

USAID/Paraguay
Operational Plan

FY 2006

June 15, 2006

Please Note:

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Program Performance Summary FY 2005: Background: The past 16 years since the fall of the Stroessner dictatorship have seen the adoption of a new constitution, the establishment of freedom of expression, the development of a transparent and free electoral process, some improvements of the judicial system, including a transition to a judicial adversarial system allowing increased public scrutiny of legal cases, and the defense of democratic institutions in the face of severe challenges. These challenges include several coup attempts, the assassination of a Vice President, the resignation of a President and a replacement whose administration lacked direction, authority and credibility. Upon assuming the presidency in August, 2003, President Duarte aggressively launched an anti-corruption campaign and constructed a broad political consensus for macro economic reforms that rescued the country from the brink of economic crisis and propelled his popularity to stratospheric levels. During the second year of his Administration, growing resistance to his reforms and only modest economic recovery and job creation has produced the inevitable decline in his ratings as people's inflated expectations could not be met.

The Duarte Administration produced an impressive list of accomplishments in its first two years in office. It displayed courage and prudence in restoring discipline to macro economic policy that averted a major default on international and domestic debt obligations, transformed alarming budget deficits into a small surplus, and kept inflation manageable at 12.3% in 2005. While un- and under-employment remain high (7.3% and 24.2% respectively) poverty rates have declined to 39.2% after peaking at nearly 50% of the population two years ago. Finally, prudent macroeconomic policies have helped Paraguay grow at approximately 2.7% in 2005, representing a mere 0.4% in real per capita terms-far too little to afford perceptible relief to the large body of poor and under-employed people looking for relief.

Initiatives by the Duarte Administration to improve governance and fight corruption have produced significant results. According to the Ministry of Finance, anti-corruption measures dramatically increased tax revenues by 44% during the first year and custom collections by an additional 18.7% through May of the second year, compared to collections the previous year. Public procurement reforms have increased transparency and competition and resulted in a 40% savings in government contract costs. Six Supreme Court magistrates, discredited for corrupt and unethical behavior were replaced utilizing a process to select new magistrates that afforded citizens an opportunity to scrutinize candidates' professional and ethical qualifications. The courts have sentenced or sustained challenges to convictions in high profile cases involving the president and seven member board of directors of the National Development Bank, the Director of the Central Bank and the Superintendent of Banks, giving hope that the rich and powerful are not always above the law.

This and numerous other measures that demonstrated resolve and results in addressing corruption and pursuing responsible economic policies resulted in the Millennium Challenge Corporation (MCC) designating Paraguay eligible to apply for the Threshold Country Program. Areas in which Paraguay scored particularly low on Millennium Challenge Account (MCA) indicators include control of corruption, rule of law and governing effectively. Paraguay submitted a successful concept paper to MCC in late February 2005 followed by a Threshold Country Plan (TCP) in October 2005 which responds to these weaknesses. USAID's current program also addresses important aspects of each of these important indicator areas.

U.S. Interests and Goals: The primary U.S. goal in Paraguay is to develop a robust democracy, underpinned by economic performance that maintains people's faith in the system. President Duarte's unquestioned electoral legitimacy and reform agenda make prospects for progress on good governance better now than ever before. However, although worthy of our support, serious constraints in the capacity of the Central Government make this a challenging goal. Among these constraints are weak skill levels of government managers, duplicative or nonexistent policies, patronage, clientelism corruption, growing resistance by the vested interests that benefit from the status quo and a business environment incompatible with the competitiveness requirements of the global economy. Combating terrorism, reducing transnational crime, fighting corruption and strengthening the rule of law, and building a growing, diversified economy that strengthens economic well-being and democracy are important U.S. foreign policy goals.

USAID's strategy is to strengthen decentralized power and authority in order to improve government accountability to citizens and to develop civil society and private sector grassroots level efforts as the basis for democratic governance, economic growth, improved trade capacity, improved health, and protection of ecologically sensitive areas. Complementary to this effort, USAID also works with the national government to reform policies, strengthen institutions and encourage a working partnership with civil society, the private sector and local government. Much of the activity the Mission supports in all four SO's have a positive effect on fighting corruption and promoting decentralization.

In accordance with Agency policy, it is in the U.S.'s interests to help Paraguay strengthen its development policies and performance defined by MCA principles. USAID's strategy is well positioned to support numerous reforms that are central to the Government of Paraguay's (GOP's) agenda and MCA principles. Thus, the lessons, expertise and effective partnerships of the bilateral program have proven invaluable as USAID has assisted the GOP to design its Millennium Challenge Account Threshold Country Plan.

The beneficiaries of the USAID program are the people of Paraguay who receive improved basic services, increased employment opportunities, and who enjoy expanded opportunities to have their voices heard and their rights to transparent and accountable governance recognized.

Donor Relations: USAID is the third largest bilateral donor in Paraguay (after Taiwan and Japan) but its unique contribution is in having other donors build upon its pioneering activities, in strengthening civil society and local government, pioneering innovative health service delivery models, addressing deforestation, and generating replicable models of judicial reform and decentralization. The World Bank (WB), Germany and Japan now have programs to strengthen local NGOs and work through NGOs to develop programs with local communities and adolescents. The United Nations Development Program (UNDP), the Inter-American Development Bank (IDB), and Germany (GTZ) are continuing to collaborate with USAID on judicial reforms and decentralization activities initiated by USAID. The World Bank (WB) has developed a new health sector loan focused on provision of health and is working with USAID to incorporate the lessons from USAID about decentralization.

At a local level, USAID partners consistently coordinate with programs supported by other donors such as current collaboration between CEPEP (a local health NGO) and the UNFPA. Under support that USAID provides to local government strengthening through a GDA, USAID and its partner are currently coordinating with a Canadian Development agency grant to provide sewerage in a suburb of Asuncion, with the Swedish Development agency to decentralize planning and resources in the education sector, and with the IDB on sanitation landfills and bio-diesel initiatives in the capital and other municipalities. Finally USAID partners coordinate with IDB support to promote competitiveness in the private sector, in conjunction with USAID's economic growth SO.

The Global Environmental Facility (GEF) continues to work in protected areas and eco-regions where USAID initiated environmental activities. USAID currently selects areas in which to focus, in close cooperation with the GEF program, including areas which pertain to the Atlantic Forest. USAID is providing critical technical assistance to lead and implement, with UNDP input, a debt swap under the Tropical Forest Conservation Act (TFCA) that would invest financial resources for site conservation and for activities which protect biodiversity in the Upper Parana Atlantic Forest's southern corridor. USAID also coordinates with the IDB to assure that the IDB-supported establishment of a national environmental fund coincides with the parameters under which the TFCA debt swap will be established. Also in the environmental sector USAID is coordinating with the Spanish Cooperation Agency to determine activities it will be carrying out. USAID continues to lead in health decentralization, and reproductive health activities, closely coordinated with the World Bank, the IDB, the Pan-American Health Organization (PAHO), the United Nations Fund for Population Activities (UNFPA), the United Nations Children's Fund (UNICEF), and Japan.

Challenges: The state of Paraguay's democratic institutions, civil society, and political parties indicates that substantial time and effort are still required to complete the transition to a fully functioning democracy and market economy. The GOP is committed to addressing the challenges related to economic reactivation, poverty and corruption. To accomplish this, reform and modernization of all branches of the

government are necessary. They suffer from corruption and patronage, which have caused enormous inefficiencies in public service delivery and undermine citizens' confidence in their government institutions. Generally, popularly elected local governments are inexperienced and lack adequate financial and human resources, although they are perceived to be relatively more honest and competent.

The business environment discourages private sector investment, both domestic and international. Unfair and illegal business practices such as smuggling and bribery make it difficult for legal activity to compete. Unclear, complicated and costly export requirements make it difficult to invest in export production. The World Bank's Doing Business Report, 2005 found that in Paraguay it takes, on average, 74 days to start a business. This is one of the highest in the world. Paraguay's external debt is almost 40% of Gross Domestic Product and while budget deficits were controlled and turned into a surplus during the first two years of Duarte's term, the problems Paraguay still has results in high risk ratings and expensive credit for private sector initiatives and makes it difficult for Paraguay to compete internationally.

Paraguay's deforestation rate is the highest in Latin America (over one million hectares were lost between 1999 and 2001) due to the state's complete failure to enforce environmental regulations and laws, thus giving rise to indiscriminate exploitation of land, water, and wildlife resources. Sustainable development has been severely threatened by depletion of Paraguay's natural resources, timber reserves are nearly completely exhausted, much of the rich topsoil of the eastern region is severely eroded, and the Guarani aquifer, the largest on the continent, has decreased its water flow considerably in the last 20 years. In spite of this, public authorities have been slow to respond to these challenges because of inadequate capacity. Despite having signed and ratified almost all international agreements and treaties related to environmental protection, the country still lacks effective enforcement capability and a coherent national environment policy.

High poverty levels contribute to mortality rates and better reproductive health services are needed. Almost 40 percent of pregnant women do not receive adequate pre-natal care. The Ministry of Health (MOH) does not have the capacity to deal efficiently with these and other problems such as the supply of contraceptives, basic supplies, and medicines and additional outreach to adolescents on reproductive health and family planning issues. Many citizens also lack access to other basic services such as education, potable water, sewerage systems, solid waste collection and basic infrastructure. Although national and local governments are hard pressed to adequately provide these basic services, there has been some improvement and some local governments are struggling to compensate for deficiencies in services provided by the national government.

FY 2006 will be a very political year and may adversely affect some of the Mission's programs. Internal Colorado Party elections will be held early in the year and the results could have a profound impact on the Administration's ability to continue to advance its reform agenda. Municipal primaries and elections will be held in early FY 2007, and although they will negatively impact the local government program, the elections may provide an opportunity to gain valuable experience working with political parties.

To overcome these challenges USAID is working directly with the host country through various grants and contracts to develop a more effective and accountable local government, encourage an active civil society and expand national reforms. It also is strengthening the capacity of environmental NGO's and improving the policy, legal, and financial tools for improving eco-regional management. In the health sector USAID is improving decentralized community based health care and expanding access to quality reproductive health services. In the economic sector it is implementing business development strategies and improving the business environment for businesses to advance our goals of creating jobs for the poor and export opportunities for the economy.

Key Achievements:

Democracy. During the year, USAID/Paraguay supported measures which improved transparency and accountability in justice sector institutions with the aim of fighting corruption. A Judicial Code of Ethics was developed, approved and launched by the Supreme Court. The Council of Magistrates enacted regulations establishing selection criteria for judicial sector positions, including judges, prosecutors and

public defenders. In addition, the Council established procedures for exams and approved regulations for the implementation of an electronic registry of candidates. The capacity of the Public Ministry was strengthened to fight corruption through support provided to the Economics Crimes Unit to increase its prosecutorial capacity regarding corruption cases. A new Anti-Corruption Unit at the Public Ministry was established that will be responsible for investigating and prosecuting selected economic crimes that require specific expertise. The Controller's Office established a support unit that will serve as a liaison between auditors and prosecutors, and that will provide assistance to prosecutors regarding corruption investigations. This eventually will have a significant impact on indictments and successful prosecution of corrupt officials and private individuals.

A whistle blower program was initiated in the Procurement Office of the Ministry of Finance aimed at increasing transparency of public procurement. Two other whistle blower programs were agreed upon by the Supreme Court and the second largest city in the country. In general USAID support for anti-corruption activities with civil society has helped open the political space for USAID partners to discuss issues in other sectors such as the environment where a local environmental partner promoted public access to information legislation on matters related to the environment, which was then used as a model for drafting public access to information legislation in general.

USAID support to local government and decentralization increased credibility of municipalities as the first and most critical tier of government in a democratic society. With USAID support local governments have been strengthened to respond to citizen needs by providing improved public services, such as potable water, garbage collection, street improvements and maintenance, health clinics, schools, etc., financed with enhanced revenue collection and increased expenditure effectiveness. Since 2002, 54 municipalities have increased property and commercial tax collection on average by 111% per municipality, resulting in an additional \$6 million in revenue, more than 300 new or improved local services and over 170 transparency and participatory governance mechanisms, such as public budget hearings, citizen committees for monitoring public works, access to information policies, and education and development councils. These newly created mechanisms, the strengthened capacity developed, and a new GDA under this program, resulted in greater ability of citizens and the local government to discuss and address issues related to economic development, environment and health.

Civil society improved its capacity to monitor and press for transparency, accountability and reduced corruption in government functions. Several examples include: the presentation of a Freedom of Information Act to the Congress by more the 20 civil society organizations and its passage in House of Deputies, a National Network of Citizen Watchdog Groups successfully promoted the removal of an allegedly incompetent and corrupt mayor in a small town, the recovery of a public park that had been inappropriately transferred from a municipality to a private developer, and the removal of a dean who had fired a university professor without grounds.

Environment. During the past year, the broad goals of the Biological Vision for the Upper Parana Atlantic Forest (UPAF) (developed with USAID support) have been advanced with the launching of an innovative Social Pact that employs the principle of tradable rights to foment reforestation and compliance with land use regulations. This was achieved by promoting dialogue between different sectors including a recently formed network of landowners and NGO's to discuss management of protected areas. As a result of the Social Pact and Biological Vision, over 3,000 hectares have been purchased for additional conservation under the San Rafael strategy, which protects areas in and around the San Rafael Reserve-the highest conservation priority in the UPAF. In the Chaco, a Biosphere Reserve of over 7 million hectares was established by the GOP and formally recognized by UNESCO.

The performance of national institutions in enforcing environmental regulations improved markedly. Environmental attorneys improved their capacity to investigate cases where environmental regulations were violated and procedural guidelines were elaborated to assist in interventions of illegal activity negatively affecting the environment. Also, training was provided to inspectors at the environmental ministry to enforce environmental laws which resulted in greater understanding and enforcement of policies and regulations, as well as compliance with international conventions related to the environment. Departmental and municipal governments have begun to take a greater role in conservation efforts. This

was achieved with the help of technical assistance to municipalities to improve their cadastre and training of municipal staff regarding environmental functions. Coordination amongst and between municipal and departmental governments has improved resulting in coordinated awareness raising programs, training for local level officials, promoting land zoning and implementation of a biosphere reserve. USAID support to one municipality with serious illegal land invasions and related environmental problems, resulted in a cadastre which is assisting the municipality to determine actions to resolve land use and environmental issues. USAID's partner, IDEA, advises Congressional environmental committees on environmental legal, policy and technical matters. This has led to IDEA's critical role in policy matters such as the development of the draft Water Law and the draft General Environmental Law.

Coordination between the environmental program and support to municipalities through the mission's decentralization activities led to discussions where support to municipalities included those municipalities which had sensitive ecological areas within its boundaries. Strengthening the general capacity of municipalities resulted in greater transparency and a framework which was created which allows for citizen discussion of local environmental issues and the need to address these.

Negotiations between the GOP, US Department of Treasury, and American NGOs for a debt-for-nature swap under the Tropical Forest Conservation Act (TFCA) began during the period. USAID and its local environmental partners have provided input and have helped to facilitate the process of negotiations.

Global Climate Change (GCC) was mitigated through the protection of various sections of the UPAF through presidential decrees and purchasing of land. Over 132,000 hectares are under improved management for biodiversity. Departmental and municipal governments have begun to take cognizance of the role they can play in conservation efforts. Coordination amongst and between municipal and departmental governments has improved resulting in coordinated awareness raising programs, improved capacity of local level officials, promoting land zoning and implementation of a biosphere reserve.

Reproductive Health. In FY 2005, the community pharmacy program was successfully extended into three new departments and now includes a total of over 160 pharmacies with USAID assistance. Alternatives to health coverage, such as low-cost health insurance, began implementation in one new municipality during the year to help finance basic health care costs. The system in one of the municipalities now covers 70% of the population. The results of this effort are being replicated in other municipalities in the same region.

Despite significant progress over the past years, Paraguay continues to face serious reproductive health problems, with high rates of maternal and infant mortality, and continues to experience chronic childhood malnutrition. Although the fertility rate has gone down according with the latest RHS, (2.9 births per woman) within rural areas (3.9), guarani-speaking populations (5.4) and less educated women (4.2.) higher rates still persist confirming the unequal access to health services and supplies. There is still a significant percentage of women of reproductive age that have unmet needs for family planning (14.7%) and this percentage is even higher in poorest quintiles (18.9%).

During FY 2005, USAID/Paraguay continued to implement its strategy to increase use of voluntary reproductive health services by improving individual, family, and community reproductive health practices with a focus on maternal health, by strengthening the quality of reproductive health service delivery in the public and non-profit sectors, and by reinforcing local authorities' capacities to manage and provide basic health care. Difficulties were experienced during this year with the contractor implementing this activity and the Mission is working with the Regional Contracting Officer to modify this contract in order to more properly allocate funding planned for this contract into other activities, addressing items noted in the recent audit performed by RIG.

The Paraguayan Government has shown a strong commitment to the USAID program. Reproductive health, and especially family planning, is one of the highest priorities identified by Ministry of Health (MOH) officials. This commitment has helped USAID to exceed performance targets, in the case of its decentralization efforts. The MOH's is still showing a significant interest in expanding the models which have been developed and taking lessons learned to design national level programs. An opportunity

exists under the current administration to make significant progress in reforming the MOH's health service delivery system.

New authorities in the national social security system have also demonstrated their willingness to work with international agencies, coordinating efforts and exchanging experiences to better serve Paraguayans. The donor's round table (including World Bank and IDB) is for the first time working closely with the MOH and other health sector institutions to define health sector reform activities and priorities in order to better support the government efforts. Donors are also working together in defining assistance to be provided to the Paraguayan government with regard to the Avian Flu preparedness and response.

In terms of program management, the SO was designed to have a much broader impact, but the Mission has received less than half of the planned funding levels for the SO. Consequently, the magnitude of activities was scaled back to focus on certain geographic areas. The family planning program was targeted for imminent graduation during this year and a team from Washington visited Paraguay in June to work with the Mission in developing a phase-out plan for the up coming years. This phase out plan was submitted to Washington for approval in October and will be incorporated in to the new Country Strategy Statement to be presented to Washington during FY 2006.

Based on Washington decision's to graduate the Family Planning program, the Mission has allocated funding to start a project on contraceptive security. During the year, it started providing assistance to the Ministry of Health and the Social Security Institute so that these can respond to contraceptive demand. USAID and its partner are working closely with UNFPA, the Pharmaceutical Association, and NGOs providing contraceptives, focusing its efforts on establishing a commitment from the MOH and other public institutions like the Paraguayan Congress and the Minister of Finance in order to work towards graduation from donations.

With regard to gender issues, the Reproductive Health SO has used a participatory methodology throughout the program, in its management, in service delivery, and in specific services. The experience of working with local authorities and communities has also provided an opportunity to empower women in the community that could translate into greater involvement in other aspects of local government. Through the outreach, training and education components of the program, selected communities seek methods and messages to address gender issues. Gender roles and power in provider/patient relationships and cultural variations of gender roles highlight the importance of gender awareness and analysis in the design and production of written materials and activities.

A high level of community participation is occurring through local health councils in order to improve preventive health measures and promote reproductive health. The number of communities offering basic health services increased by two during FY 2005 to a total of 15. The system includes trained promoters that raise awareness on services and maternal care, undertake surveys to increase knowledge of the local health situation, and help identify health services for children and women. USAID/Paraguay continued to support CEPEP, a local NGO that operates a system of clinics to provide family planning and other reproductive health services at affordable prices.

During the year, USAID provided technical assistance to local governments and local health councils on the legal framework for health decentralization that resulted in a modification of the Law 1032 which allows for local governments to retain control of some financial resources which are raised at the local level. This has resulted in increased authority of municipalities through the 31 agreements which were implemented between the MOH, local health councils and local governments to decentralize some health functions and authorities. USAID provided support in 12 of these to implement these agreements. This activity builds upon successful local government strengthening activities and promotion of decentralization under the democracy program.

The final results of the Reproductive Health Survey are now widely available. The survey serves as a snapshot of the maternal and reproductive health situation in the country, and also serves as the baseline information of the National Reproductive Health Plan. One of the most impressive results of the survey is the Total Fertility rate, which went down from 4.3 children per woman (1995 to 1998) to 2.9 children per

woman (2001 to 2004). However, TFR figure masks important differences between rural and urban regions and between women with different levels of education. The TFR of urban and rural women measured from 2001 to 2004 was 2.5 and 3.7, respectively, compared to 3.2 and 5.6 from 1995 to 1998. For the period 2001 to 2004, the TFR for women with less than six years of education was 4.2 children per woman compared to 2.1 for women with 12 or more years of education. From 1995 to 1998 the TFR for the same level of education was 6.0 and 2.3, respectively.

Trade. The program far surpassed its main target of generated employment. It created over 1,200,000 person days of employment. Sales and exports far exceeded targets for the first year. Investments didn't meet the target for 2004 but did meet the targets for the cumulative first two-years of the program (2004 and 2005) and so is still on track. The program is also having an impact beyond that of its individual clients by addressing sector and regional policies as those related to the informal economy around the tri-border region of Ciudad del Este. The program played a major role in helping the government define policies which encourage formal economic activities as opposed to operating in the informal economy. By the end of this SO we expect to have significantly strengthened the capacity of Paraguayan firms to participate in international markets as suppliers, clients and competitors and thus have fostered market-led growth and employment generation in Paraguay

Global Development Alliance (GDA). USAID is providing support to a cooperative agreement to a local NGO to support a broad alliance of private and public partners that is implementing a good governance and anti-corruption program at the local level. Under this alliance, a bio-diesel project benefiting 500 families obtained \$1.2 million in non-USAID funding, a 15 year solid residuals recycling project and a sewerage project were initiated, and an environmental decentralization project was approved. These projects leveraged over 2,000,000 in non-USAID funding. Finally, a separate Mission GDA encourages local and international NGOs to work with the private sector and government to protect over 12,000 hectares in and around a reserve which forms a critical biological corridor between other protected areas in the Upper Parana Atlantic Forest.

Gender. A gender assessment was finalized during the year and found that although many of the programs being implemented incorporate gender considerations into its activities, greater emphasis should be placed on assuring that all activities do so. By the end of the FY, all of the mission programs were addressing gender concerns in their delivery mechanisms. There was also general consensus on how the upcoming strategy could incorporate gender concerns. In general, women are by far the majority of beneficiaries of the health portfolio activities and of basic community services as a result of enhanced participation opportunities in civil society and with local government on local issues.

FY 2006 Program**SO: 526-004 Key Democratic Governance Practices Instituted****Promote And Support Anti-Corruption Reforms**

Promote And Support Anti-Corruption Reforms (\$350,000 ESF). USAID is providing technical assistance and training to strengthen the capacity of the business and civil society to fight corruption and promote reforms. Activities are supporting oversight, access to information, transparency and accountability, and promote reforms focusing on anticorruption policies. Prime implementers: Management Systems International (MSI) and the Institute for Penal and Social Science Comparative Studies (INECIP).

Strengthen Civil Society

Strengthen Civil Society (\$1,130,000 ESF). USAID is extending a successful sub grant program that strengthens civil society organizations in promoting citizen participation in the policy decision making process, citizen oversight and control, and advocacy. Prime implementer: Center for Information and Resources for Development.

Strengthen Democratic Political Parties

Strengthen Democratic Political Parties (\$500,000 ESF). USAID is providing technical assistance and training to political parties to promote public sector accountability and good governance practices to challenge the existing patronage system. Emphasis is placed on building political party capacity so that based on merit, technically qualified people have access to increasingly higher party positions, government positions or elected offices. Technical assistance is also being provided for political party finance reform. Prime implementer: Alter Vida.

Strengthen the Justice Sector

Strengthen the Justice Sector (\$1,000,000 DA). Technical assistance is being provided to improve control functions of government institutions, including strengthening the capacity of the Prosecutor's Office to fight corruption. Assistance is being provided to address problems caused by the patronage system in the justice sector, including improving the accountability of judges and prosecutors. In addition, this supports a career system focused on judicial employees that will address recruitment policies, procedures and practices based on merit. Prime implementers: MSI and INECIP.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$980,000 DA). USAID is providing technical assistance and training to strengthen the capacity of newly elected mayors and council members by helping them implement good governance practices, including service provision, revenue enhancement, citizen participation, transparency mechanisms, and performance measurement. Technical assistance is being provided to local governments and their associations to implement decentralization projects in coordination with the central government. Prime implementer: Alter Vida.

FY 2007 Program**SO: 526-004 Key Democratic Governance Practices Instituted****Promote And Support Anti-Corruption Reforms**

No obligations are planned during FY 2007.

FY 2006 Program**SO: 526-005 Management of Globally Important Ecoregions Improved****Improve Sustainable Management Of Natural Resources & Biodiversity**

Improve Sustainable Management Of Natural Resources & Biodiversity (\$920,000 DA). USAID is providing technical assistance to NGOs and local governments to increase their capacity to develop legislation to promote financial and structural incentives (such as a national environmental fund and carbon offset projects) for ecological management and forest conservation in three globally significant eco-regions. Technical assistance is being provided to conserve public and private land by establishing resource management areas, conservation easements and leasing, land purchases and zoning, and protecting public parks. USAID is supporting decentralization efforts so that departments and municipal governments have a greater role in addressing environmental concerns in their communities. USAID is supporting NGOs and other local entities in the Chaco and Pantanal eco-regions in improving the capacity of municipal and departmental officials to incorporate environmental designs into local development plans. Incentives will also encourage actions that contribute to compliance with international environmental conventions and increase the capacity of local officials to enforce national environmental regulations. Technical assistance is provided to improve the capacity of national park personnel in the Chaco to implement conservation activities, establish biological corridors, and coordinate efforts with local institutions and institutions in Bolivia and Argentina. In the Upper Parana Atlantic Forest eco-region, funds are used to improve the capacity of five local NGOs to implement conservation efforts and promote the protection of approximately 100,000 hectares through activities that include the training of local and national government officials to enforce environmental regulations. USAID continues to encourage a debt swap between the Government of Paraguay, the U.S. Department of Treasury, and U.S. NGOs. A moratorium policy to protect against indiscriminate deforestation and a coordinated effort with institutions in Brazil and Argentina is also being supported. A Global Development Alliance activity continues to provide support to ensure sustainability of the Tapyta Reserve. USAID provides technical assistance to support conservation efforts in an ecologically sensitive area where few conservation efforts have been carried out. USAID promotes and offers technical assistance and training towards the creation of private protected areas, and improves the capacity of local government officials to enforce environmental regulations. USAID is also supporting the preparation of draft policy and legal tools to improve the current environmental framework. Principal contractor and grantees: World Wildlife Foundation, Institute of Law and Environmental Economics, Moises Bertoni Foundation and one other local contractor.

FY 2007 Program**SO: 526-005 Management of Globally Important Ecoregions Improved****Improve Sustainable Management Of Natural Resources & Biodiversity**

No obligations are planned in FY 2007.

FY 2006 Program**SO: 526-006 Use of Voluntary Reproductive Health Services Increased****Improve Maternal Health & Nutrition**

Improve Maternal Health & Nutrition (\$1,102,000 CSH). USAID provides technical assistance to strengthen the central, regional and local Ministry of Health (MOH) in the implementation of norms and protocols for maternal mortality surveillance, including support to improve the current public health information system. Principal contractor and grantees: to be determined.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$450,000 CSH). Local government control in

the provision of health services is being strengthened through technical assistance to regional and local authorities and through greater community participation in the design, evaluation and financing of health care. USAID's technical assistance continues to help the MOH identify ways it can decentralize authorities and functions including supporting the extension of the community pharmacy concept into new areas by increasing awareness and providing support to two departmental governments and local health councils. USAID is also strengthening the already successful grassroots insurance schemes in three municipalities and disseminating information about the success to other municipalities and departments as well as to the MOH and other donors. Tools developed under this initiative are being transferred to the central MOH in order to implement the experiences at new sites. Discussion is underway to determine if USAID assistance will be provided to help Paraguay address threats caused by the avian flu pandemic. Principal grantee: Center for Information and Development Resources.

Support Family Planning

Support Family Planning (\$1,332,000 CSH). USAID continues to coordinate with the United Nations Fund for Population Activities in supporting the establishment of a sustainable mechanism for the purchase and distribution of contraceptives. USAID is strengthening the Government of Paraguay's contraceptive distribution system including its capacity for forecasting, financing, and procurement. USAID provides support for family planning services at low cost clinics located in economically depressed areas in the capital and other large cities. In coordination with other donors, USAID is updating and disseminating family planning norms in order to give users informed choices. Principal contractor and grantees: Paraguayan Center for Population Studies and John Snow, Inc.

FY 2007 Program

SO: 526-006 Use of Voluntary Reproductive Health Services Increased

Improve Maternal Health & Nutrition

No obligations are planned in FY 2007.

FY 2006 Program

SO: 526-007 Increased Incomes for the Poor in Selected Economic Regions

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$1,485,000DA). USAID continues to provide business development services such as marketing assistance for agricultural products and supply chain management to help firms expand their sales and generate employment. Through technical assistance provided to companies in the poorest areas of the country, the program plans to generate over \$5,400,000 in additional sales of Paraguayan products. It is anticipated that at least one third of these sales will be exports. The generation of this amount in sales is expected to lead to the creation of at least 450,000 labor days of additional employment during the year and additional investment of \$250,000. Principal contractor: Chemonics and various Paraguayan subcontractors.

FY 2007 Program

SO: 526-007 Increased Incomes for the Poor in Selected Economic Regions

Increase Trade and Investment

No obligations are planned in FY 2007.

FY 2006 Program

SO: 526-008 Corruption Reduced and Good Governance Improved in Key Sectors

Promote And Support Anti-Corruption Reforms

No obligations are planned in FY 2006 as the program will begin in FY 2007.

FY 2007 Program

SO: 526-008 Corruption Reduced and Good Governance Improved in Key Sectors

Promote And Support Anti-Corruption Reforms

Promote And Support Anti-Corruption Reforms (\$1,000,000 ESF). USAID plans to provide technical assistance in promoting broad anticorruption efforts in such areas as, transparency and accountability in the justice sector, greater access to public information, civil society oversight, and tracking and monitoring of corruption cases. Prime implementer: to be determined.

Strengthen Democratic Political Parties

Strengthen Democratic Political Parties (\$1,000,000 ESF). USAID intends to provide technical assistance and training to political parties to promote public sector accountability and good governance practices to challenge the existing patronage system. Emphasis may be on building political party capacity so that technically qualified people have access to increasingly higher party positions, government positions, or elected offices based on merit. Political party finance reform may also be supported. Prime implementer: to be determined.

Strengthen the Justice Sector

Strengthen Justice Sector (\$830,000 DA). USAID plans to provide technical assistance to strengthen such institutions as the Supreme Court, Public Ministry, Controllers Office, and the Council of Magistrates in coordination with civil society to promote transparency, fight corruption, promote judicial independence, and strengthen the rule of law. Prime implementer: to be determined.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$1,000,000 DA). USAID plans to expand the number of local governments implementing good governance practices by evaluating governance performance against independent, objectively verifiable municipal performance indicators specific to Paraguay. Indicator results may be used to determine where to provide technical assistance, to promote transfers and coordination by central government actors, and to promote specific local projects. In addition, a local database on municipalities' performance will be developed to promote competition and provide citizens access to municipal performance information. Support may be provided to help expand local development and economic growth by working with the private sector, local entities, international donors, and other actors through the Global Development Alliance. Prime implementer: Alter Vida.

FY 2006 Program

SO: 526-009 Health Coverage for the Underserved Population Improved

Improve Maternal Health & Nutrition

No obligations are planned in FY 2006 as the program will begin in FY 2007.

FY 2007 Program

SO: 526-009 Health Coverage for the Underserved Population Improved

Improve Maternal Health & Nutrition

Improve Maternal Health & Nutrition (\$1,000,000 CSH). USAID plans to strengthen selected essential public health functions of the Ministry of Health (MOH), focusing on maternal health and nutrition. Technical assistance may be provided to assure improved public health information for policy and decision making. This would benefit all stakeholders and reinforce ongoing health sector decentralization and logistics strengthening activities. This assistance will help the MOH assume its functions as a regulatory and enforcement arm of the Government of Paraguay by providing quality public health information for planning and evaluation purposes. Principal contractors and grantees: to be determined.

Support Democratic Local Government & Decentralization

Support Democratic Local Government & Decentralization (\$250,000 CSH). USAID plans to continue to strengthen local government and community control in the provision of health services with a focus on family planning; disseminate financial models of providing health services; and develop community models for information, education, and a communication strategy that will help increase access to family planning and prevent unwanted pregnancies in those areas. Technical assistance will be used to improve the structure of the health services network so those in need of health services where (e.g. hospital, health center, health post) they will receive the services required. Support will continue to be provided to the MOH to promote policy issues related to health reform including reforms aimed at further decentralization of the health system and to design and implement activities that complement the Maternal and Child Health Insurance system, financed by a World Bank loan. Principal contractors and grantees: to be determined.

Support Family Planning

Support Family Planning (\$856,000 CSH). USAID intends to begin graduating from the family planning program. In coordination with the United Nations Fund for Population Activities, USAID plans to continue improving the capacity of the MOH to provide quality family planning services to poor and rural areas of Paraguay. Technical assistance will improve public sector provision of contraceptives including continued support to improve the MOH's capacity to forecast, finance, procure, and distribute contraceptives. This assistance will be expanded to the Social Security Institute to ensure that all actors within the health sector are assuming their responsibility in providing contraceptives. Principal contractors and grantees: John Snow, Inc. and others to be determined.

FY 2006 Program

SO: 526-010 Employment generated through diversification of markets and products

Increase Trade and Investment

No obligations are planned in FY 2006 as the program will begin in FY 2007.

FY 2007 Program

SO: 526-010 Employment generated through diversification of markets and products

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$1,000,000 DA). A follow-on program to the highly successful Paraguay Vende activity will be implemented to continue supporting private sector growth through technical assistance to individual firms. Technical assistance will be used to provide marketing and general business expertise. This will include supply chain development services that allow firms facing immediate business opportunities to utilize the assistance to increase sales in the short term. The program will emphasize the importance of generating exports and improving market access in order to strengthen private sector ties to the global economy. Principal contractor or grantee: to be determined.

Increase Trade and Investment

Increase Trade and Investment (\$300,000 DA). USAID plans to support efforts to reduce regulatory, policy, and institutional constraints affecting trade and investment by providing technical expertise to business associations and Government of Paraguay initiatives. This assistance is planned to facilitate public-private dialogue and advance reforms to the business environment conducive to increased trade and investment. Principal contractor or grantee: to be determined.

FY 2006 Program

SO: 526-011 Conservation Management of Globally Important Eco-regions Improved

Improve Sustainable Management Of Natural Resources & Biodiversity

No obligations are planned for FY 2006 as this program begins in FY 2007.

FY 2007 Program

SO: 526-011 Conservation Management of Globally Important Eco-regions Improved

Improve Sustainable Management Of Natural Resources & Biodiversity

Improve Sustainable Management Of Natural Resources & Biodiversity: (DA \$1,000,000). USAID plans to improve the conservation of biodiversity in prioritized areas of globally important eco-regions. Training and technical assistance are planned to improve conservation measures in private and public protected areas and in buffer zones around them. On a pilot basis, this may involve areas which are concessioned. Technical assistance in buffer zones may focus on alternative and ecologically friendly economic activity. Support will also be provided to increase public awareness of local environmental issues, formulate management plans, and train local officials. Development of mechanisms for land purchases to promote biodiversity and assistance in the creation of biologically important corridors will also be supported. Environmental and natural resources policy and regulatory frameworks will be reinforced. USAID may provide training and technical assistance to strengthen selected local governments with the intent to improve their capacity to undertake zoning and land use surveys, as well as enforcement activities. USAID may provide technical assistance to assure that protected areas have title or legally definitive status, seek to promote citizen participation in identifying and addressing local environmental issues, and strengthen communities' and municipalities' capacity to respond. An important emphasis will be given to communities living in buffer zones surrounding protected areas. Assistance to these poor communities will be based on participatory studies involving the residents. Principal contractor and grantees: to be determined.

FY 2006 Program

SO: 526-020 Reduced Impunity and Informality in Paraguay

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$13,464,759 MCA). Technical assistance is being provided to reduce informal economic activity by increasing the formality, operational efficiency, and transparency levels within the government Tax Authority; increasing the number of enforced sanctions imposed for customs related crimes; increasing the Ministry of Finances' internal investigative capabilities to reduce tax and customs related corruption; reducing the number of days to open a business through simplified processing and call centers that cut through red tape; and encouraging formal investments in duty-free assembly and re-export activities to provide a legitimate alternative to black market activities. Principal contractors: To be determined by a competitive process.

Promote And Support Anti-Corruption Reforms

Promote and Support Anti-Corruption Reforms (\$23,605,489 MCA). Technical assistance is being

provided to strengthen key institutions in the fight against corruption and impunity. Impunity is being reduced by: strengthening the investigative capability and internal controls of the Public Ministry; strengthening the Supreme Court by setting up an effective internal control and disciplinary system to deter illegal conduct; increasing the integrity and effectiveness of government operations by adopting an effective internal auditing system in the five most important ministries; designing and implementing an integrated public information management and registry control system that will allow information and coordination between the National Police Department, the Motor Vehicles Registry, and the Office of Court Records of the Judiciary; and improving the capacity of the National Congress to provide oversight of public finances and increase citizen participation in the oversight process. Principal contractors: To be determined by a competitive process.

FY 2007 Program

SO: 526-020 Reduced Impunity and Informality in Paraguay

Improve Economic Policy and the Business Environment

No obligations are planned during FY 2007.

Results Framework

526-004 Key Democratic Governance Practices Instituted

Program Title: Democracy & Governance

IR 4.1: More effective and accountable local governments developed.

IR 4.2: Development of an active civil society encouraged.

IR 4.3: National democratic reform process expanded.

526-005 Management of Globally Important Ecoregions Improved

Program Title: Environment

IR 5.1: Ecoregional management capacity of local NGOs strengthened.

IR 5.2: Policy, legal and financial tools from improved ecoregional management developed.

526-006 Use of Voluntary Reproductive Health Services Increased

Program Title: Reproductive Health

IR 6.1: Decentralized community based health care improved.

IR 6.2: Access to quality reproductive health services expanded.

526-007 Increased Incomes for the Poor in Selected Economic Regions

Program Title: Economic Growth

IR 7.1: Business development strategies implemented.

IR 7.2: Availability of financial services in target areas increased.

IR 7.3: Business environment for micro and small businesses improved.

526-008 Corruption Reduced and Good Governance Improved in Key Sectors

Program Title: Democracy and Governance

526-009 Health Coverage for the Underserved Population Improved

Program Title: Health

526-010 Employment generated through diversification of markets and products

Program Title: Economic Growth

526-011 Conservation Management of Globally Important Eco-regions Improved

Program Title: Environment

526-020 Reduced Impunity and Informality in Paraguay

Program Title: Paraguay Threshold Country Program - MCA