Portuguese, and support national level technical assistance and workshops to advocate for national strategies for the prevention and control of Antimicrobial Resistance.

c. Health Sector Reform

The program will disseminate high quality, synthesized information on health reform and health system performance in both the public and private sectors; and promote tools such as national health accounts adapted for LAC use for strengthening implementation of health reforms and evaluating the performance of the health sector. Dissemination activities will be enhanced by upgrading the LAC health sector reform web site architecture and content. The results will be that policy makers will be able to make more informed decisions regarding the design and implementation of health sector reforms.

3. IR3 -Policy Dialogue Increased

The program will sponsor activities such as workshops and technical assistance to motivate health sector decision-makers to apply LAC-specific information about scientific and programmatic advances to their policy and program choices.

a. Maternal Child Health, Nutrition and Family Planning

Technical assistance and workshops will involve national maternal health authorities in adopting and adapting national policies and action plans consistent with the new regional strategy to reduce maternal mortality. Dialogue will be promoted between parliaments, ministries of health and civil society in order to foster inclusion in national budgets of adequate funding for EOC and skilled attendance at birth. Family planning programming will encourage decision-makers to increase financing for contraceptive procurement and to forecast, budget, order, warehouse, deliver, and track appropriate quantities of appropriate contraceptives by involving them in workshops and providing high-level technical assistance to engage their attention to this vital area for long-term program success.

The program will support cooperation between countries in the region for handling outbreaks of vaccine preventable diseases. In addition to the information clearinghouse role that PAHO headquarters serves when there is an outbreak, sub-regional advisors will work to obtain national support for fast action when outbreaks occur. Policy dialogue designed to influence decision-makers to adopt improved policies and programs will be facilitated, for example to encourage laws that guarantee budget for routine vaccination services.

b. HIV/AIDS and Infectious Diseases

Regional workshops related to infectious diseases approaches and policies, and electronic discussion groups on specific subjects will be sponsored by the program. RSD/PHN will partner with USAID missions working in TB to develop a regional network of nurses and allied professionals, and with PAHO to support improved south-to-south technical assistance capacity through the training of TB consultants under a TB fellowship program. The program will support periodic meetings of the regional surveillance network for anti-microbial resistance, and will support and facilitate south-to-south sharing of information and technical cooperation on infectious diseases of current interest in the region.

c. Health Sector Reform

The program will create opportunities for south-south exchanges, networking, and experience sharing through regional and sub-regional fora on key health

sector reform issues, as well as through website listserves and discussion sessions. Initiative partners will make presentations to and discuss the impact of reforms on access, equity, efficiency, quality, and sustainability of health care services with health sector decision-makers and managers in the region.

Agency
PHN
Goal

World population stabilized and human health improved

Regional Strategic Objective

PHN Policies and Programs Developed and Advanced in LAC (598-zzz)	SO-Level Assumptions: 1. Decision makers* willing to overcome disincentives and obstacles to make responsible decisions and take appropriate actions for improving health policies, services, and resources 2. USAID missions in LAC will apply new evidence to PHN programs
--	---

Intermediate Results

IR1: Evidence base for LAC PHN priorities increased	IR2: LAC decision-makers better informed	IR3: Policy dialogue increased
(includes best practices, applied research, adaptation of tools, trends analyses, etc.)	(includes seminars, websites, other methods of dissemination to decision-makers of the expanded evidence base)	(includes workshops, technical assistance, South-South TA, other forms of horizontal cooperation)
Assumptions by IR 1. Sufficient new findings are accessible for adaption to LAC context 2. Sufficient LAC experience can be captured to synthesize and analyse meaningfully for decision-maker use	Assumptions by IR 1. Decision-makers receptive to new, improved evidence useful for improving public health	Assumptions by IR 1. Decision-makers willing engage in dialogue re: changing policies and programs
Partners by IR PAHO, Bureau for Global Health cooperating agencies & others selected by competition	Partners by IR PAHO, Bureau for Global Health cooperating agencies & others selected by competition	Partners by IR PAHO, Bureau for Global Health cooperating agencies & others selected by competition

*Ministries of Health, Ministries of Finance, Social Security and other government agencies, local government agencies, government and non-government health care providers, professional organizations and societies, academic institutions, private for- and not-for-profit sector in health care, community-based organizations, and inter-country agencies and organizations

IV. Estimate of Program Resources Needed

To continue the momentum and capitalize upon the gains being realized by the LAC Regional program, LAC/RSD will require FY03 - FY06 funding as indicated in the tables at the end of this section. FY03 funding conforms to the control levels established by LAC/SPO for preparing the FY04 Congressional Budget Justification. The amounts for FY04, FY05 and FY06 in the expanded budget level include additional resources needed to address several important Agency and Bureau priorities (anti-corruption, trade, energy, and CETT). If additional funds were to become available in FY03, LAC/RSD is prepared to accelerate activities in the priority areas. The additional resources required include:

Market Access (598-017): The Bureau's top priority and a key objective for the Agency is the successful negotiation and implementation of a FTAA. An additional \$750,000 in each of FY04-FY06 is required to complement LAC bilateral and sub-regional trade capacity building efforts in support of the FTAA. LAC Regional funds will be used to support activities that are best implemented regionally or sub-regionally, including conferences, workshops, technical assistance, training and outreach to the private sector and civil society. LAC Regional activities will assist LAC presence and non-presence countries and sub-regions to: (1) prepare for FTAA negotiation; (2) meet commitments for the FTAA; and (3) advance the transition toward fully participating in and benefiting from the FTAA through enhancing the enabling environment for trade, investment, and competitiveness.

Education and Training (598-023): During the development of the CETT program, discussions with the implementing partners identified additional needs, beyond the President's commitment of \$20 million, in order to successfully bring the program to fruition. Additional funds will ensure that a critical mass of teachers and administrators are trained in order to have a measurable impact on the quality of basic education in the countries planned to participate in CETT. Efforts to support the CETT program with private sector funds may reduce the amount required, but cannot be counted on to materialize. Hence, the request for additional funds. While the additional resources are requested beginning in FY04, receipt of a portion of those funds in FY03 would allow for smoother planning and implementation.

Because the design and implementation of the initial phase of the CETT program requires more funds than the original \$20 million Presidential commitment, LAC/RSD has had to reduce or delay the implementation of several other SO elements, including activities to improve the relevance and skills of the workforce. For these other activities to achieve the results anticipated at the time the SO was approved, additional funds will be needed over the strategy period to compensate for the funds that were, or will be, diverted to CETT. Further, to cover non-CETT program costs for one additional year (FY06), RSD is requesting \$11.055 million (\$7.8 million for the Georgetown CASS program and \$3.255 million for education reform and secondary education activities). Thus, the total additional resources requested within the expanded budget for the Education and Training SO is \$21.5 million (\$9.5 million in FY04, \$9.5 million in FY05 and \$2.5 million in FY06).

Democracy and Governance (598-005): LAC/RSD is requesting an additional \$1 million in each of FY 04-FY06 to expand efforts to reduce public corruption and its adverse effects on political

stability and economic growth in the region. The additional funds will support implementation of the Inter-American Convention Against Corruption and will help address critical needs in the LAC region. The Regional Program will include initiatives designed to develop strong oversight capacities in and out of government, to identify wrongdoing and abuse and linkages through the media, elections, and judicial action. Examples include, training journalists to report on corruption; anti-corruption programs of business groups, professional associations, and NGOs; national and municipal integrity commissions. Oversight efforts will be complemented with initiatives to enhance transparency of government operations and improve accountability. Examples include, supporting reforms pertaining to freedom of information, disclosure and regulation of campaign financing, and disclosure of the finances of public officials; and reforms and programs to attract investment and foster economic growth (e.g. reforms and policies of banking systems; and reform of tax systems to end fraud and evasion in customs, income and property taxes). All of these initiatives reduce opportunities for corruption both directly and by supporting efforts to improve government accountability, the rule of law and justice systems; increase citizen participation; or strengthen public sector capacity.

U.S.-LAC Environmental Partnership (598-018): Insufficient attention has been paid to the pivotal role that increased access to energy can play in revitalizing rural economies and fostering environmentally-sustainable economic development. With an additional \$500,000 in each of FY04-FY06, LACEP proposes to work in two key areas: 1) electricity sector reform including utility management, proper pricing structures, transparency in contracts and reducing corruption in the procurement of energy services; and 2) industrial and municipal energy efficiency and conservation through the demonstration of energy conserving approaches; includes support to the private sector, namely, hotels, and small and medium enterprises.

Conservation of Biological Resources (598-022): For each of FY04-FY06, LAC/RSD is requesting an additional \$900,000 to bring the proposed obligation in line with the SO-approved level of \$5.4 million annually. The additional funds will be used to: (1) support regional conservation initiatives through analyses and targeted programs to advance innovative approaches and address transboundary issues; (2) provide management and administrative support including the development, dissemination, and training in implementing LAC programs in compliance with the Agency's environmental regulations; and (3) expand successful initiatives within the PiP 2000 program.

Base Budget for LAC Regional Program through FY-06

SO Number and Name	Currently Approved SO Amount	Proposed SO Amount	Obligated as of 9/03/01	FY02 Actual Obligations	Planned FY03 Obligations	Planned FY04 Obligations	Planned FY05 Obligations	Planned FY06 Obligations
598-003 Health Services & Policy	50,078	50,078						
CSD			31,930	600	0	0	0	0
CSH			1,401	7,973	7,892	0	0	0
SO Total			33,331	8,573	7,892	0	0	0
598-005 Democracy and Governance	Continuing	253,000						
DA			62,318	5,160	5,100	4,025	4,025	4,025
ESF			110,094	5,727	11,500	7,500	7,500	7,500
SO Total			172,412	10,887	16,600	11,525	11,525	11,525
598-017 Market Access	27,750	32,950						
DA			8,510	3,990	3,550	4,400	4,400	4,400
ESF			0	0	1,000	0	0	0
SO Total			8,510	3,990	4,550	4,400	4,400	4,400
598-018 U.S.-LAC Environmental Partnership	5,000	6,273						
DA			1,949	824	500	500	500	500
598-022 Conservation of Biological Resources	27,000	30,866						
DA			2,858	7,308	4,500	4,500	4,500	4,500
598-023 Education and Training Improvement	68,500	110,902						
CSD			1,632	658	0	0	0	0
DA			0	8,355	14,055	14,955	14,955	14,955
ESF			0	7,000	0	0	0	0
SO Total			1,632	16,013	14,055	14,955	14,955	14,955
598-ZZZ PHN Policies and Programs	NA	21,498						
CSH			0	0	0	5,028	5,028	5,028
Total								
CSD			33,562	1,258	0	0	0	0
CSH			1,401	7,973	7,892	5,028	5,028	5,028
ESF			110,094	12,727	12,500	7,500	7,500	7,500
DA			75,635	25,637	27,705	28,380	28,380	28,380
GRAND TOTAL			220,692	47,595	48,097	40,908	40,908	40,908

--Obligations as of 9/30/01 from FY 2003 CBJ.

--Amounts obligated as of 9/30/01 for SO 598-005 include obligations prior to the FY 1995 LAC Regional Strategic Plan

--FY03 obligations include these FY02 carryovers and paybacks: 598-003: 101 CHS/625 DA; and 598-017: 250 DA

--SO 598-023 includes \$7.8 million/year for Georgetown CASS program beginning in FY03

Expanded Budget for LAC Regional Program through FY-06

SO Number and Name	Currently Approved SO Amount	Proposed SO Amount	Obligated as of 9/03/01	FY02 Actual Obligations	Planned FY03 Obligations	Planned FY04 Obligations	Planned FY05 Obligations	Planned FY06 Obligations
598-003 Health Services & Policy	50,078	50,078						
CSD			31,930	600	0	0	0	0
CSH			1,401	7,973	7,892	0	0	0
SO Total			33,331	8,573	7,892	0	0	0
598-005 Democracy and Governance	Continuing	253,000						
DA			62,318	5,160	5,100	6,100	6,100	6,100
ESF			110,094	5,727	11,500	11,500	11,500	11,500
SO Total			172,412	10,887	16,600	17,600	17,600	17,600
598-017 Market Access	27,750	32,950						
DA			8,510	3,990	3,550	4,300	4,300	4,300
ESF			0	0	1,000	1,000	1,000	1,000
SO Total			8,510	3,990	4,550	5,300	5,300	5,300
598-018 U.S.-LAC Environmental Partnership	5,000	6,273						
DA			1,949	824	500	1,000	1,000	1,000
598-022 Conservation of Biological Resources	27,000	30,866						
DA			2,858	7,308	4,500	5,400	5,400	5,400
598-023 Education and Training Improvement	68,500	110,902						
CSD			1,632	658	0	0	0	0
DA			0	8,355	14,055	23,534	23,534	16,534
ESF			0	7,000	0	0	0	0
SO Total			1,632	16,013	14,055	23,534	23,534	16,534
598-ZZZ PHN Policies and Programs	NA	21,498						
CSH			0	0	0	7,166	7,166	7,166
Total								
CSD			33,562	1,258	0	0	0	0
CSH			1,401	7,973	7,892	7,166	7,166	7,166
ESF			110,094	12,727	12,500	12,500	12,500	12,500
DA			75,635	25,637	27,705	40,334	40,334	33,334
GRAND TOTAL			220,692	47,595	48,097	60,000	60,000	53,000

--Obligations as of 9/30/01 from FY 2003 CBJ.

--Amounts obligated as of 9/30/01 for SO 598-005 include obligations prior to the FY 1995 LAC Regional Strategic Plan

--FY03 obligations include these FY02 carryovers and paybacks: 598-003: 101 CHS/625 DA; and 598-017: 250 DA

--SO 598-023 includes \$7.8 million/year for Georgetown CASS program beginning in FY03

V. Program Management

RSD technical teams manage the LAC Regional SOs under which more than \$58 million was obligated during FY02. RSD works very closely with the technical staff in the Bureau for Program Policy Coordination, other central bureaus and the field Missions who also serve as members of SO or Results Package teams as appropriate. Critical management and implementation support for the Regional Program will continue to be required from LAC/SPO (program/controller), GC/LAC (legal), FM (financial management) and M/OP (procurement).

USAID is being reorganized to reduce the number of activities managed by Regional Bureaus in Washington and to transfer more resources to programs managed overseas. Several LAC Regional activities were designated for transfer to the field or to the pillar bureaus. The transfer of the South American Trade Capacity Building program from RSD to USAID/Peru was completed at the end of FY02. During FY03, RSD will complete the transfer of other activities. In accordance with Agency reorganization guidelines, funding for activities to be transferred to the pillar bureaus will continue to flow through the regional bureaus. Thus, those activities will remain part of the LAC Regional SOs; however, their management will be the responsibility of the pillar bureaus.

Besides managing the Regional Program, RSD provides critical staff support to the Bureau and LAC field Missions. It anticipates, analyzes and responds to LAC political, policy and program trends relating to hemispheric integration, sustainable development and U.S. foreign policy. Effective collaboration with partners in the hemisphere as well as with the multilateral development banks, the OAS, and other donors is essential to the success of USAID efforts. RSD continues its extensive involvement in the Summit follow-up process.

The following RSD staffing levels are necessary to manage the Regional Program and provide staff support to the Bureau and Missions:

	<u>Positions</u>
USDH ¹	16
Program Funded Staff	10

These levels are consistent with those approved under the Agency reorganization with one exception. LAC/RSD is requesting approval of one additional USDH GS position to serve as the Bureau Environmental Officer (BEO). The departure of the former LAC/RSD/ENV Team Leader and the planned departure of the other person (a program funded RSSA) qualified to serve as the BEO, will leave the Bureau without the necessary staff to ensure Bureau programs comply fully with environmental regulations. Due to an Agency-wide shortage of FS candidates qualified to serve as BEOs, the additional GS

¹ Includes job share as one position

position will provide continuity to the LAC/RSD/ENV team in providing Bureau and Mission support and in the application of environmental regulations.

Because of staff shortages and difficulties filling current vacancies on the LAC/RSD/PHN team, adjustments to program implementation may be necessary until such time as the team is fully staffed.

RSD will require approximately \$90,000 in each of FY03 and \$80,000 in FY04 of OE travel funds.